This month's cover ...
shows the Sheikh Lotfollah mosque in Isfahan (see p10).
Photo: Iranian Cultural Institute, Vienna

OPEC bulletin

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OPEC

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Membership and aims

OPEC is a permanent, intergovernmental Organization, established in Baghdad, September 10–14, 1960, by IR Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective is to co-ordinate and unify petroleum policies among 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 the five Founding Members and six other Full Members: Qatar (joined in 1961); Indonesia (1962); SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); and Nigeria (1971). Ecuador joined the Organization in 1973 and left in 1992; Gabon joined in 1975 and left in 1995.

Contributions

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

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The new realism

OPEC's decision to suspend its price band will send clearer signals to the market and investors


Photo: Reuters/Paul McEvane

Oil traders wait for the start of trading in the NYMEX European trading pit in Dublin

At the recent 134th (Extraordinary) Meeting of the Conference, OPEC took two important decisions: to keep its output ceiling unchanged and to suspend its price band temporarily after prices had been trading out of the range for over a year.

The decision to keep output levels unchanged was not unexpected since, prior to the Meeting, prices were at eight-week highs, close to $50/barrel for Brent and WTI. The reason for these high prices was not a supply shortage – since strong demand had been met by increased supply from OPEC – but a variety of factors, including the cold weather conditions and high demand in key northern hemisphere regions, outages in Iraqi supply due to sabotage, uncertainty over the geopolitical ramifications of the post-election environment in Iraq, and the upward revisions to demand forecasts for crude oil in 2005. All of these factors were read as bullish signs by the market, despite the continuing build in crude oil stocks at the time.

But one should not forget that for all the talk of oil prices being around $50/b, many crudes from OPEC Member Countries are selling in a range of $35–45/b, lower than the benchmark crudes, but nevertheless higher than the now suspended OPEC price band range of $22–28/b.

This elevated price environment has persisted for quite some time now, making it apparent to the Member Countries that the price band, adopted amidst very different market conditions in 2000, was unrealistic and unfeasible. How could the Organization possibly defend prices in the $22–28/b range when the market has clearly been telling a different story with unprecedented oil demand growth in 2004, coupled with expectations of continuing, strong crude demand in 2005, amongst other things?

It had become abundantly clear that, in the current circumstances, OPEC could not continue to talk about the price band range, despite the fact that several of the major consuming countries had come to endorse it after it was adopted as being consistent with security of supply and demand. In the light of this, the Conference decided to clarify the situation, and for the time being suspend the band until further studies on the subject are completed.

Measures such as the price band make sense until market conditions change to a degree which necessitates a re-think about the way things are done. The decision to suspend a mechanism takes a lot of courage in a market which is hyper-sensitive. But making such choices demonstrates a realistic commitment to the stability of the crude oil market, and an increasing flexibility in the way OPEC takes decisions.

After all, the world is signalling that it will require more and more crude supplies in the coming decades. The developing world is growing at a rapid rate and developed countries show no sign of slowing at this point in time. What all of this highlights, most importantly, is the need for the security of both oil supply and demand.

And for oil security to be assured, capacity expansion projects need to be undertaken and, ideally, a recognition of the cost of this investment needs to be reconciled by all parties. Essentially, what this means going forward is that the price of oil needs to be sustainable not only for consumers, but also for producers to provide the volumes needed now and in the future. OPEC's latest decision – which is in line with its commitment to maintaining market stability – will send the right signals to the market and investors in the industry.

134th Conference leaves ceiling unchanged, suspends "unrealistic" OPEC price band

Seen here are (l-r) the Chairman of the Board of Governors and Algeria's OPEC Governor, Hamid Dahmani; the United Arab Emirates' Minister of Energy, HE Mohamed Bin Dhaen Al Hamli; Acting for the Secretary General and Director of OPEC's Research Division, Dr Adnan Shihab-Eldin; Iraq's Head of Delegation, HE Tariq Aqrawi; Iran's Minister of Petroleum, HE Bijan Namdar Zangeneh; Algeria's Minister of Energy & Mines, HE Dr Chakib Khelil; Saudi Arabia's Minister of Petroleum and Mineral Resources, HE Ali I Naimi; OPEC Conference President and Secretary General and Kuwait's Minister of Energy, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah; Indonesia's Minister of Energy & Mineral Resources, HE Dr Purnomo Yusgiantoro; Libya's Secretary of the People's Committee for Energy, HE Dr Fathi Hamed Ben Shatwan; Qatar's Second Deputy Prime Minister and Minister of Energy & Industry, HE Abdullah bin Hamad Al Attiyah; Nigeria's Presidential Adviser on Petroleum & Energy, HE Dr Edmund Maduabebe Daukoru; Kuwait's Governor for OPEC, Ms Siham Abdulrazzak Razzouqi; and Venezuela's Governor for OPEC, Iván A Orellana

The 134th (Extraordinary) OPEC Conference decided to leave the overall production ceiling of 27 million barrels/day for the OPEC-10 (excluding Iraq) unchanged when it met in the Austrian capital Vienna on January 30, 2005.

The closing communiqué from the Meeting noted that since "current supply/demand forecasts indicate that the market will remain in balance through the first quarter of 2005, the Conference decided to maintain currently agreed production levels." In addition, it reiterated its call on the OPEC Members to ensure strict compliance with the agreed levels.

The statement also noted that the level of global oil supply — particularly OPEC output — had exceeded demand, allowing commercial oil stocks to build to above their five-year average, which had led to a moderation in

by Graham Patterson

Photo: Reuters/Heinz-Peter Bader

Above: Indonesia's Minister of Energy & Mineral Resources, HE Dr Purnomo Yusgiantoro

Photos (unless otherwise credited): OPEC

The United Arab Emirates' Minister of Energy, HE Mohamed Bin Dhaen Al Hamli (left), is seen here with the Chairman of the Board of Governors for 2005 and Algeria's OPEC Governor, Hamid Dahmani

Saudi Arabia's Minister of Petroleum and Mineral Resources, HE Ali I Naimi (l) with Iran's Minister of Petroleum, HE Bijan Namdar Zangeneh

the OPEC Reference Basket price in the fourth quarter of 2004.

"The Conference further noted that, whilst prices have since strengthened, as a result of seasonal market characteristics, including cold winter weather, prices have been in contango for some time, especially in the case of heavy crudes. This situation is, moreover, accompanied by a certain degree of market volatility, reflecting concern over possible supply disruptions and the expectation of continued strong demand," said the statement.

It added that the evolution of the OPEC price band of $22–28/b had been reviewed since its inception in 2000, and

Right: Seen here (l-r) are OPEC Conference President and Secretary General and Kuwait's Minister of Energy, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah; Iraq's Head of Delegation, HE Tariq Aqrawi; and Qatar's Second Deputy Prime Minister and Minister of Energy & Industry, HE Abdullah bin Hamad Al Attiyah

Below: Libya's Secretary of the People's Committee for Energy, HE Dr Fathi Hamed Ben Shatwan(l), with Algeria's Minister of Energy & Mines, HE Dr Chakib Khelil

Above: Nigeria's Presidential Adviser on Petroleum & Energy, HE Dr Edmund Maduabebe Daukoru, gives a press interview

pointed out that, since oil prices had remained outside the price band for over a year due to market changes that had rendered it unrealistic, a decision had been taken "to temporarily suspend the current price band" until further studies on the subject were completed.

"Notwithstanding this temporary sus-

Photo: Reuters/Heinz-Peter Bader

Above: OPEC Conference President and Secretary General and Kuwait's Minister of Energy, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, speaks to reporters at the press conference

pension, the Conference stressed that the Organization remains firm in its commitment to maintaining a stable market with prices at reasonable levels conducive to expansion of production capacity and supply growth to meet rising demand, as well as to ensuring that there is enough oil to fuel global economic growth in the 21st century, in particular in the developing countries," it added.

Speaking at a press conference at the OPEC Secretariat after the end of the Meeting, the OPEC Conference President and Secretary General, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, said that despite the recent high prices, the market was well supplied with crude, and in fact there was still an oversupply of about 500,000 b/d.

Refining capacity shortage

Some of the reasons behind the high price levels included the northern hemisphere winter, the situation in Iraq, a shortage of refining capacity in some consuming countries and strong economic growth in China and elsewhere, said Sheikh Ahmad, who is also Kuwait's Minister of Energy and Chairman of Kuwait Petroleum Corporation.

Stocks had continued to build counter-seasonally in the fourth quarter of 2004 and the first quarter of 2005 and, for the first time, a further counter-seasonal build was foreseen for the second quarter of this year, the Conference President added.

Asked whether OPEC would use OECD stock levels as a basis for making its decisions on production, Sheikh Ahmad noted that while factors such as days of forward cover were of importance, there was no one single factor or number that might trigger OPEC action. Such action, if deemed necessary, would be taken only after careful consideration of all the factors involved.

On the question of demand growth in 2005, Dr Adnan Shihab-Eldin, Acting for the Secretary General and the Director of OPEC's Research Division, said this was seen at 1.7m b/d, with non-OPEC supply climbing by 1.2m b/d and OPEC NGLs by 200,000 b/d. The call on OPEC would be 28.6m b/d for 2005.

Above: OPEC Conference President and Secretary General and Kuwait's Minister of Energy, HE Sheikh Ahmad Fahad Al-Ahmad Al-Sabah (second l), answers questions at the closing press conference, flanked by Acting for the Secretary General and Director of OPEC's Research Division, Dr Adnan Shihab-Eldin (third l); the Head of OPEC's PR & Information Department (PRID), Dr Omar Farouk Ibrahim (l); and PRID's Media Relations Officer, Dr Abdulrahman Al-Kheraigi (r)

Asked about the temporary suspension of the OPEC price band, the Conference President said that this was in response to the market situation last year, since prices had remained above the band's upper limit of $28/b for a long time.

He also noted that OPEC's Long-Term Strategy committee (the Deputy Ministers of Petroleum and Energy) had been studying the issue of the price band and would continue to do so, including a possible amendment to the components of the OPEC Reference Basket from seven crudes to 11, he added.

Producers and consumers, said Sheikh Ahmad, should get together to expand co-operation and hold further dialogue, so that prices would be the average of everybody's wishes. For Kuwait, he noted, $32–35/b would be a reasonable range, adding: "Everybody has his own number."

Global economic growth

Asked whether $50/b was an acceptable price for crude, Sheikh Ahmad pointed out that many industry analysts had said that such price levels would not seriously impact on global economic growth. Even $60/b oil might shave only 0.1–0.2 per cent off global growth.

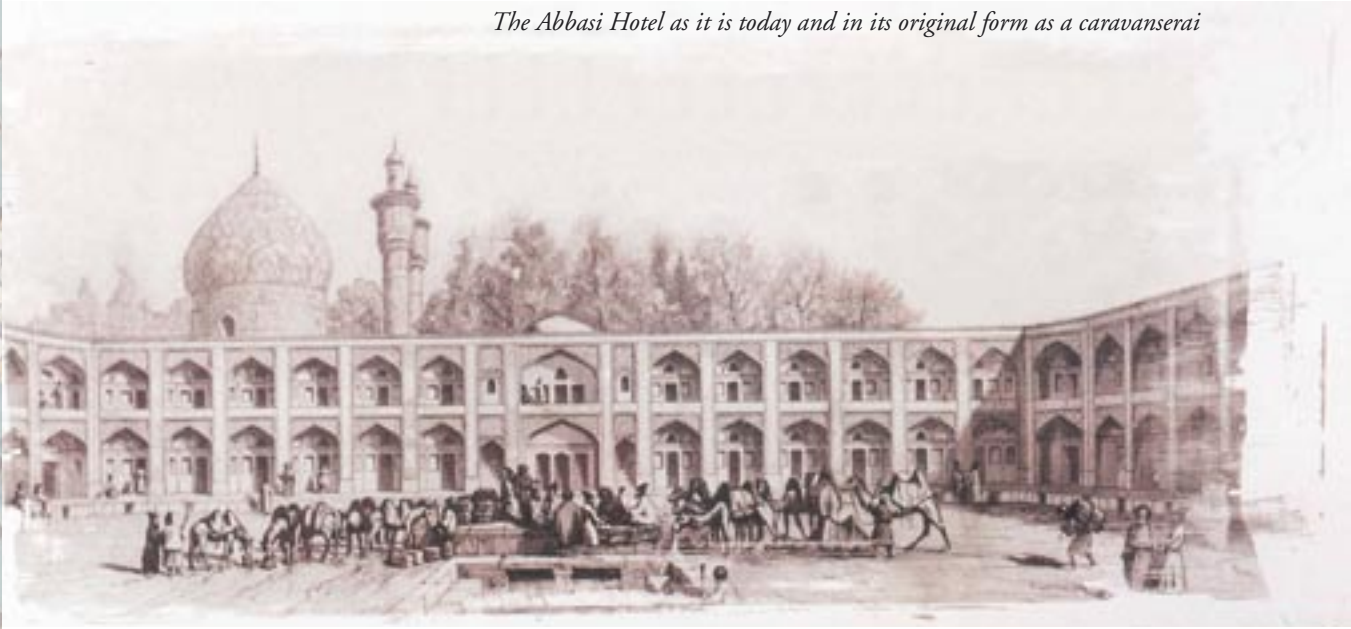
Although oil prices had witnessed record levels in 2004, with WTI climbing to well over $50/b, the figure for the whole year was considerably lower. In fact, the OPEC Reference Basket averaged about $36/b for the full year 2004, said the Conference President.

OPEC's next Ordinary Meeting is scheduled to convene in the Iranian city of Isfahan on March 16, 2005. The final communiqué from the 134th Conference notes that the President "should make consultations" ahead of the Isfahan Meeting, "to ensure that a timely cut could be made, as appropriate."

Isfahan

ready for 135th OPEC Conference

The Abbasi Hotel as it is today and in its original form as a caravanserai



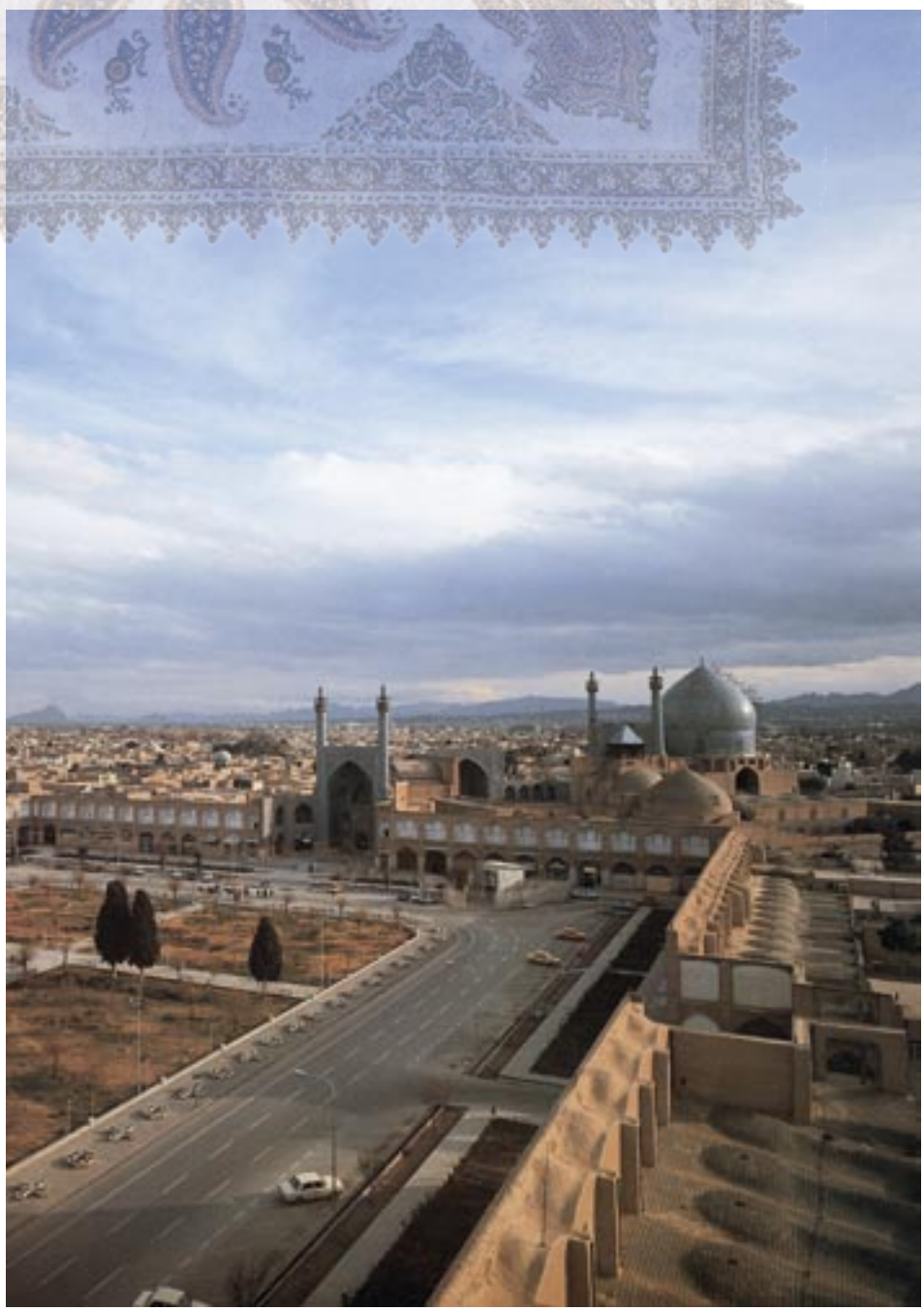
Thirty-four years after hosting the 22nd Meeting of the OPEC Conference, Iran is set to once again welcome delegates, journalists and analysts to the Islamic Republic for the 135th Conference of OPEC Oil, Energy and Petroleum Ministers. However, unlike the two previous occasions when Iran hosted OPEC Meetings — the 3rd Conference in 1961 and the 22nd in 1971 — the 135th Conference is being held outside the national capital, Tehran. Isfahan, the 16th century capital of the Persian empire, and now the capital of Isfahan Province, one of the 28 provinces that make up the Islamic Republic of Iran, is hosting the Conference on March 16, 2005.

This is the first OPEC Conference to be hosted by Iran since the Islamic Revolution that overthrew the Shah's government and brought Ayatollah Khomeini's government to power in 1979. How much has changed and how much has remained the same in Iran since the revolution? How is Iran perceived by the outside world and how real is this perception? These are the observations we will be making during our visit in March and on which we will report in the next issue of the *OPEC Bulletin*.

by Dr Omar Farouk Ibrahim
Head, PR & Information Department

Isfahan, the host city of the OPEC Conference, is situated some 390 km south of Tehran. It is 45 minutes by air from Tehran, and about seven hours by road. Flights from Europe and America usually land at Tehran International Airport where connecting flights operate to Isfahan almost every other hour, beginning at 6.00 in the morning. For conference guests (which include delegates, analysts and the press) who arrive in Iran through Tehran International Airport from March 10, the host government, through a firm of event managers — Iranian Inc for Contemporary International Conferences and Fairs (IICIC) — has made arrangements to receive them at the arrival hall and assist them in boarding the next available flight to Isfahan. The organizers will also be available to assist journalists who may need assistance to clear their equipment with customs. IICIC has two reception desks at the airport, one at the main arrival hall and another at the VIP wing. Their staff will be on the look-out for Conference guests. Guests may approach them for assistance with transportation to their hotels. Guests coming from the Gulf states can fly directly to Isfahan, where IICIC staff will be available to receivethem. The Conference is scheduled to take place at the Abbasi Hotel, a massive and sprawling two-storey structure built in the 16th century as a caravanserai. The huge courtyards which originally housed the horses and camels that were used in long-distance trade within the empire and between it and other empires and kingdoms, has now become a beautiful garden with fountains and numerous flowers that will soon be in bloom. The interior of the hotel is decorated in various Persian and Eastern style designs, with generous amounts of pure gold on most of the designs. The main conference room of the Abbasi Hotel, for example, is decorated with 24 kilograms of 17-carat gold.

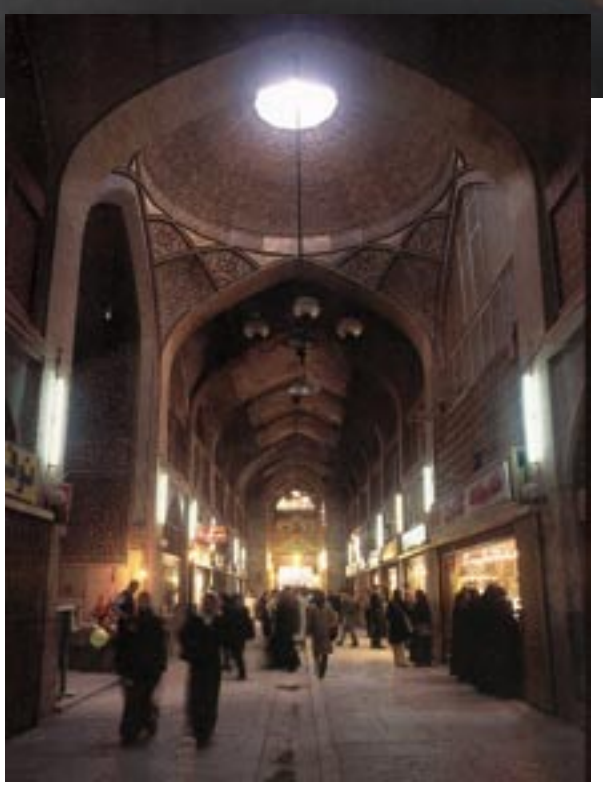
Journalists and analysts are staying in



Imam Khomeini square and mosque

Kowsar International Hotel some 10 minutes walk from the Abbasi. There, a press working area with computers, telephones and internet facilities has been provided to assist the press cover the conference. Press accreditation will take place in the Kowsar International Hotel and all journalists and analysts who plan to attend the conference are required to register in advance. To register on-line, go to *www.opec.org*, click on *Meetings* and then on *On-line application for accreditation*. Another press working area is provided in the Abbasi Hotel with computers, internet and telephone facilities. Media houses requiring the services of SNG trucks are advised to inform OPEC as early as possible to enable the organizers meet their needs.

All guests are required to apply for an entry visa to the Islamic Republic of Iran. Journalists and analysts are advised to



Above: Ali Qapu palace

Left: One of Isfahan's many bazaars

apply for the visa at the same time as they apply for accreditation. The visa application forms are on the same site and should be duly filled out. All visa applicants will be advised where and when to go for their visa after the applications have been processed by the Iranian authorities. International journalists are advised to find out from their telephone companies if they need to roam their phones before setting out for Iran as some international mobile phones need to be roamed in order to work in Iran. It is advisable to use the local mobile phones to make international calls as the rates are a lot cheaper. Provision will be made for refill cards to be sold in the Abbasi and Kowsar Hotels. At the time of accreditation, journalists will be given a press kit which will contain the OPEC press background for the 135th Meeting of the Conference. This document describes the structure of OPEC, and includes brief CVs of the Heads of Delegation of the OPEC Member Countries to the Conference, a chronological list of OPEC Presidents and Secretaries General, as well as venues of all OPEC Conferences since the maiden meeting in Baghdad in 1960. In addition, the press kit has some handy publications about OPEC and the oil industry in general. A Persian version of some of the publications will be available for the local press.

For many journalists going to Isfahan, the excitement is not just covering the OPEC Ministerial Meeting, it is also about seeing a city that, nearly half a millennium ago, was described as 'half the world.' It is about discovering the civilization of the East, its architecture, its designs and art, its handicrafts, and above all, a major source of the pride of the Iranian people in their history and culture. There are many places of interest to visit in Isfahan. The Imam Khomeini square where the famous Imam mosque, the Ali Qapu palace and Isfahan's biggest bazaar are located, is one place visitors cannot fail to see. In those structures, built between the 14th and 16th centuries, are ample evidence of the Persians' mastery of design, art, architecture, and engineering. In the Ali Qapu mosque, for example, one can see can see how the design and the building were made to allow the voice of the muezzin to be heard hundreds of metres away from the inside of the mosque. The

Chehel Sotun palace

design provided a natural public address system, as the echo of the voice of the muezzin is heard far beyond the confines of the large mosque. The same technique is used in the Chehel Sotun palace, a summer resort of the king, where singers and musicians entertained royal guests from some hundreds of metres away across a huge courtyard.

One of the attractions of Isfahan is the Zayandeh river which runs through the city. Some of the bridges connecting one half of the city to the other date back to the 12th century. Although some renovation work has been done to maintain the bridges, the foundation is said to be essentially the same for many of the old bridges. The 33 Arches bridge is a visitor's delight any day, as is the Khaju bridge, which houses a royal court which was used by the king as summer resort and to get closer to his subjects. Nowadays, visitors to the bridge can sit in a number of tea houses built in the bridge for tea and some Persian delicacies.

The shaking twin minarets, situated some 20 minutes from the city centre, are another attraction for visitors to Isfahan. Built in the 14th century around the tomb of a great Islamic scholar, and rising to a height of some 17 metres, the mina-

Khaju bridge

rets were constructed entirely with bricks and plaster. No iron rods were used. Manar Jombah (or the shaking minarets) got its name from its unique characteristics, namely the fact that when one goes to the top of one of the minarets and shakes it, the other minaret, situated some five metres away, also shakes, as does the whole rooftop. Given that this structure has existed since the 14th century and it has continued to be shaken without it falling apart, many people believe that earthquake-proof technology existed in Persia as far back as seven hundred years ago.

The bazaar, at the opposite end of the Imam mosque is another architectural masterpiece of the Persians. The bazaar combines the best of the two worlds — modernity and tradition. On display in the bazaar are goods ranging from the most traditional artifacts to computer chips. Many artisans can be seen working on textile production, miniatures, silver and copper ware, paintings, etc. And the gold section of the bazaar is simply gorgeous.

Palestine Street is a symbol of religious tolerance in Isfahan. On one corner there is a mosque called masjid Al-Aqsa (not the masjid Al-Aqsa mentioned in the Holy Qurán). Directly opposite the mosque is a Jewish synagogue, and a little further away from these two places of worship is the Jesus hospital. Muslims, Christians and Jews live together in harmony.

We hope to see you in Iran in March for the 135th OPEC Conference.

Photos courtesy of Iranian Cultural Institute, Vienna.

GLOBAL PRODUCER-CONSUMER ENERGY DIALOGUE:

Based on Ambassador Walther's address to the Diplomatic Academy of Austria, Vienna, January 25, 2005.

THE CONTRIBUTION OF THE INTERNATIONAL ENERGY FORUM

As energy interdependence becomes ever more important, the Riyadh-based International Energy Forum will play a vital role in facilitating dialogue between all parties, according to its Secretary General, Ambassador Arne Walther.

Oil prices are in the headlines. Energy security is again high on the political agenda. Government leaders are concerned. Oil-importing industrialized countries warn of the detrimental impact that high oil prices have on their individual economies and on the world economy. Oil-importing developing countries suffer even more than before from increasing oil import bills. Oil-exporting countries are producing what they can to help bring prices down, and making good money doing so. Surging demand in Asia, economic recovery, refinery bottlenecks, terrorist attacks and political uncertainties are the driving factors behind the higher oil prices that we see today.

If this shorter-term perspective is challenging, the longer-term scenario is even more daunting. The increase in global energy demand foreseen in the years ahead is substantial. Most of this increase will come in the developing countries as they industrialise and their economies grow. In this longer-term perspective, production and consumption patterns, the energy mix and investment requirements will evolve in a changing geopolitical environment, and these energy developments will influence that changing geopolitical climate.

A TIME FOR ENERGY DIALOGUE

Clearly, this is a time for global energy dialogue, because energy is crucial for economic and social development in individual countries. Energy is important for commercial and political relations between countries. It fuels the world economy. Production and consumption of energy has an impact on the global environment. Energy influences, and is influenced by, international politics. It is difficult to imagine an area where nations are more interdependent than in the confluence of energy, environment and economic development.

The International Energy Forum (IEF) gathers not only International Energy Agency (IEA) and OPEC countries, but also important producing and consuming countries outside these organizations. In the IEF, ministers meet for informal dialogue across traditional political, economic and energy policy dividing lines. The focus is on energy security and the links between energy, environment and economic development.

Let me continue with a few words about the recent past, before highlighting the unique character of the dialogue in the IEF. I will give a few figures to indicate the direction in which energy developments seem to be going and mention some of the shared

perspectives that emerged from the IEF's ministerial meeting in Amsterdam in May last year. Then I shall add a few words on energy security, before concluding by highlighting something that I believe will become a new and forceful regional dimension of the global energy dialogue: the contours of a new Asian energy identity.

ENERGY'S SEVEN POLITICAL 'C'S

First, let me introduce as a framework what I would call the seven political 'C's of energy. Not the seven seas of planet Earth, but 'C's as represented by the third letter of our alphabet. These seven 'C's are: concern, competition, conflict, co-operation, consensus, conservation and confluence.

The first 'C' is energy *concern*. We simply cannot do without energy, in our homes and in the world. We need it for survival. It fuels economic and social development. Political leaders and individuals are, and should be, concerned about energy security and the energy challenges ahead.

As energy demand grows, so will *competition*, the second 'C', as reflected in competition for energy resources and between resources. Competition is good when it makes everyone try a little harder. But it should be transparent, fair and on a level playing field. Competition is bad when it leads to the third 'C' — *conflict*.

We have seen how conflict in energy can have negative economic and political consequences. The objective of dialogue is to reduce the scope for conflict and to foster the fourth 'C' — win-win *co-operation*. Co-operation between some stakeholders should not, however, be lethal to others.

We are aiming for the fifth 'C' — a global *consensus* on energy based on the awareness of long-term common interests. An element of this consensus is the sixth 'C' — *conservation*. We will need more energy and must improve energy efficiency, for many reasons.

You cannot isolate energy from everything else. That brings us to the important seventh 'C' — *confluence*. By this I mean the confluence of the streams of energy, environment and economic development into a sustainable and equitable common future.

DIALOGUE OF THE INTERDEPENDENT

The past has shown how energy, especially the strategic commodity oil, and market volatility, can create conflict or exacerbate political tensions between countries or groups of countries. For many years, it was politically unacceptable for energy ministers of consuming and producing countries to meet in a multilateral context. Now, however, it is.

In that more confrontational past, voices for energy dialogue could be heard from time to time, but persistent voices against were louder. In the late 1980s, when Norway's former Prime Minister, Dr Gro Harlem Brundtland, called for an informal workshop of ministers of energy-producing and consuming countries, there were those who regarded the very idea of a dialogue at a political level as a non-starter. Some even thought it outright dangerous. The differences and conflicts between the two groups of countries were seen as a fact of life. One just had to live with sharply fluctuating oil prices, instability and mutual insecurity, and with the adverse wider economic and political impact this would have.

International developments and the Gulf War in 1990–91 highlighted the importance of oil and proved a turning point for the idea of dialogue at a political level. A more co-operative atmosphere between producers and consumers ensued in its wake. At the initiative of Presidents Mitterand of France and Perez of Venezuela, the first ministerial meeting was held in Paris in 1991.

It broke the political ice and was followed by informal ministerial-level meetings in Norway, Spain, Venezuela, India, South Africa, Saudi Arabia, Japan and the Netherlands. An ever-increasing number of ministers have come to take part in what developed from a ministerial workshop to become the IEF.

UNIQUE IN SCOPE AND APPROACH

Sixty-three countries and 11 international organizations participated at the 9th IEF ministerial meeting, which took place in Amsterdam in May 2004. Never before had so many energy ministers gathered in any one place at any one time.

The producer-consumer dialogue at a political level in the IEF is unique in its global participation and perspective. It involves not only ministers of IEA and OPEC countries, but also ministers of important countries outside these two main producer and consumer organizations: China, Russia, India, Brazil and South Africa, to name but a few that are increasingly impacting the global energy scenario. In the IEF, these and other countries make their voices heard on an equal footing with their peers in the IEA and OPEC.

The IEF is also unique in its approach. Ministers discuss common concerns, present their policy views and listen to those of others. They look for consensus-oriented approaches to energy challenges. The IEF is not a decision-making organization or a place for the negotiation of legally binding settlements and collective action. Nor is the IEF a body for multilateral fixing of prices and production levels. Decisions are made on a national basis in capitals.

IEF ministerial gatherings are also the venue of a

series of bilateral meetings. They are a market place for energy ministers, where they can meet all their important colleagues in a time-efficient manner, get to know each other better or make deals, without the press and other colleagues necessarily getting to know about it.

It should be mentioned that since the OPEC Ministers were attending the IEF Amsterdam ministerial meeting last year, they had an informal meeting there the day before discussing the market situation and preparing for the decisions they would be making at their formal OPEC Conference a few weeks later. On the fringes of the IEF ministerial meeting over the next two days, they also had the opportunity to meet bilaterally with ministers of important consumer countries, and many of them did.

IEF ministerial meetings have contributed to a convergence of views and a growing awareness of the simple fact that we are all in the same boat. Greater stability and predictability in energy developments is increasingly seen as a shared goal that can facilitate long-term economic planning and have a positive influence on political developments as well. The mutual sense of interdependency, vulnerability and win-win opportunity has improved the atmosphere for long-term co-operation. In addition, difficult short-term issues are being addressed in a more co-operative way than before when the atmosphere was confrontational.

AN ENERGY SCENARIO

Experts expect that a quarter of a century from now, energy demand will be almost two-thirds higher than today. Fossil fuels will remain the primary sources of energy and account for four-fifths of total demand. Oil will amount to 35 per cent, natural gas to 25 per cent and coal to 22 per cent of the energy mix. These fossil fuels will dwarf nuclear's five per cent, hydro and other renewable sources' almost four per cent and biomass and waste's almost ten per cent.

Fossil fuels will meet 85 per cent of the total increase in global energy demand by 2030, most of which will come in the developing countries. Global energy-related carbon dioxide emissions will grow correspondingly, with a 60 per cent increase from today's level. Seventy per cent of this increase will come from developing countries. Today, a quarter of the world's population (1.6 billion of 6.2bn people) lacks access to electricity and two-fifths rely mainly on traditional biomass for their basic energy needs. In 2030, we expect that 1.4bn out of the world's 8.1bn people will still lack access to electricity.

Put in simple terms, the world will need more and cleaner energy used in a more efficient way. It should be accessible and affordable to a larger share of the world's population.

AMSTERDAM CONCLUSIONS

The Amsterdam ministerial meeting voiced concern about the high oil prices. Ministers agreed that economic recovery worldwide, especially in developing countries, would benefit from stable oil prices at a reasonable level. Both producer and consumer countries should take action to ensure sustainable price levels.

The ministers considered present oil and gas reserves sufficient to meet the world's increasing energy needs, provided that necessary investments are made in time. Unhindered access to capital, energy technology and markets would promote the development of production, transit and transport capacity. The sovereign rights of states over their natural resources were reaffirmed. The commercial objectives of oil and gas companies were recognised.

They also echoed the strong message from the CEOs of leading energy companies in the preceding International Energy Business Forum that stable and transparent economic, fiscal and legal frameworks need to be in place to attract sufficient foreign direct investment and other resources. Transparency with respect to oil production and stocks was also seen as important to that end.

The ministers underscored the importance of investments in cleaner fossil fuels and of reducing the detrimental effects of growing energy use. The importance of developing alternative energy sources was stressed. Their vision was a smooth transition to a new energy era for the longer term, facilitated by the presence of still ample oil and gas reserves.

The importance of energy for sustainable development and follow-up of the World Summit on Sustainable Development in Johannesburg in 2002 was also emphasized, especially bearing in mind the energy needs of a growing world population.

ENERGY SECURITY

This brings us back to energy security, which is a complex and broad-based issue. It is about oil, diversification of supplies and the energy mix. It is about investments, technical arrangements and infrastructure. It also has to do with the overarching imperatives of economics, politics and the environment. Energy security has domestic and foreign policy implications. It translates into producer-consumer interdependence, where mutual vulnerability and win-win opportunity is the name of the game, short-term and long-term.

It has been estimated that total investments of $16 trillion are required for the energy supply infrastructure needed to satisfy global demand in 2030. The economic challenge is to mobilise needed new investments in competition for limited funds with

other important sectors of the economy. The political challenge is to ensure a common energy future where energy supply and demand can be balanced in such a way as to promote, and not jeopardise, the political goals of sustainable global economic, social and environmental development.

Global energy trade, almost entirely in fossil fuels, is set to expand rapidly. Inter- and intra-regional trade in oil could double in the next 25 years. The mismatch between where these sources of energy are produced and where they are used will increase, linking regions and sub-regions closer together, but also posing new challenges. Vulnerability to disruptions of energy supply, due to politically motivated sabotage or technical mishaps, could increase. Maintaining the security of international sea lanes and pipelines, both onshore and offshore, will assume increasing importance for energy security.

There is no quick and lasting fix to the challenge of global energy security. The cluster of issues related to energy security must be addressed in ongoing dialogue, not only between nations at a political level, regionally and globally, but also in dialogue and partnerships between governments and industry.

NEW KID ON THE ENERGY BLOCK

At the IEF ministerial meeting in Riyadh in 2000, Crown Prince Abdullah of Saudi Arabia suggested the need for a Secretariat to support the producer-consumer dialogue, which until then had been an informal process without any fixed institution. He offered Saudi Arabia as the host country for this new body. The idea was endorsed at the following ministerial meeting in Japan in 2002. The IEF Secretariat started its work in December 2003. It is based in Riyadh and funded on the basis of annual voluntary contributions from the participating countries.

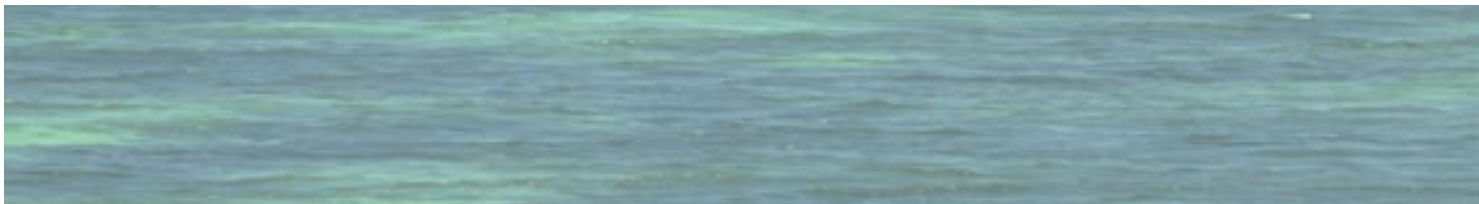
A cardinal task for the new IEF Secretariat is to support host country Qatar, and co-hosts China and Italy, in preparing for the next ministerial meeting, which will take place in Qatar in 2006. The Secretariat will help to ensure the continuity of the ministerial-level energy dialogue between the biannual meetings by organising supporting meetings and roundtables. It can play the role of a catalyst by facilitating regional and inter-regional activities and linking these to the global dialogue endeavour.

A NEW ASIAN ENERGY IDENTITY

An example of this is the Roundtable of Asian Ministers on Regional Co-operation in the Oil and Gas Economy, which was hosted by India in New Delhi in January 2005 in association with the IEF Secretariat and with Kuwait as co-host. The petroleum and energy ministers of the 'big four' Asian importers — China, Japan, India and South Korea — were there. So too were the ministers of the main exporters in West Asia: Saudi Arabia, Iran, Kuwait, the United Arab Emirates, Qatar and Oman, as well as Malaysia. The ministers represented half of the world's population, the bulk of the world's remaining proven oil and gas reserves and, very importantly, the greater part of the surging global energy demand expected in the decades ahead. They gathered to discuss for the first time on a regional Asian basis an issue of utmost national and international concern — energy security, stability and sustainability.

The backdrop was the much higher oil prices over the last year, energy security concerns as well as increasing Asian energy interdependence. There are energy-hungry, growing economies in East and South Asia, and ample reserves of oil and gas in West Asia. Today, East and South Asia rely on West Asia for four out of every five barrels of their imported oil, and West Asian nations send two out of every three barrels of their oil exports eastwards in Asia.

The ministers recognized that while the Asian oil economy is integral to, and inseparable from, the global oil economy, the share of Asia in global production and consumption will progressively increase. They underscored the shared desire for market stability and that prices be sustained at levels which encourage Asian consumers to increase their purchases of Asian produce on the one hand and encourage



Asian producers to promote investments in oil and gas for Asian consumer destinations on the other. The ministers exchanged views on the scope for improving Asian markets. They underlined the importance of strategic storage and criss-cross investments linking Asian producers and consumers closer together.

The New Delhi discussions manifested a distinct awareness of increasing energy interdependence in Asia. What we now see emerging is a new and evolving Asian energy identity. The ministers agreed to continue their dialogue to establish an Asian consensus at a second roundtable in Saudi Arabia, to be followed not only by a third roundtable in Japan, but also by a fourth in Kuwait. These roundtables will be facilitated by the IEF Secretariat.

This new regional energy dialogue will promote wider regional economic and political co-operation as well. It will be an important dimension of an evolving multi-polar global energy order. Developments towards an Asian strategic partnership in energy will have a global impact. The Secretariat can play the role of catalyst link between this new regional process and the global dialogue endeavour in the IEF.

DIALOGUES WITHIN THE DIALOGUE

We are also facilitating other regional dialogues within the global dialogue. At the request of the Russian Minister of Energy, we took part in the 4th Russian Oil and Gas Week and held a joint roundtable with Russian authorities on Eurasian energy co-operation in October last year.

We are involved in the EuroGulf project on energy relations between the EU and the Gulf Co-operation Council. The ministers of ASEAN +3 (China, Japan and South Korea) have requested us to facilitate a meeting with a larger group of Middle East exporting countries later this year. We are discussing facilitation of regional meetings hosted by South Africa and Mexico as well. The UN has invited us to contribute to the focus that they will put on energy and development in 2006–07, following up the Johannesburg World Summit.

A THIRD PILLAR

Support to the host country of the biannual IEF ministerial meetings and facilitating supportive meetings in between are two pillars of Secretariat activity. A third pillar is to contribute to enhanced oil data collection and transparency.

We recently hosted a meeting in Riyadh with the six organizations — APEC, Eurostat, the IEA, OLADE, OPEC and the UN — that have pioneered and developed the Joint Oil Data Initiative (JODI). The objective of this joint effort, which is now established as a permanent mechanism, is to improve the quality and transparency of international oil statistics. More than 90 countries, representing 95 per cent of global supply and demand, are now submitting data.

Data and statistics are very technical in appearance. But available and unavailable oil data influence prices and markets and have political impact. Recognising that accurate and timely data are important to reduce market volatility, and willing to contribute reliable data, the ministers have endorsed the Secretariat assuming a co-ordinating role in this international and inter-organizational endeavour. JODI co-ordination is set to become a flagship of our activity and will contribute to market stability and energy security.

AN EVOLVING ENDEAVOUR

In conclusion, it must be emphasized that the IEF is an evolving international endeavour driven by governments at a ministerial level. It provides a venue for ministers of energy-exporting and importing countries, of developing and industrialised countries, to put their concerns and policy views on the table and to listen to, and better understand, those of others. The IEF facilitates an informal dialogue of the interdependent, where ministers can identify effective and sustainable ways of promoting global energy security across traditional political, economic and energy policy dividing lines.

The International Energy Forum:

The Riyadh-based International Energy Forum is poised to be a "handy political umbrella" for the further development of the global producer-consumer dialogue, according to its Secretary General, Ambassador Arne Walther (r), in this interview with the Head of OPEC's PR and Information Department, Dr Omar Farouk Ibrahim(l).

Question: Excellency, thank you very much for giving us the opportunity to interview you, especially at such short notice. I would like to begin by asking you, as the pioneer Secretary General of the International Energy Forum (IEF) Secretariat, what have been your biggest challenges so far?

promoting co-operation in a multi-polar world

Answer: There are a number of challenges for the Secretariat. We are the 'new kid on the global energy block'. This means that we have internal challenges in setting up a new international organization from scratch, recruiting multinational staff and developing a working culture. This also means that we have external challenges in finding our useful place in the mosaic of international energy activity and in the family of international governmental bodies. We have been set up by ministers to promote and strengthen their global energy dialogue at political level in the IEF. We want to give the ministers and governments which we serve added value in relation to what they can get elsewhere.

The Secretariat presented itself and its strategy for activity at the 9th IEF ministerial gathering last May. We are very encouraged by the political and financial support we have received from participating governments, not least from Saudi Arabia, the host country of our headquarters. We will work closely with all governments that participate in the IEF, with international organizations and with industry itself to promote better understanding and strengthen co-operation in an evolving energy world. We would like to see the Secretariat in Riyadh become an interesting focal point of the global dialogue endeavour.

That is a daunting challenge! Looking back to the 1990s when the IEF was initiated, how much success has been achieved in terms of consensus building on energy issues between producers and consumers?

Looking back, we remember that the first ministerial meeting in Paris broke the ice for the very idea of ministers of producer and consumer countries getting together in the same room for dialogue. Before that, many people considered the idea politically unthinkable, if not outright dangerous. Now, everyone is not only comfortable with the idea, but they also firmly believe, and have seen in practice, that the dialogue has contributed to better international energy relations.

At the IEF ministerial meeting in Amsterdam last May, participation had increased to 60 producer and consumer countries.

"With the help of dialogue and co-operation, producers and consumers can navigate better."

That was the largest-ever gathering of energy ministers in history!

A strong consensus was felt in Amsterdam, reflecting the political achievement of the producer-consumer dialogue. Ministers agreed on the need for greater market stability and prices at a reasonable level for both producers and consumers, for the global economy and not least for developing countries. They shared concern regarding the higher oil prices of the day. They agreed on the need for substantial investments to satisfy ever-growing global energy demand in the decades ahead. They recognized the importance of the environmental dimensions of energy production and use as well as the call to develop alternative energy resources. They favoured a smooth transition to a new energy era for the longer term, facilitated by the presence of still ample resources of oil and natural gas.

Their consensus with regard to objectives is built not only on common global approaches, but also on a variety of national ones to reach these objectives. Energy is a matter of supreme global and national interest. Countries rely for their economic and social development on the energy mix that they find most suitable considering their own resources, their development plans and also stages of development.

There is no longer any sense of drama when ministers of producing and consuming countries meet. Through dialogue, they understand each other much better and realize better how their own decisions affect the interests of others. Better understanding means better national decision-making. I think many of the ministers now know each others' views and interests so well that they, without any difficulty, could leave their seat at a conference table and move behind the flag of another country and from there echo the views of that country perfectly, but perhaps not necessarily agreeing with everything. Ministers can now more easily pick up the telephone to each other in times of uncertainty. They know what to say and what to do in interplay with others to avoid the undue and

dramatic psychological reactions in the markets of yesterday.

Above all, I think the purposeful dialogue in the IEF has contributed to global energy security. Now win-win, co-operative opportunity is the slogan of the day to overcome mutual vulnerability in energy. In a word, producers and consumers acknowledge that they are in the same boat and that with the help of dialogue and co-operation, they can navigate better in calmer seas and, most importantly, avoid drowning together.

Before the IEF was started, were there issues where we could clearly say that there were differences between producers and consumers, but which, as a result of these dialogues, have now disappeared?

Looking beyond particular issues, I think that the image of confrontation and incompatibility of interests in a bi-polar energy producer-consumer world was a root cause of differences. That image affected negatively even wider political and economic relations and international politics. The dialogue in the IEF has contributed to replacing that confrontational image with one of better understanding and co-operation. Countries participate in the IEF on an individual basis across traditional political, economic and energy policy dividing lines in an energy world that is becoming increasingly multi-polar.

One particular issue is, of course, prices. At the early stage of the dialogue, some countries refused to put the word 'price' into their mouth. That word is now a legitimate one in the dialogue. Ministers agree that prices should be 'reasonable' for all, both producers and consumers, and they see the positive spillover of more stability in energy markets. But let me underscore, the IEF is not a decision-making body and definitely not a body for multilateral fixing of prices and production levels. Those have been ground rules for the ministerial level dialogue from the start.

Getting back to the broader picture, I think we increasingly will see more holistic perspectives develop with regard to the interrelationship between energy, environment and economic development. In the past, it would often seem that it was left to 'geo-political realities' to determine what could or could not be done in terms of energy policies and international energy activity. I think in the future we will see that what makes economic sense in terms of international energy co-operation will strongly influence the shaping of new geo-political realities.

Would it be correct to say that the IEF was established on the premise that greater understanding between stakeholders in the industry will lead to better, or more rational, decision-making in the various capitals, which, in the end, will augur well for the world economy and, by implication, the IEF Secretariat is satisfied in providing that forum for these discussions and dialogue?

Yes! And we will do our best to facilitate and support a global energy dialogue, where

not only relations between governments are important, but also partnerships between governments and industry, not least considering the magnitude of investments that need to be made and the new and more environment-friendly technology that has to be developed if we are to meet increasing energy demand in a sustainable way. The Amsterdam ministerial meeting also included a first International Energy Business Forum where ministers and CEOs of leading companies discussed investment and other energy challenges.

The three core pillars of Secretariat activity are: firstly, to support host country Qatar in preparations and implementation of the next IEF ministerial meeting in Doha in April next year; secondly, to contribute to the continuity and deepening of the ministerial level dialogue by providing additional platforms, for example also on a regional or inter-regional basis, between the biannual IEFs; and thirdly, to enhance market transparency and data exchange by co-ordinating the Joint Oil Data Initiative (JODI) developed by APEC, Eurostat, the IEA, OLADE, OPEC and the UN with their full support.

What makes the IEF unique is that it gathers both energy-importing and exporting countries as well as industrialized and developing countries. Not only do members of the IEA and OPEC participate, but also important energy countries outside these two: China, India, Russia Brazil and South Africa to name a few, that increasingly will impact international energy developments as they become economically stronger. Our scope is truly global.

The IEF is also unique in that it is not a decision-making body. It is a forum for discussion, where ministers can look for common approaches to the energy challenges ahead. They go back to their capitals and make policy decisions there. The Secretariat will do its best to contribute to deepening and carrying the dialogue further, guided by IEF ministers and our Executive Board.

"The IEF is also unique as it is not a decision-making body, but a forum for discussion."

Should we then expect the IEF Secretariat to encourage the emergence of more regional energy dialogues?

The global dialogue is definitely also about regional and inter-regional dialogue — dialogues within the dialogue, so to speak. This is natural considering how perspectives and immediate interests can vary between regions, however interdependent and woven together by shared global interests they are. In my view, the trend we see towards closer intra- and inter-regional co-operation will deepen and strengthen rather than weaken global co-operation. The Secretariat can play a useful role as a catalyst link between inter- and intra-regional dialogues and the global dialogue in the IEF.

A case in point is the Roundtable of Asian Ministers on Regional Co-operation in the Oil and Gas Economy that India's Petroleum Minister, Mani Shankar Aiyar, hosted in New Delhi last month in association with the Secretariat and with Kuwait as co-hosting country. It was the first time that the principal oil- and gas-importing countries in East and South Asia — India, China, Japan and South Korea — and the principal oil- and gas-exporting countries of West Asia — Saudi Arabia, Iran, Kuwait, the United Arab Emirates, Qatar and Oman — had met on a regional basis. Already, the oil-producing countries in West Asia send two out of every three barrels of their exports eastwards in Asia and the principal importing countries in the East get four out of every five barrels of their imported oil from West Asia. Considering the surge in energy demand in Asia expected in the decades ahead and the location of the bulk of the world's oil and gas reserves in West Asia, one might wonder why such a meeting had not taken place earlier. Clearly a new Asian energy identity has emerged. The Secretariat will facilitate a follow-up Second Roundtable of Asian Ministers, which will be hosted by Saudi Arabia and co-hosted by Japan.

In fact, several other ministers made specific proposals at the 9th IEF for Secretariat facilitation of such regional dialogues: the Japanese minister on Asia and the Middle East, the Russian minister on Eurasia, the Mexican minister on Africa-Latin America. We are in addition associated with the EuroGulf project between the European Commission and the Gulf Co-operation Council, having hosted their first workshop in Riyadh last year. And we hope to facilitate a regional meeting hosted by South Africa later this year.

Ambassador, you told the Ministerial Roundtable in New Delhi that energy

security is what the consumer-producer dialogue boils down to. What do you see as the main challenges in the field of energy security facing the world in future years?

The main challenge in the field of energy security is giving security of demand to those countries that produce and export energy and depend on energy exports for their economic and social development, while ensuring security of supply to those countries that need to import energy for their economic and social development. This also means access to affordable energy for more people than have it today.

I believe that energy security translates into producer-consumer interdependence and that energy interdependence can also strengthen commercial and political relations between countries in a wider win-win scenario. Long-term energy security, in my view, is more than having stocks, more than emergency sharing, more than technical arrangements and more than finding more energy. It also has to do with the environment, with economic development, with good political and economic contacts between producers and consumers and geopolitics in general.

There is no quick and lasting fix to the challenge of sustainable global energy security. The cluster of issues related to energy security must be addressed in ongoing dialogue not only between nations at the political level, regionally and globally, but also in dialogue and partnerships between governments and industry. The IEF is a vehicle for that dialogue.

The IEF provides a platform for dialogue among producers and stakeholders, but have you, as its Secretary General, ever had reason to try to convey the views of one person or group to another, if you believe that the fears and anxieties of one particular group are not properly appreciated by another. Is it one of the responsibilities of the IEF Secretary General to try to do something about this?

Having myself attended six of the nine IEF ministerial meetings, I have seen first hand that ministers need no help from go-betweens in getting their views across to others in the IEF. The informal atmosphere in the IEF provides for direct and open discussion, multilaterally and bilaterally. Ministers do not dig trenches in the IEF. They are aware of their long-term common interests and look for conducive and equitable ways of addressing challenges that they know must be faced in co-operation and not in conflict.

You have said that the IEF would play a role in co-ordinating the efforts of JODI. Can you give us an update on what progress has been made so far in this regard?

The IEF Secretariat hosted an inter-organizational meeting of the JODI partners in Riyadh last month. That marked the beginning of a more active role for the Secretariat. We discussed progress made so far, how we together can accelerate progress and the co-ordinating role that the IEF Secretariat will have. The partners agreed on actions to be taken before the release of the JODI world database to the public later this year.

The IEF ministers have underlined the importance of data transparency. They regard JODI co-ordination as an important task for the Secretariat, and so do we.

Most of these groups that belong to JODI have their own statistical publications on the oil industry. Do you foresee these publications having the endorsement of JODI, which would give it the stamp of transparency and accuracy? How do you verify the authenticity of the data they give you?

The responsibility for collecting and verifying the data from participating countries remains with the six pioneering JODI organizations. They will submit to us the data they gather from their members. As co-ordinator, we expect that all countries provide both accurate and timely data to their organizations, and that the organizations have their means of any verification needed before submitting the data to us.

So your role is just to collate the data?

We will collate the data given us by the organizations, put these data on our website and in a newsletter for wider communication and perform other co-ordinating tasks as required within our capacity and capability. We will do this with the full and active support of the six organizations.

Would the credibility of JODI figures be enhanced if you had an independent means of verifying data provided to you by the various members of the group?

Ours is a lean organization in support of the global energy dialogue. The intention is not to build up and maintain our own independent means of data verification. For verification, we rely on the good co-operation of our partners and their member countries. All the organizations are dedicated to the success of JODI and we see JODI as one of the flagships of IEF Secretariat activity.

What are the short and medium-term objectives of the Secretariat? What do you, as its Secretary General, see as your target between now and the next ten years?

The IEF is what the ministers want it to be. The Secretariat will do its best to serve the ministers. We want them to make the most of the IEF. We are encouraged by the active support — politically and financially — of the participating countries. The IEF is a unique forum where ministers can promote their national interests in the context of promoting wider global objectives as well.

What comes out of the producer-consumer dialogue in the form of national policy decisions remains the privilege and responsibility of the leaders of the countries concerned. I would like to see them use the IEF and its Secretariat as a vehicle for developing a global energy consensus in addressing energy security and the links between energy, environment and economic development — even beyond the ten years in your question.

Our short-term, medium-term and long-term objective is to be a relevant promoter and facilitator of global dialogue in an evolving energy world. There is no lack of energy issues that require dialogue. It may well also be that our traditional bi-polar, producer-consumer world will evolve into a multi-polar one, if it is not the case already, with the development of stronger regional energy identities in Asia, Africa and Latin America, not least with Russia's return to being a super-producer, consumer and exporter of energy. And not to forget the 1.4 billion people who lack access to electricity and rely mainly on traditional biomass for their basic energy needs.

The IEF, with its global producer-consumer participation, with its biannual ministerial meetings and supportive meetings in between, is poised to be, if the ministers so wish, a handy political umbrella for the many dimensions and elements of energy dialogue.

The theme of last year's ministerial gathering in Amsterdam was investment. What is the theme for the next ministerial gathering?

The IEF tradition is that the host country of the next ministerial meeting takes the lead role

"The IEF will be a handy political umbrella for the many dimensions of energy."

in determining the theme and sub-themes in close dialogue with an informal support group of interested countries, which includes Executive Board members. A cardinal task for the Secretariat is to support that endeavour. The process of identifying themes has started and these will be determined and developed as the year progresses.

One thing is certain and that is that the themes ultimately chosen will be the relevant ones of the day when ministers meet. They will have an important bearing on energy security, environment, and economic development. And in that context, let me add that the issue of investment was not dealt with once and for all in Amsterdam. Investment will remain one of the crucial and never-ending issues in the ongoing quest for our common energy security.

Excellency, thank you very much.

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Gastech 2005 in Bilbao looks set to break records

Gastech 2005 will feature technical tours, including one to a regasification terminal

Gastech 2005, the 21st international conference and exhibition for the LNG, LPG and natural gas industries, looks set to be a record-breaker. The event, which takes place from March 14–17 in the Spanish city of Bilbao, will set new standards in terms of the number of exhibiting companies taking part; the space they will be using; and the exceptional quality of speakers involved in the conference. The venue for the exhibition and conference will be the newly-built Bilbao International Exhibition Centre. More than 200 exhibitors from 33 countries have already booked space at Gastech 2005, including OPEC, which is a supporter of the event.

This year's Gastech takes place in one of the fastest-growing gas-consuming economies in the world. Bilbao is also the main headquarters of Spain's key utility company Iberdrola; the home of Izar's Sestao shipyard; the site of an LNG regasification facility; an 800 mw gas-fired combined-cycle plant; and a new trans-European gas connection with France.

HM King Juan Carlos of Spain has been invited to address Gastech 2005. Other opening morning speakers will include Spanish and Basque political dignitaries; the Secretary General of the UAE's Supreme Petroleum Council and Chief Executive Officer of the Abu Dhabi National Oil Company, HE Yousef Omair Bin Yousef; the Prime Minister of Trinidad & Tobago, HE Patrick Manning; US navy captain and NASA astronaut, Michael Lopez-Alegria; the BG Group's CEO, Frank Chapman; the President of ChevronTexaco Global Gas, John Gass; the President of the International Gas Union, George Verberg; the President of ExxonMobil Gas & Power Marketing, Philip Dingle; the Chief Executive of BP Gas, Power & Renewables, Vivienne Cox; and Iberdrola CEO, Ignacio Sanchez Galan.

In all, over 150 speakers will take part in the Gastech conference with its theme *Making projects happen,* and its specialist streams dealing with commercial and technical aspects; and applications and utilisations of gas.

Since its inception in 1972, Gastech has evolved into an international networking forum alternating between major gas-producing and using countries, with a packed social programme, technical tours, partner programmes, informal business meetings and cava and wine poster sessions – a new feature for 2005.

For the first time this year, the regularly-updated delegate list appears on the event's website at *www.gastech.co.uk.* Already numbering well over 1,000 participants from over 50 countries, the list shows that a high proportion of very senior international executives will be attending. Some 1,500 delegates, 2,500 exhibition trade visitors and 500 exhibiting personnel are expected in Bilbao for Gastech 2005.

US firms are winners in major Libyan oil licensing round

by Graham Patterson

United States oil companies have won the lion's share of the blocks on offer in Libya's first licensing round since the lifting of sanctions, the results of which were announced at a ceremony in the Libyan capital Tripoli at the end of January.

The biggest winner was Los Angeles-based Occidental Petroleum, which, together with its partners Woodside Petroleum of Australia and Liwa Energy of the United Arab Emirates (UAE), was awarded a stake in no less than nine of the 15 blocks on offer. Other US winners were ChevronTexaco and Amerada Hess with one block each.

The successful bidders also included consortia featuring Brazil's Petrobras and Australia's Oil Search; Canada's Verenex Energy and Indonesia's Medco Energy; two Indian companies, Indian Oil Corporation and Oil India; and Algeria's state oil firm Sonatrach.

Photo: Reuters/Heinz-Peter Bader

Right: Chairman of the Management of the Libyan National Oil Corporation, HE Abdalla Salem El-Badri

Occidental, in partnership with the UAE's Liwa, was awarded five onshore blocks: block 59 in the Cyrenaica basin, blocks 106 and 124 in the Sirte basin, and blocks 131 and 163 in the Murzuq basin. Occidental will have a 90 per cent stake in these five blocks, where it will be the operator, and Liwa will hold the other 10 per cent.

Liwa Energy is owned by Mubadala Development, which is an investment and development company that is wholly-owned by the government of Abu Dhabi.

In addition to these five onshore blocks, Occidental and Liwa are also members of a consortium that was named the winning bidder for four offshore blocks (blocks 35, 36, 52 and 53). The consortium is led by Australia's Woodside, which will be the operator with a 55 per cent interest. Occidental has a 35 per cent stake in these four blocks, while Liwa holds the remaining ten per cent.

Commenting on his company's success in the bidding round, Occidental's Chairman and Chief Executive Officer, Dr Ray R Irani, said: "We are exceptionally pleased we've been awarded interests in nine of the 15 exploration blocks offered in this bid round and believe they have considerable potential.

"Occidental has a long and successful history in Libya and we look forward to again working with our Libyan partners to build on that success. We expect to begin our exploration work in these blocks as soon as possible," added Irani.

The nine blocks awarded to Occidental and its two partners cover an area in excess of 76,000 square kilometres, said the LA-based firm in a statement.

Occidental's success was not unexpected, because the firm's local knowledge from years of operating in Libya before US sanctions were imposed in 1986 gave it an advantage, according to the Chairman of the Management of the Libyan National Oil Corporation, HE Abdalla Salem El-Badri.

Winners of Libya's EPSA-IV licensing round, January 2005

Block	Location	Winners (operator listed first)
18	Offshore	Petrobras, Oil Search
35	Offshore	Woodside, Occidental, Liwa
36	Offshore	Woodside, Occidental, Liwa
47	Ghadames basin	Verenex, Medco
52	Offshore	Woodside, Occidental, Liwa
53	Offshore	Woodside, Occidental, Liwa
54	Offshore	Amerada Hess
59	Cyrenaica basin	Occidental, Liwa
65	Ghadames basin	Sonatrach
86	Sirte basin	Indian Oil Corporation, Oil India
106	Sirte basin	Occidental, Liwa
124	Sirte basin	Occidental, Liwa
131	Murzuq basin	Occidental, Liwa
163	Murzuq basin	Occidental, Liwa
177	Murzuq basin	ChevronTexaco

Sources: Libyan NOC; oil majors' websites; OPEC Bulletin.

"Maybe Oxy, they know the country, they know the basins (where) they bid," he was quoted as saying by a BBC report.

"As you can see, (on) some of the blocks they bid very high because maybe they don't have geological information, and (on) some of the blocks they bid very low because they have some technical information," he added.

Of the two other US companies that submitted successful bids, ChevronTexaco, bidding alone, won a 100 per cent interest in block 177 in the Murzuq basin.

The San Ramon, California-based company also has previous experience operating in Libya through its joint-venture company, Amoseas Libya, which was one of the largest acreage holders in the North African country in the early 1970s.

ChevronTexaco's Executive Vice-President of Business Development, Sam Laidlaw, commented: "We are delighted with the decision to declare ChevronTexaco the winning bidder on block 177 in what was a highly competitive bid round. It is an important step forward in our strategy to build core businesses in the region.

"As a company with a substantial history in Libya, we are also pleased to once again partner with the government and people of Libya in developing the country's energy resources. We look forward to pursuing additional opportunities in the future," said Laidlaw in a statement.

New York-based Amerada Hess was the third successful US firm in the bidding round, picking up a 100 per cent stake in offshore block 54.

"North Africa, and Libya in particular, is a very important area of our business that we would like to grow. We are very pleased with the bidding process. It is fair and open," a Bloomberg report quoted Amerada Hess's Vice-President for Exploration, Andrew Lodge, as saying.

The openness of the bidding process was also remarked upon by Libyan Prime Minister and former Director of OPEC's Research Division, HE Dr Shokri Ghanem, in his opening address at the awards ceremony.

"Transparency does not mean it should be on our side alone. It must also be the obligation on the side of the companies that they should be transparent," he said, according to the BBC.

The remaining offshore area, block 18, was won by a consortium of Brazil's Petrobras (which will be the operator) and Australia's Oil Search.

Two blocks in the Ghadames basin were also on offer. Block 47 was won by Canada's Verenex Energy (the operator) and Indonesia's Medco Energy, while Algeria's state oil firm Sonatrach was awarded block 65.

Finally, a consortium of two Indian companies, Indian Oil Corporation (the operator) and Oil India, picked up block 86 in the Sirte basin.

A report by the Libyan Jamahiriya Broadcasting Corporation noted that the winning companies would carry out oil exploration consisting of 2,850 sq km of 3-D seismic and 24,000 sq km of 2-D seismic. They will also drill 24 exploration wells at a total investment cost of $198 million, plus a grant of $115m.

Notably absent from the list of winners were European oil companies, which have carried out the majority of work in Libya since the US sanctions were imposed. Seif El Qaddafi, the son of Libyan Leader HE Colonel Moammer El Qaddafi, said that this was due to the end of sanctions.

"After the lifting of American sanctions, now American oil companies can come and participate, so this is a very significant step," he was quoted by Bloomberg as saying at the World Economic Forum in Davos, Switzerland.

The bidding round took place under the framework of Libya's new Exploration and Production Sharing Agreement IV model. EPSA-IV is intended to supersede the old system of bilateral negotiations with international oil companies.

Around 120 international oil companies were attracted by the current EPSA-IV bidding round, of which some 60 prequalified. Libyan officials have said that a second international bidding round, larger than this first one, could take place early this year.

Plans announced for two new LNG projects to be built in Nigeria

Abuja — Nigeria's goal of fully utilizing its gas reserves has received a boost with the announcement of plans for two new LNG projects, to be carried out in partnership between international oil companies and the state-owned Nigerian National Petroleum Corporation (NNPC).

In the first of the two projects, US major ChevronTexaco has confirmed that the company, together with the NNPC and the UK's BG Group, is planning to conduct a feasibility study on a potential LNG plant at Olokola, on the coastline border of Ogun and Ondo States in Nigeria.

The San Ramon, California-based firm said in a statement that representatives from the three companies involved had met with Governor Agagu of Ondo State and Governor Daniel of Ogun State to discuss the proposal for the Olokola LNG plant, which would be located in the Olokola Free Trade Zone.

"The NNPC, ChevronTexaco and BG are planning to further develop the concept. Any future decisions to move forward with Olokola LNG will depend on the results of the feasibility study," said the ChevronTexaco statement.

"The study will consider available gas supply, marine/LNG loading concepts, available LNG technology options, LNG market options, project economics, and the social and environmental impact of the potential project," it added.

An AP report on the proposed Olokola plant quoted a spokesman for the NNPC, Levi Ajuonuma, as saying that construction of the $6 billion plant would start in 2006 and it would begin production in 2009. Its initial capacity would be about 11 million tonnes/year, which could be expanded later to 33m t/y.

"ChevronTexaco will operate the plant, British Gas will market (the LNG) and we own where the gas is coming from," Ajuonuma said.

In a related development, the signing has also been announced of a memorandum of understanding between the NNPC and US giant ExxonMobil for pre-front end engineering and design (FEED) on a new LNG facility and independent power plant (IPP) in Bonny, Rivers State, where Nigeria's only existing LNG plant is located.

The accord establishes the framework and principles under which the NNPC and ExxonMobil's Nigerian subsidiary, Mobil Producing Nigeria (MPN), will determine the development concepts and the commercial basis for the LNG/IPP project, according to a report in the Nigerian newspaper *This Day*.

The proposed second Bonny Island plant, which is due to come on stream in 2010, will have a capacity of about 4.8m t/y of LNG. The integrated power generation project will supply both the plant and provide the national grid with a minimum of 200 mw of electricity.

"This project, which will be implemented in four phases — pre-FEED; FEED; engineering, procurement and construction; and operations — is unique in the sense that it is aimed at achieving the government's twin aspirations of monetizing gas and enhancing power generation and supply to the economy," the paper quoted the NNPC's Group Managing Director, Funsho Kupolokun, as saying.

Also speaking at the signing ceremony, MPN's Chairman and Managing Director, John Chaplin, said that the implementation of the project would further diversify Nigeria's revenue sources away from oil, as well as providing benefits for the local economy and employment opportunities.

"This latest announcement demonstrates the joint venture's commitment to grow its business and support the Nigerian government in meeting the national goals," said Chaplin.

"The Bonny location offers the advantage of existing infrastructure in a site al-

ready owned by MPN, and initial survey work has confirmed its suitability for an LNG plant. In addition, the availability of a skilled workforce would minimize the lead-time for achieving the project's goals," he added.

Apart from the new Bonny plant and the Olokola project, several other LNG construction schemes are under way in Nigeria, as the government strives to monetize the country's gas resources, which are put at around 185 trillion cubic feet.

The go-ahead was recently given for the construction of a sixth train at the existing Bonny facilities, taking the total capacity to about 22m t/y of LNG. The four Bonny partners are the NNPC (49 per cent), Royal Dutch/Shell (25.6 per cent), France's Total (15 per cent) and Italy's ENI (10.4 per cent).

A two-train LNG plant is also slated to be built at Brass in Bayelsa State, which is due for completion in the second half of 2009. The partners in the Brass LNG project are the NNPC, ChevronTexaco, ConocoPhillips and ENI.

Additionally, Royal Dutch/Shell and Norway's Statoil have said they are to conduct a feasibility study on the construction of the Nwa-doro floating LNG project.

Austria's OMV makes oil find in Iran, plans to drill further wells

Vienna — Austria's OMV, the leading oil and gas group in central Europe, has announced that it has struck oil with its first exploration well drilled in Iran.

OMV (Iran) Onshore Exploration GmbH, which is a wholly-owned subsidiary of OMV, drilled the well to a depth of 4,148 metres on the Mehr block. Subsequent testing of the reservoir yielded an average flow rate of 1,040 barrels/day of 22° API oil, said the Austrian firm in a statement.

The Mehr block, which covers an area of 2,500 sq km, is located in Khuzestan province in western Iran. OMV said that it plans to drill two more exploration wells on the block later this year in order to establish the size of the field.

Commenting on the Iranian find, the OMV Board Member responsible for exploration and production, Helmut Langanger *(pictured right),* said: "This discovery provides the basis for further OMV exploration in this oil-rich region.

"This is an encouraging find, underlining the excellent work of our people active in Iran and our use of leading edge exploration technology," he noted.

OMV, which has a 34 per cent stake, is the operator of a joint venture in the Mehr block, where its partners are Spain's Repsol YPF (33 per cent) and Chile's Sipetrol (33 per cent). The OMV statement added that it was "looking forward to evaluating the commerciality of the field."

The Austrian firm has been active in

Photo: OMV

In brief

ExxonMobil starts Arthur field output

IRVING, TEXAS — US giant ExxonMobil has announced that its UK subsidiary, Mobil North Sea, has produced first gas from the Arthur field in the southern North Sea. The Arthur field, in block 53/02, is located about 30 miles east of Bacton, Norfolk, in approximately 140 feet of water. The field, which was discovered in October 2003, is a sub-sea development tied back to the existing ExxonMobil-operated Thames platform by a new 20-mile, 12-inch pipeline and umbilical. The produced gas is exported via the existing pipeline to the Bacton terminal. The project is expected to produce at gross rates of up to 110 million cubic feet/day with an ultimate recovery estimated at 130 billion cu ft.

Singapore gets second hydrogen station

LONDON — UK major BP has signed an agreement with JTC Corporation under which it will build a second hydrogen refuelling station in Singapore. The second station will be different from the first one, which was opened at a retail site on the upper east coast in July 2004. The new refuelling station will be stand-alone and will consist of a hydrogen production facility utilising electrolysis technology by Singapore Oxygen Air Liquide for on-site hydrogen production, compression equipment and a vehicle refuelling dispenser unit. The project should be completed by the second quarter of 2005. The move is part of a collaborative effort started in 2004 between BP and automaker DaimlerChrysler to support the introduction of pre-commercial hydrogen fuel cell cars in Singapore, Los Angeles and Berlin.

Shell, Apache sign North Sea deals

LONDON — Shell UK, a unit of Royal Dutch/Shell, has announced the signing of a series of farm-out deals with Apache North Sea. The two sides have agreed to drill two firm plus one contingent exploration wells, and have agreed in principle a third firm exploration well near the Shell-operated Nelson and Apache-operated Forties field in the central North Sea. Under the terms of the agreement, Apache will operate the blocks, and firm exploration wells are planned for blocks 22/6a, 22/7 and 22/12, with a contingent well possible for 22/11. Block 22/6a is held 50/50 by Shell and Esso Exploration and Production UK, while 22/7, 22/11 and 22/12a were acquired by Shell as part of the Enterprise Oil portfolio in 2002. Block 22/7 is held by Shell and its joint venture partners including BP Exploration Operating Co. Shell's Director of Exploration and Production in Europe, Rien Herber, described the deal as "a great example of cross-industry collaboration."

the Zagros region of western Iran since 2001, when it signed a four-year exploration agreement with the National Iranian Oil Company. The area is considered a highly promising one and is believed to have extensive oil and gas deposits.

OMV currently has 33 employees in Iran, of whom 24 are Iranians. With a total workforce of over 6,000 staff and group sales of €7.64 billion in 2003, it is Austria's largest listed industrial company.

In a separate development, the Chairman and CEO of US oil services firm Halliburton, Dave Lesar, has announced that the company is to pull out of Iran when its current work there is finished.

"The business environment currently in Iran is not conducive to our overall strategies and objectives. As a result, we have decided to exit Iran and wind down our operations there, while fulfilling our existing contracts and commitments," he told a gathering of analysts at the end of January.

Lesar defended Halliburton's activities in Iran as being "perfectly legal under US law," and added that although they were "miniscule" compared to its other operations, they had attracted what he called "a disproportionate share of attention."

American firms are not permitted to operate in Iran due to unilateral US sanctions, but Halliburton does so anyway through various overseas subsidiaries. The company's Iranian activities are currently being investigated in the States to determine whether it has broken any US laws.

ADNOC Distribution aims to boost supplies of gas in Abu Dhabi

Abu Dhabi — ADNOC Distribution, a subsidiary of the state-owned Abu Dhabi National Oil Company, is embarking on an ambitious project to phase out the use of liquefied petroleum gas (LPG) in Abu Dhabi and replace it with natural gas.

The first phase of the Dh1.0 billion scheme will be completed by 2008, and will provide direct gas supplies to 200,000 domestic and industrial consumers, according to a report by the official UAE news agency WAM.

Work on the project has commenced with the appointment of a project management team and the signing of a Dh7.5 million contract with a joint UAE-Canadian company, Lootah-BC Gas, to handle the design of the project.

Another contract, worth Dh25m, has been signed with British firm Hyder Consulting, which will provide technical consulting services for phase one of the project, said WAM.

The aim of the project is to gradually phase out the consumption of LPG and replace it with direct supplies of natural gas, which would be piped directly from the producing fields to residential areas throughout Abu Dhabi.

A statement issued by ADNOC Distribution said that natural gas was a better alternative to LPG, as it was not only safer, but had also proven to be a cost-effective source of energy for all household purposes, including air-conditioning and heating systems and as an alternative fuel for automobiles.

The gas distribution project, to be executed in several phases, will open new avenues for manufacturing industries and create many job opportunities in both the public and private sectors in Abu Dhabi, said the statement.

The project includes the building of an underground pipeline network to transport natural gas from the fields in the western region of Abu Dhabi and other areas to the consuming centres, including residential and commercial areas in Abu Dhabi and Al Ain.

ADNOC Distribution will also support consumers of the gas by either installing new gas equipment in their houses and at industrial sites, or converting the existing equipment to be able to handle compressed natural gas (CNG).

A pilot project is currently under way, with one ADNOC Distribution service station providing CNG to vehicles that have been equipped to use natural gas as a fuel. The pilot project is expected to be completed soon.

The company said that it was giving safety and security issues serious consideration throughout all phases of the project, and would contract a specialised company in safety and security issues to provide advice on how to achieve this goal.

Feasibility studies on the project had

already been completed and so was the designing of the phase one supply network in the city of Abu Dhabi and its industrial area, which will be ready for operation by the end of 2008.

The gas distribution scheme, which will later be expanded to surrounding areas of Abu Dhabi and Al Ain, will benefit over 200,000 consumers, as well as creating more than 2,000 new jobs.

Kuwait reopens gathering centre at its northern Rawdhatain oil field

Kuwait — Kuwait has officially reopened gathering centre 15 and gas booster station 130 at the Rawdhatain oil field in the north of the country, according to a report by the state-run Kuwait News Agency (KUNA).

The inauguration of the new facilities by the Kuwaiti Minister of Energy, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, came almost exactly three years after the original gathering centre and gas booster station were destroyed in an explosion and fire *(see the OPEC Bulletin, March 2002, p20 for details).*

Gathering centre 15 has a production capacity of up to 380,000 barrels/day, and its reopening will thus bring Kuwait's total capacity to 2.8 million b/d, said the KUNA report, adding that the rebuilt gathering centre and gas booster station were crucial for the joint operations of the northern fields.

The Kuwait Oil Company-affiliated gathering centre was hit by fire in late January 2002, after an oil leak from the centre's main pipeline spread to the gas booster station and the neighboring power sub-station. Three people were killed and more than a dozen injured by the blast.

Venezuelan President swears in new Board of Directors for PDVSA

Pictured above are Venezuela's President Hugo Chávez (c); Venezuela's Minister of Energy & Petroleum and PDVSA President, Rafael Ramírez (l); and former PDVSA President and current Foreign Minister, Dr Alí Rodríguez Araque

In brief

ChevronTexaco finds oil off Cambodia

San Ramon, California — ChevronTexaco has announced today that its Cambodian affiliate has discovered oil in four exploration wells in offshore block A. Oil pay logged in the wells ranged from 41 to 139 feet, said the US firm in a statement, adding that analysis of samples had indicated the oil was 44° API crude. The 6,278 sq km block A, encompassing the Khmer basin with water depths averaging 240 feet, was awarded to Chevron Overseas Petroleum (Cambodia) and its partners in March 2002. Chevron Cambodia has a 55 per cent interest in the block and is the operator.

BG Group, Enel sign LNG deal

London — The BG Group has announced the signing of a sales and purchase agreement for the supply of 2.4 million tonnes/year of LNG to Italy's Enel, beginning in 2008, from the planned Brindisi LNG terminal in southern Italy. This supply will initially be sourced from Egyptian LNG train 2, the output of which has been sold in its entirety to BG Gas Marketing. Until the Brindisi LNG terminal is operational, the production from Egyptian LNG train 2, in which BG Group is a 38 per cent shareholder, will be supplied primarily to the Lake Charles LNG import terminal in Louisiana. The BG Group's Vice-President for the Mediterranean Basin and Africa, Stuart Fysh, said: "This sale of LNG to Enel, together with the recent Brindisi LNG EPC contract award, represents a significant step forward in the development of the Brindisi LNG terminal and the import of a new long term source of competitively priced natural gas to Italy."

Total takes stake in Australian blocks

Paris — France's Total has announced the signature of two agreements under which it will take a stake in two offshore blocks situated off the north-west coast of Australia. Under the terms of the first agreement with Australian firm Woodside, Total will take a 30 per cent interest in the WA-269-P exploration block, which is located 150 km from the shore in water depths of between 300 and 1,500 metres. Woodside is the operator of the block in a joint venture with Japan Australia LNG, which holds a 20 per cent interest. Total has an option to obtain an additional 10 per cent stake in the block. The second agreement, also with Woodside (the operator), Japan Australia LNG and BHP Billiton, is for Total to take a 50 per cent interest in exploration block WA-297-P. The block is located 200 km offshore in water depths between 1,000 and 2,000 m. Exploration activities are planned in both blocks this year.

In brief

China's west-east pipeline starts up

BEIJING — PetroChina has announced the start of commercial operations on its west-east gas pipeline project, one year ahead of schedule. The west-east gas pipeline is the longest pipeline in the country, totalling some 4,000 km. It runs from Lunnan at the Tarim gas field in Xinjiang in the west, through Xinjiang, Gansu, Ningxia, Shaanxi, Shanxi, Henan, Anhui, Jiangsu, Zhejiang and Shanghai to its final station at Baihe Town, Shanghai, in the east. The pipeline crosses the Great Wall of China six times, the Yellow River three times, the Yangtze River once, other major rivers three times, and roads and railways 118 times. It is the first world-class natural gas pipeline project designed and built entirely by PetroChina.

ConPhil studies Barents LNG project

HOUSTON — US major ConocoPhillips has announced that it has signed a deal with Russia's Gazprom under which the two companies will undertake a joint study on the development of the Shtokman gas field in the Barents Sea. The study will include an evaluation of the feasibility of producing LNG and transporting it to US and European markets. A steering committee comprised of representatives from the two firms will govern the work efforts and continue to align the two organizations for partnership in 2005. The Shtokman field, discovered in 1988, is estimated to contain more than 100 trillion cubic feet of gas. Located approximately 350 miles off the north-west coast of Russia in the south Barents Sea in water depths of 1,000 ft, the field will require three or four phases for full field development.

Saipem wins new $286m Kazakh deal

ROME — ENI subsidiary Saipem has been awarded the contract for the installation of the offshore facilities system under the development programme of the Kashagan field, located in the Kazakh sector of the Caspian Sea. The $286 million contract was awarded by Agip KCO, the operator of the north Caspian Sea production-sharing agreement (PSA), following an international tender. The scope of work includes the fabrication, assembly, transport and installation of 45 piles and two flares, with a total weight of some 15,000 tons, along with the installation of 16 module barges. Work is scheduled to be completed by 2007. The partners in the north Caspian Sea PSA are ENI (the operator with 16.67 per cent), France's Total, Royal Dutch/Shell, the UK's BG Group and ExxonMobil with 16.67 per cent each, plus ConocoPhillips and Japan's Inpex with 8.33 per cent each.

Caracas — Venezuela's President Hugo Chávez has officially sworn in the new Board of Directors of the state oil and gas firm Petróleos de Venezuela (PDVSA), according to a company statement.

"PDVSA is the fundamental engine in powering the changes that Venezuela calls for," said the President at the swearing-in ceremony for the new Board, which took place at the Miraflores presidential palace.

Chávez added that the new members of the PDVSA Board were committed to the country's development and had wide-ranging experience gained during many years of work for the state oil corporation.

"This Board is highly experienced and will continue to take PDVSA onwards and upwards. These are battle-tested men who took part in the rescue of the oil industry," he said, referring to the country's efforts to recover from the crippling strike of December 2002–January 2003.

Under the terms of Presidential Decree 3,428, Luis Vierma has been appointed as Vice-President for Exploration and Production, and Alejandro Granado becomes Vice-President for Refining.

Eudomario Carruyo, Jesús Villanueva, Déster Rodríguez, Eulogio Delpino and Asdrúbal Chávez are named as Internal Directors, while Iván Orellana, Bernard Mommer and Carlos Martínez Mendoza are External Directors.

Chávez emphasized that the new PDVSA must remain committed to the nation's development and reminded those present that efforts to renationalize and reestablish the industry must continue to go forward.

PDVSA "should be newer every day, both inwardly and outwardly; and ever more identified with the country's needs," said the President, who also recognized the work of the previous Board in recovering from the strike of two years ago.

"I would like to recognize the huge task, great merits and achievements of these fellow countrymen who, during these past two years, manned the front line together with (former PDVSA President and current Foreign Minister) Dr Alí Rodríguez Araque, who masterfully directed this Board in the midst of the storm," said Chávez.

He went on to thank previous Board members Félix Rodríguez, Nelson Martínez, Iván Hernández , Nelson Nuñez, José Rojas and Rafael Rosales for the "notable and efficient undertaking of the task before them."

Also speaking at the ceremony, Venezuela's Minister of Energy & Petroleum and PDVSA President, Rafael Ramírez, said that new Board has "important objectives to meet, not only to maintain traditional activities which are efficiently being carried out, but also to deepen the corporation's work as the engine to power national development."

Ramírez added that PDVSA would continue at the head of the social development process and leverage the country's needs as an integral part of its core business.

"We are going to exercise sovereignty over the resource for the development and deepening of collective work, and thus put an end to the ills we suffer," said the Minister.

"We are entering the year for the rescue of our full oil sovereignty. We can now count on a strong industry, able to represent our interests and we have the commitment to forever continue being the people's PDVSA," he said.

Shell and BP to carry out studies on major oil fields in Iraq

London — Oil majors Royal Dutch/Shell and BP are to carry out studies of Iraq's major oil fields at Kirkuk and Rumaila on behalf of the Ministry of Oil, according to statements released by both companies.

Anglo-Dutch giant Shell said that it had offered the Ministry its support for a technical reservoir study on the northern Kirkuk field to be done by UK-based firm Exploration Consultants, and that a letter of understanding had been signed to this effect.

"Shell's technical assistance will bring its extensive experience with production from mature fields, and field developments and operations in the Middle East. The study will be conducted outside Iraq, and is expected to take about one year," noted the Shell statement.

Commenting on the move, the firm's Director of New Business Development for E&P in the Middle East, Gavin Graham, said: "Shell's participation in the Kirkuk study is part of a broad programme of assistance to the Iraqi energy industry in

areas in which its leaders have identified the industry's greatest needs.

"Shell's contribution to the study, which will improve the understanding and reservoir management of the Kirkuk field, is in line with our continued commitment to supporting the Iraqi oil industry, and establishing a material and enduring presence in the country," he added.

The Shell statement noted that, in addition to the Kirkuk study, it was providing comprehensive training and development opportunities for Iraqi energy industry professionals to enhance their skills and increase their exposure to modern practices and technology applications.

The company also supports a joint training effort between the Iraqi Ministry of Oil, UK government agencies, companies and academia, as well as providing international scholarships at post-graduate level for Iraqi professionals.

Shell is also co-operating with the Ministry on a gas master plan study. In addition to providing the plan itself, this joint study will enable the Ministry to make long-term strategic decisions in gas planning and marketing to optimise gas production and utilisation.

Shell Lubricants recently appointed a distributor for its products in Iraq, through a network of locations with local staff, while Shell Trading has also been participating in the crude oil tenders organised by Iraq's State Oil Marketing Organization.

Separately, UK oil giant BP has announced that it is to conduct a similar study of Iraq's southern Rumaila oil field, which is the country's largest by production, over the next 12 months.

The findings of the study would be handed over "for free to the Iraqi Ministry of Oil to help the country decide how best to maximize output," said BP in a statement.

Australia's Santos makes new oil find offshore Indonesia

Adelaide — Australia's Santos has announced that it has made a significant oil discovery in the Sampang production-sharing contract (PSC) area, offshore Indonesia.

The Jeruk 2 well encountered a hydrocarbon column of at least 379 metres in the Jeruk field, indicating likely recoverable reserves in excess of the pre-drill estimate of 170 million barrels, said Santos in a statement.

Jeruk 2 was drilled as a follow-up to the Jeruk 1 well, which was completed in early April 2004 and lies about 1.6 km west of Jeruk 2. The new well is in water depths of 44 metres and is located approximately 42 km from the city of Surabaya, East Java.

"The results of Jeruk 2 are very encouraging. We are currently integrating all data into a final evaluation of the well, which will help us narrow a likely reserve range for the field," commented the Managing Director of Santos, John Ellice-Flint.

"As far as Jeruk is concerned, we have clearly made a large discovery and are into the early stages of appraising the oil in place and determining an appropriate recovery factor," added Ellice-Flint.

However, he cautioned that at this stage, the firm was still "dealing with a wide range of uncertainty", and would be in a better position to provide estimates of the recoverable reserves after having integrated its recently acquired well and test data.

"During the appraisal phase, we will seek to develop an understanding of the distribution of reservoir properties within the field. It is already obvious that there are some parts of the Jeruk field that are highly productive, as has been demonstrated by the excellent flow rate," noted Ellice-Flint.

Drill stem test 1 in the Jeruk 2 well recorded a flow rate of 7,488 barrels/day of oil through a half-inch choke with a flowing tubing head pressure of 2,762 psi. The Santos statement noted that parts of the reservoir would likely have similar or better properties, while other parts would be less productive.

The 3D seismic data currently being acquired would help improve understanding of the distribution of reservoir properties, said Santos, adding that fluid samples gathered in both Jeruk wells indicated that the field contained high quality light oil with a gravity of about 33° API containing few impurities.

The rig which drilled the Jeruk 2 well will now move on to drill the Agung 1 well in the North Bali 1 PSC, added the Australian firm.

In brief

Repsol YPF finds gas in Argentina

MADRID — Spain's Repsol YPF has discovered natural gas in two separate areas of the Neuquen basin in Argentina. At the first find, in the Rincón del Mangrullo block, the discovery well registered an initial flow rate estimated at 120,000 cubic metres/day of gas, while at the second, in the Piedra Chenque block, estimated initial production was 310,000 cu m/d. The Spanish firm said in a statement that the second discovery was particularly important because it was the first to be made in the recently-tendered blocks in Neuquen province, located in an area neighbouring other Repsol YPF-operated blocks (Cerro Bandera, Portezuelo Mines and Octágono Fiscal), thus enabling a rapid production start-up. The new discoveries were made possible by the use of cutting edge technology in the processing and reading of 3D seismic data, making it possible to interpret a 3D scan beneath the earth's crust, and locate oil and gas reserves from the surface to a depth superior than traditional levels.

Petronas strikes oil in Niger

KUALA LUMPUR — Malaysia's Petronas has announced that its subsidiary in Niger, Petronas Carigali Niger Exploration and Production, has encountered hydrocarbons in its permit on Agadem block 1. The Jaouro-1 exploration well was drilled in the Termit basin about 1,000 km east of Niamey, the capital of Niger. The well reached a total depth of 2,462 metres, and production tests resulted in a maximum flow rate of 2,540 barrels/day of oil. Petronas is the operator of Agadem block 1 and holds a 50 per cent stake in the project. The other partners in the consortium are Esso Exploration and Production Niger and Esso Deutschland, both of which are subsidiaries of US giant ExxonMobil. The consortium is continuing to evaluate the hydrocarbon potential of the block.

Statoil commences Snøhvit drilling

OSLO — The first well on Statoil's Snøhvit development in the Barents Sea is under way, according to a statement from the Norwegian firm. The well is being drilled by the Polar Pioneer rig, which is due to complete the initial 10-hole drilling phase by spring 2006. Designated F-2H, this first well will be used to inject carbon dioxide back below ground during the production phase. Some 700,000 tonnes/year of carbon dioxide is due to be separated from the well stream and injected into a separate formation to avoid releasing it into the atmosphere. This environmentally-friendly measure means that the well will release far less carbon dioxide than would otherwise have been the case.

In brief

BP begins output at Mad Dog

HOUSTON — UK oil giant BP has announced the start-up of oil and natural gas production from its Mad Dog development in the deep-water region of the Gulf of Mexico, approximately 220 miles south of New Orleans, Louisiana. Located in about 4,500 feet of water in Green Canyon block 826, Mad Dog production began in January and will increase over the next year as additional wells are completed and brought online. The facility is designed to process approximately 100,000 barrels/day of oil and 60 million cubic feet/day of gas. Commenting on the development, BP's Vice-President for the Gulf of Mexico, David Eyton, said: "We are excited that Mad Dog has commenced production. Bringing this challenging field into operation on time is a significant achievement, made possible through excellent teamwork and partnership."

Oxy announces record 2004 results

LOS ANGELES — LA-based Occidental Petroleum has reported record earnings of $2.491 billion for the full year 2004, a hefty 58 per cent higher than the $1.527bn the company earned in 2003. Announcing the results, Occidental's Chairman and Chief Executive Officer, Dr Ray R Irani, said, "Our strong fourth quarter performance helped push net income for 2004 to a record high of nearly $2.5bn. Our success in increasing oil and natural gas production by 3.5 per cent for the year to an average of 566,000 barrels/day of oil equivalent allowed us to maximize the benefits from robust oil and gas prices. In addition, our chemicals business had its best year since 1997. The strong performance of our business units allowed us to continue to strengthen our balance sheet by reducing our debt-to-capitalization ratio to 27 per cent, the lowest in the company's history."

Shell's Singapore cracker makes progress

SINGAPORE — Royal Dutch/Shell's Singapore unit has announced the start of the next phase of its planned world-scale cracker and derivatives project. The new phase, beginning with discussions this year, will result in a detailed design and engineering package for construction to begin in 2006 and start-up in the first half of 2009. The project will include modifications and additions to the existing Bukom refinery, which is owned by Shell Eastern Petroleum, a new world-scale ethylene cracker on Bukom Island and a new world-scale mono-ethylene glycol (MEG) plant utilising Shell's proprietary technology on Jurong Island. Both the cracker and the MEG plant will benefit from integration with Shell's considerable existing investments in Singapore.

"The Jeruk discovery reaffirms our belief in the exploration potential of the East Java basin, which is one of our two current focus areas in Indonesia, where we are conducting active, ongoing exploration programmes," said Ellice-Flint.

Santos (Sampang) is the operator of the Jeruk field, in which it holds a 50 per cent stake. The other 50 per cent is held by Indonesian firm PT Medco Sampang.

Qatar's Oryx GTL plant to start output by the end of 2005

Doha — Qatar's Oryx gas-to-liquids (GTL) project will start production of 34,000 barrels/day of liquids by the end of this year, according to the country's Second Deputy Prime Minister and Minister of Energy & Industry, Abdullah bin Hamad Al Attiyah.

Addressing a conference on major new project opportunities in Qatar, the Minister noted that the Oryx project, a joint venture between Qatar Petroleum and Sasol of South Africa, would be the most technically advanced GTL plant in the world.

GTL projects were a good example of fast-growing business opportunities in Qatar, said Al Attiyah, pointing out that major companies were investing in large-scale GTL projects deploying state-of-the-art technologies in Qatar.

These projects would deliver ultra-clean fuels that would provide a viable solution to the problem of exhaust emissions, helping to reduce air pollution, he noted.

"Another milestone was achieved in July 2004 when we signed two agreements with Shell and ExxonMobil for the development of two integrated GTL projects which will produce around 300,000 b/d of GTL products and will involve a total capital investment in excess of $12 billion," said the Minister.

"We believe that Qatar has one of the healthiest investment environments in this area. We have worked very hard to attain such an image and we are proud to state that our proven track record has confirmed all of the above and more," he added.

Al Attiyah also pointed to Qatar's booming liquefied natural gas exports as an illustration of how such projects could contribute to a country's economic success.

The world LNG industry had changed dramatically since the 1980s, when only a few plants were built, and the 1990s, when just six new projects were started, he said.

Today, however, new plants were being constructed in many countries around the world while others were being expanded, which would lead to global LNG production capacity more than doubling over the current decade.

"Established plant owners, as in the case of Qatar, are no longer thinking of building new plants, but are looking for ways to lower costs through economies of scale and improved technology," said Al Attiyah.

The QatarGas II expansion project was a good example of this, he noted, since it was building a huge plant that would feature the largest LNG production trains in the world, utilizing a new liquefaction process and specially-designed compression equipment.

"We have come a long way from our first LNG project, not only in size and economies of scale, but also in our way of thinking, setting targets and achieving them," said the Minister.

He pointed out that although Qatar had only started LNG production in 1997, it would exceed 20 million tonnes this year and 77m t in 2012, by which time the country would be the largest exporter of LNG in the world.

Algerian butane price rises trigger protests in various regions

Algiers — Plans by the Algerian government to raise butane gas prices have triggered violent demonstrations in a number of regions across the country, according to various local media reports.

The price of a canister of butane, which is an important cooking fuel in Algeria's remote mountain regions, was raised last month from 170 dinars (€1.70) to 200 dinars (€2.00).

In response, demonstrators set up roadblocks, attacked public buildings

and overturned vehicles, said a report in the *El Watan* newspaper, adding that the protests centred on villages and towns close to Bouira, about 100 km south of the capital Algiers.

An Agence France Presse report added that other affected areas included the western Tiaret region, Sidi Ammar in the east, and the Maghnia region, close to the border with Morocco.

Earlier, the BBC had reported that similar demonstrations took place in the town of Birine, also south of Algiers, when the gas price rises were announced. Protests in the region, one of the country's poorest, are not uncommon, added the BBC.

OPEC officials address World Economic Forum on poverty, energy issues

Photo: World Economic Forum/Remy Steinegger

Above: Nigeria's President Obasanjo (right) at the World Economic Forum with (l-r) former US President, Bill Clinton; Microsoft Chairman, Bill Gates; South African President, Thabo Mbeki; UK Prime Minister, Tony Blair; and Bono, singer with rock band U2 and founder of Debt, AIDS and Trade in Africa

Davos, Switzerland — Top government officials from the OPEC Member Countries were prominent at this year's World Economic Forum in the Swiss town of Davos.

The Nigerian President, Olusegun Obasanjo, shared the stage at a session on the G8 and Africa with other political and business leaders including UK Prime Minister and current G8 President, Tony Blair; South African President, Thabo Mbeki; former US President, Bill Clinton; and Microsoft Chairman, Bill Gates.

They were also joined by Bono, the singer with rock band U2, who has campaigned vigorously to raise awareness of issues affecting Africa, and two years ago founded a non-government organization called Debt, AIDS and Trade in Africa (DATA) for this purpose.

In brief

First oil from Angola's Bomboco field

SAN RAMON, CALIFORNIA — US major ChevronTexaco has announced that its Angolan subsidiary, the Cabinda Gulf Oil Company, has produced first oil from the Bomboco field in its block 0 concession, offshore Malongo in Cabinda province. Bomboco is expected to reach an average output of 30,000 barrels/day of oil within the next year and is an integral component of Cabinda Gulf Oil's Sanha condensate project. Condensate production from Sanha is scheduled to start early in the first quarter of 2005 and first LPG production from the Sanha floating production, storage and off-loading vessel is forecast for early in 2Q05. Combined Sanha and Bomboco peak production of an estimated 100,000 b/d oil and LPG is anticipated in 2007. Cabinda Gulf Oil is operator of block 0 and holds a 39.2 per cent stake. Its partners are state oil firm Sonangol with 41 per cent; France's Total (10 per cent), and Italy's ENI (9.8 per cent).

Trinidad's Angostura field starts up

PARIS — France's Total has announced the start-up of production from the Greater Angostura oil field, offshore Trinidad and Tobago. The Greater Angostura field is located in block 2C, about 40 km north-east of the coast of Trinidad and in water depths of around 40 metres. Production of around 60,000 barrels/day of oil is expected, with all produced gas being initially re-injected in order to optimise recovery. The field's gas reserves will be developed and commercialized in the project's second phase. Greater Angostura has three wellhead platforms tied back to a central production platform, linked by a pipeline to the shore and the Guayaguayare storage terminal. Total holds a 30 per cent stake in the field, along with partners BHP Billiton (the operator with 45 per cent) and Talisman Energy (25 per cent).

Gazprom announces strong 2004 results

MOSCOW — Russian gas giant Gazprom has announced strong operating results for the year 2004, reflecting what the company described as its "dynamic development." Provisional data for 2004 show that Gazprom extracted 545.1 billion cubic metres of gas, with key roles played by the Yety-Purovskoye gas field and the Pestsovaya area of the Urengoyskoye gas condensate field (brought on stream in 2004), as well as the 100bn cu m/y Zapolyarnoye field. Gas condensate and oil extraction also climbed to 12 million tonnes, 1.0m t higher than the 2003 production level. Gas exports to areas outside the former Soviet Union and to the CIS and Baltic States accounted for roughly 140.5bn cu m and 52.2bn cu m, respectively.

In brief

Petronas awarded Philippines oil block

KUALA LUMPUR — Malaysia's state oil firm Petronas, together with the Philippines National Oil Company (PNOC), has been awarded a service contract by the government of the Philippines to explore for oil and gas in the offshore Mindoro block. Under the accord, both Petronas and PNOC will commit to drill one exploratory well in the block, with an option to either drill another exploratory well or acquire new seismic data. The contract also includes geological and geophysical studies and a possible seismic survey in the block, which covers an area of about 14,667 sq km. Petronas, with an 80 per cent stake, is the operator of the block, with the remaining 20 per cent held by PNOC. The partners are scheduled to complete their work during the first two years of the contract period, after which they will decide whether to proceed with the subsequent phases.

Record 2004 results for PetroChina

BEIJING — PetroChina has announced record results for 2004, including the achievement of all its production and operational targets for the year. A company statement said that PetroChina had "aggressively accelerated crude oil and natural gas production" in 2004, with total oil and gas output amounting to 917.9 million barrels of oil equivalent, up 3.1 per cent year-on-year and the highest level since the firm's listing. Total output of crude oil stood at 777.9m b, which was 3.0m b more than the previous year. China's main oil field, Daqing, produced about 342.8m b of crude, exceeding the target by some 738,000 b. PetroChina, added the statement, believed the global energy market would continue to undergo significant changes in 2005, and domestic demand for oil and gas was still expected to grow strongly.

ENI makes new Mexican Gulf find

ROME — Italy's ENI has announced a new oil discovery in the deep-water Gulf of Mexico. The new find was made by the Allegheny South exploration well, which is located about 260 km south of New Orleans in Green Canyon block 298, and was drilled to a total depth of 4,870 metres in 1,000 m of water. The estimated reserves of the new discovery are approximately 20 million of barrels of oil equivalent. The positive well results and the proximity of the new find to the existing Allegheny field (in which ENI has a 100 per cent stake) will make a production start-up possible in 2005. ENI is the operator of the latest discovery, where it also has a 100 per cent working interest. The Italian firm's current production in the US Gulf of Mexico is around 42,000 boe/day.

DATA's goals include debt relief for African nations, the abolition of unfair trade rules, tackling the AIDS epidemic, and strengthening democracy, accountability and transparency.

Presidents Obasanjo and Mbeki prioritized peace and stability as the keys to African development. "We have the ability in Africa, and we are asking for the heart in government, in the private sector and civil society," said Obasanjo.

Good governance would see more "bankable" projects submitted to international businesses, added his South African counterpart Mbeki.

However, U2's Bono told the gathering that until Africa's needs were seen as an emergency, the continent would not receive the required critical mass of resources and support.

"I don't think 6,000 people dying every day from AIDS is a cause, it's an emergency. And 3,000 people dying every day from a mosquito bite is not a cause, it's an emergency, " the singer told an audience of almost 2,000 world leaders in Davos.

Public-private partnerships that tap into popular support witnessed in the aftermath of the tsunami in south-east Asia, noted former President Clinton, would do much to tackle the "similar tsunamis" taking place in Africa.

Microsoft's Chairman Bill Gates added that it was "ironic that at a time when science is advancing, we've allowed the AIDS epidemic to get out of control and malaria to come back."

Meanwhile, the Kuwait News Agency (KUNA) quoted the OPEC Conference President and Secretary General, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah, as telling the gathering in Davos that global oil reserves were sufficient to meet the needs of the world economy for many years.

"There is enough oil to serve the global economy for decades to come and perhaps well into the second half of this century, if account is taken of the potential of unconventional oil, as well as likely additional conventional discoveries," said Sheikh Ahmad, who is also the Kuwaiti Minister of Energy.

He added that, consistent with its key objective of maintaining market stability, OPEC had responded to the surge in oil demand and rapid price escalation seen in 2004 by increasing its official production ceiling by a total of 3.5 million barrels/day.

This action by OPEC has allowed the OPEC Basket price to fall by around 25 per cent to about $36/b by the end of December 2004, the Conference President pointed out.

In addition, the OPEC Member Countries had speeded up implementation of their plans to expand production capacity so that adequate spare capacity was maintained at all times. OPEC spare capacity currently stood at around 1.5m b/d and was expected to reach 2.5–3.0m b/d by the end of the year, Sheikh Ahmad noted.

Also speaking at this year's World Economic Forum was Iranian Vice-President, Masoumeh Ebtekar, who addressed a session on the theme of modernization without westernization.

Saudi Aramco CEO calls for closer ties with Indian economy

New Delhi — The President and Chief Executive Officer of state oil giant Saudi Aramco, Abdallah S Jum'ah, has called for closer co-operation between the company and India's petroleum and industrial sectors.

Speaking at the Petrotech 2005 conference in New Delhi, Jum'ah said that Saudi Aramco would continue to work with its Indian counterparts "to identify commercial opportunities in the downstream sector

that make sense for the two companies involved, as well as the Indian consumer."

He added that Saudi Aramco was continuing to explore the possibility of establishing a joint partnership in India's refining and marketing sector.

"Besides strengthening oil supply relationships and commercially benefiting both parties to the agreement, such joint ventures will also assist us in establishing closer ties with the Indian end-users of our petroleum — relations we value highly, and which we will strive to strengthen in the future," said Jum'ah.

Noting the importance of energy to industrial growth, the Saudi Aramco CEO said that his company would continue to be a reliable supplier of petroleum to India and would help sustain its prodigious economic growth.

"Energy, therefore, represents both an opportunity and a challenge for this great nation. Saudi Aramco stands ready and willing to provide that energy," said Jum'ah.

India currently imports more than 450,000 barrels/day of Saudi crude, or about a quarter of its total oil imports. Some 70 per cent of Indian oil demand, which the Paris-based International Energy Agency sees doubling by 2030, is met by imports.

While in New Delhi, Jum'ah met with senior executives from several of India's top oil and gas companies, including the Oil and Natural Gas Corporation, the Indian Oil Corporation, Bharat Petroleum and Reliant Energy.

The Saudi Aramco delegation to Petrotech also included its Senior-Vice President of Gas Operations, Khalid A Al-Falih; Executive Director of Joint Venture Development and Co-ordination, Adil A Al-Tubayyeb; Manager of Crude Oil Sales and Marketing, Dawood M Al-Dawood; and Regional Vice-President of Saudi Petroleum in Singapore, Ali M Bakhsh.

OPEC Members feature strongly in annual PIW oil company rankings

London — The state companies of the eleven OPEC Members once again featured strongly in the latest annual ranking list of the world's top oil firms published by energy trade journal, *Petroleum Intelligence Weekly* (PIW).

Saudi Aramco was rated top oil company in the world for the sixteenth straight year, according to the PIW rankings, which are based on operational data for 2003, the latest full year for which information is available.

PIW reported that Saudi Aramco led all major companies surveyed in crude oil reserves and production, gas reserves and output, refinery capacity and product sales.

"With global demand accelerating and other producers ramping up output, we are pleased that the company continues to maintain its number one ranking," commented Vice-President of Saudi Aramco Affairs, Mustafa A Jalali.

"We take pride at Saudi Aramco in working hard to meet the needs of energy consumers the world over, and in meeting those critical, practical needs in a reliable and timely manner," he added.

US major ExxonMobil was ranked second, followed by two other OPEC national oil companies, Iran's NIOC in third and Venezuela's PDVSA in fourth. Rounding out the top ten were BP, Royal Dutch/Shell, ChevronTexaco, France's Total, Mexico's Pemex and PetroChina.

Of the other OPEC national oil companies, Kuwait's KPC and Algeria's Sonatrach were joint 12th, the UAE's ADNOC was 14th and Indonesia's Pertamina was 16th. Nigeria's NNPC came in 20th, followed by Iraq's INOC in 22nd, Libya's NOC in 23rd and Qatar Petroleum in 26th spot.

In brief

Statoil wins prize for Gullfaks

OSLO — The Norwegian Petroleum Directorate has awarded its improved oil recovery prize for 2004 to Statoil's Gullfaks field in the North Sea. The award was presented to Statoil and its licence partners, Norsk Hydro and Petoro, for extracting more oil and extending the producing life of the field. Techniques including the extensive use of new well technology, additional wells and phasing-in of satellite fields were given special mention by the Norwegian regulatory agency. Statoil's Operations Vice-President for Gullfaks, Lars Christian Bacher, pointed out: "We have expanded recoverable oil reserves in the main field from 1.3 billion barrels in 1986 to 2.2bn b today, and our ambition is to get this figure up to more than 2.5bn b." Gullfaks is the first Norwegian field to adopt under-balanced drilling, where the pressure in the borehole is lower than in the reservoir, making additional oil recovery possible.

Petro-Canada reports good 2004 results

CALGARY — Petro-Canada has announced record earnings from its operations of just under $1.9 billion and cash flow of $3.7bn in 2004. Earnings were positively impacted by strong commodity prices and refining margins, as well as lower exploration expense and interest charges, the Canadian company said in a statement, although it added that the positive factors were partially offset by lower upstream volumes, higher operating costs and the stronger Canadian dollar compared to 2003. Petro-Canada's production of crude oil, natural gas liquids and natural gas averaged 451,100 barrels/day of oil equivalent in 2004, in line with expectations. The firm's President and Chief Executive Officer, Ron Brenneman, commented: "In 2004, we made great strides to position Petro-Canada for future growth in production and earnings."

ConPhil, Lukoil discuss new JV

MOSCOW — Senior officials from Russia's Lukoil and US major ConocoPhillips have held talks in Narian-Mar, located in the Nenetsk autonomous district, at which they discussed details of a new joint venture. The planned JV, which will be 70 per cent owned by Lukoil and 30 per cent by ConocoPhillips, will transport the crude it produces via pipeline to the Lukoil terminal in the town of Varandey on the Barents Sea coast. The oil will then will be shipped by tanker to international markets. It is expected that the JV's production and marketing volumes will reach 200,000 b/d by 2008. In anticipation of this, Lukoil will increase the terminal's capacity to 240,000 b/d, with ConocoPhillips participating in the design and financing of the project.

Iraqi Shias move to form coalition

Photo: Reuters/Andrew Parsons

An Iraqi woman gives a victory sign with a purple ink-stained finger, indicating that she has voted

by Philippa Webb-Muegge

Baghdad — The Shia-led coalition of the United Iraqi Alliance (UIA) has won nearly half of the vote in the recent elections in Iraq after years of Sunni dominance in the country under the former government of Saddam Hussein.

The Shia-led coalition won more than 48 per cent of the vote in the January 30 election which saw a 58 per cent turnout in voting.

Many Sunnis either boycotted the poll or were too intimidated to cast their ballots.

The highest-ranking Shia cleric in Iraq, Grand Ayatollah Ali Sistani, blessed the victory of the UIA, the BBC reported.

The UIA said it wanted to name a new Prime Minister as soon as possible.

The Minister of Finance in the interim government, Adel Abdel Mahdi, is widely tipped as the UIA's candidate for Prime Minister.

"Iraq is bleeding and we need everybody at this juncture to work for solidarity and unity," Abdel Mahdi told the Arabic TV channel Al-Arabiya.

He added that his alliance was "seeking to realise a wide national harmony" in choosing key positions.

However the UIA will not have a parliamentary majority on its own, and the process of forming a coalition is likely to take several weeks. Kurdish groups, which came second with 26 per cent of the vote, are seen as potential partners.

A secular list of parties led by the Prime Minister of the interim government, Iyad Allawi, got 14 per cent of the vote, while other parties got 12 per cent.

However, the results, announced in mid-February, were described as provisional, since all parties were given three days to lodge any appeals.

The new leaders must also decide how much real power to share with Sunni Muslims, whose candidates won only a handful of seats in the new parliament due to the voting boycotts.

The new parliament will have the task of writing a new constitution, and the representation of the Shia bloc falls far short of the two-thirds majority needed for that.

Ahmed Chalabi, leader of the Iraqi National Congress, one of the groups that formed the United Iraqi Alliance, said he wanted all Iraqis — Sunnis included — to be represented in the new assembly, the *Financial Times* reported.

"We have no desire to exclude the Sunni community," he told BBC Radio 4's *Today* programme after the results were announced.

"On the contrary, we want them to be full partners in the drafting of the constitution because the constitution is a document that will unite Iraq and it will not be drafted on the basis of a sectarian majority or an ethnic majority," he said.

According to Al-Jazeera, a leading Sunni Arab secular politician and elder statesman, Adnan Pachachi, said he would work to ensure Sunnis participated in new elections later this year.

Pachachi said the results of Iraq's January 30 election did not reflect the views of the nation because millions of Sunnis did not vote.

Pachachi said the failure of many Sunni Arabs to vote had skewed the results.

"This affected the results of course and had a big effect on the Sunnis. We asked them not to boycott but they did, and now what can we do?"

The party led by Pachachi, who had been widely tipped to become Iraq's President last year, but lost out to fellow Sunni Arab, Ghazi Al-Yawir, is not expected to win a single seat in Iraq's new 275-member National Assembly. Al-Yawir's bloc may win around five.

"In a way the result was expected to a large extent, because millions of Iraqis didn't vote," Pachachi said.

"Those who voted are around eight million only, but around 14 million were eligible to vote."

Pachachi said he would work to ensure Sunnis could be involved in the political process and do better in the next national elections.

The new constitution will pave the way for new elections which are scheduled to take place later this year.


Photo: Reuters/Howard Yanes

China, Venezuela sign several agreements on trade, energy

Venezuelan President, Hugo Chávez (r), with the Chinese Vice-President, Zeng Qinghong, at Miraflores presidential palace

Caracas — Venezuelan President, Hugo Chávez, and Chinese Vice-President, Zeng Qinghong, signed several agreements related to trade, energy and agriculture in the South American capital last month after a series of accords were signed by the two countries in China in December.

At Miraflores palace, an additional 19 agricultural, technological, cultural and energy agreements were signed by the two parties.

"Each of them (the agreements) will become a thousand things, and we are truly committed not to let any of these agreements stay as a document," Chávez said at the time.

According to the Venezuelan Ministry of Communication and Information, the visit by Zeng Qinghong to Venezuela followed Chávez's visit to China last year where trade agreements, including oil and gas accords, expected to reach $3 billion this year, were signed in a bid to forge closer ties with the economic giant.

Among them were the construction of a railroad in Venezuela, and the purchase of a Chinese telecommunications satellite and radar to improve Venezuelan border security.

The Chinese Vice-President also met the Venezuelan Vice-President, Jose Vicente Rangel, and the Venezuelan Foreign Minister, Dr Alí Rodríguez Araque, as well as five deputy foreign ministers.

Qinghong's delegation was comprised of 125 investors and officials who discussed details of the agreements with their Venezuelan counterparts. Several technological exchanges and joint oil and gas projects were discussed, as well as possible investments in the mining sector, the Ministry said.

Chávez, a critic of American foreign policy, has worked on improving relations with other Latin American countries, as well as with India, China and Russia. Through these agreements, China seeks to secure new energy sources for its economy, which already has some shortages in the production of electricity.

Venezuela would benefit by obtaining a new partner and reducing its dependency on the United States, its main client.

Qinghong arrived in Venezuela as part of his Latin American tour after visiting Mexico and Peru. He was due to travel to Trinidad and Tobago after his visit to Venezuela.

Libya to unveil sweeping economic reforms

Photo: Reuters/Heinz-Peter Bader

Seif El Qaddafi, the son of the Libyan leader, Colonel Moammer El Qaddafi

Davos — Libya is expected to unveil a vast reform programme which will help liberalise the country with the aim of establishing a market-driven economy after years of political and economic isolation, Libyan officials told the *International Herald Tribune* in an interview on the sidelines of the World Economic Forum in Switzerland in late January.

Seif El Qaddafi, the son of the Libyan leader, Colonel Moammer El Qaddafi, and the Chairman of Libya's National Planning Council, Abdulhafid Mahmoud Zlitni, said that the "multi-pronged initiative would streamline government, speed up privatization and liberalize the media sector in a bid to begin a transition from what remains essentially an authoritarian regime to a more liberal economy that is competitive in the region."

The opening up of Libya to the international community has progressed at a considerable pace since the last of the United States' imposed sanctions against the country were lifted by the US President, George W Bush, in September 2004 after Qaddafi pledged to renounce weapons of mass destruction in December 2003.

The normalization process has seen many US oil and gas companies flock to Libya recently in an attempt to re-establish a presence in the country *(see Newsline section for details).*

The Libyan government seems determined to capitalize on its new-found openness and has in recent months asked a number of Western advisers, including Michael Porter of the Harvard Business School and Daniel Yergin, a Pulitzer Prize-winning economist and Chairman of Cambridge Energy Research Associates, to work with the country in its transition to engineer a framework for implementing change over the next two years.

Yergin said after returning from a trip to Tripoli recently that Libya is currently the place in which to "invest and explore."

In the interview with the *International Herald Tribune*, Seif El Qaddafi said: "The old times are finished and Libya is ready to move onto the new stage of modernization."

"This will be conducted in a well organized manner that ensures new openness and ownership by the people of Libya, not a small class of oligarchs like Russia or Egypt.

"We are determined … but of course success can only be measured by the implementation," he said.

One of the first projects involves a study of up to two years, beginning in March, by the British-based Adam Smith Institute on how to proceed with government reforms.

Zlitni said that the reform process would start with modernizing and making the Libyan government more efficient.

"They (the consultants) will study the structure of the civil service and find ways to streamline bureaucracy and reduce the number of employees," he said.

The advisers would also study a series of Libyan proposals to modernize the economy before issuing recommendations on how to proceed with implementation, Zlitni noted.


Photo: Reuters/Zainal Abd Halim

Saudi Arabia's landmark elections kick off in Riyadh

Right: A Saudi girl casts a vote for her father during municipal council elections in Riyadh


Photo: Reuters/Zainal Abd Halim

Riyadh — Saudi Arabian men started voting on February 10 in the first municipal elections in Riyadh in what promises to be a step towards democracy in the Kingdom.

Nearly 140,000 Saudis out of 470,000 eligible voters in the capital Riyadh registered to cast their ballots in the first round of the three-phase polls, Al-Jazeera reported at the time.

Women, who make up more than 50 per cent of the population and members of the military are not allowed to participate in the vote.

Voters will only choose half of the members of 178 municipal councils whose powers are likely to be limited.

The other half of the council members will be appointed by the government.

One of the voters at a polling station, Mohammed Al-Homaidan, said that the decision to allow half of the members of the council to be elected represented a "step towards a bigger step in (the) future, where society raises its voice and participates in decision making."

The second round in the country's landmark elections, which will cover the Eastern Province and the south-west, will start on March 3. Saudis in the western regions of Mecca and Medina, as well as the northern regions, will not be going to the polls before April 21.

The election is part of a large programme to introduce reforms, which Riyadh has said would be tailored in a way that

Left: Saudi men greet each other in front of a log fire in a tent set up by a candidate running for the municipal council elections in Riyadh

suits Saudi Arabian specifications, said to mean that they may not necessarily follow a Western pattern.

Critics have said that the elections were just a response to reform demands, but diplomats have been positive about the vote, saying it would create a mechanism for Saudi Arabians to begin to address their concerns and complaints.

Saudi Arabia, Algeria should use oil to diversify economies — IMF

Washington — The International Monetary Fund (IMF) has praised the economic performance of Saudi Arabia and Algeria in 2003 and 2004, respectively, but stressed the continued need for diversification and the pursuance of macroeconomic goals such as lower unemployment.

The executive directors of the IMF commended both countries on the strong performance of their economies which they said were marked by real GDP growth, low inflation, and stronger fiscal and external positions.

The IMF estimated that Saudi Arabia's economy grew by 7.2 per cent in 2003, switching from a deficit of 5.9 per cent of GDP in 2002 to a surplus of 1.2 per cent of GDP in 2003.

Meanwhile, Algeria's economy grew 5.5 per cent in 2004 after a 6.9 per cent expansion the year before.

The directors conceded that the strong economic growth experienced in both countries was due to higher oil prices.

In this light, the IMF urged both countries to use to their advantage still-high energy prices to continue to pursue much needed reforms in 2005.

The directors said that the key challenge which lay ahead for both countries was to continue to carry out structural reforms, which had until now proceeded at a slow pace.

Structural reform would facilitate the countries' transitions to diversified market-driven economies, which would provide a framework for the sound management of their hydrocarbon wealth, they said.

Pursuing a market economy, the directors noted, would necessitate considerable growth in the non-oil sectors which would "enhance the competitiveness of the private sector … and reduce the vulnerability to oil price fluctuations."

It was noted that the reliance on oil had created unemployment problems for both countries which needed to be addressed through increased economic diversification.

In the case of Saudi Arabia, the IMF directors said that "… high unemployment and a rapidly growing Saudi labour force pose serious challenges."

They endorsed the Kingdom's strategy to "reform the labour market through skills development, (the) portability of pension benefits, and (the) flexible enforcement of Saudiization policy, with due consideration given to safeguarding economic efficiency."

The directors noted that the early adoption of the planned Labour Law would help enhance labour mobility and provide greater flexibility in employer-employee relationships.

In Algeria's case, the directors said that while the pick up in economic growth in 2004 had led "to a considerable drop in the country's unemployment rate", it was still considered to be high.

The directors praised Saudi Arabia for its leadership in ensuring oil market stability.

They said they appreciated the Kingdom's efforts to meet the growing demand for oil by increasing production when needed, and by making the necessary investments to improve output capacity.

They also welcomed Saudi Arabia's active participation in the Joint Oil Data Initiative (JODI) and its "continued efforts to improve the transparency of oil data and to enhance co-operation between consumers and producers."

As for 2005, the IMF said the economic outlook for both countries remained favourable in the context of their stated budgetary objectives.

World Bank commits $1.2bn to projects in Nigeria

Lagos — The World Bank disclosed in late January that it has so far committed about 159 billion naira (the equivalent of $1.2bn) in assistance to developmental projects with a view to alleviating poverty in Nigeria.

Making this disclosure in Ilorin, Kwara State, World Bank Country Director, Hafez Ghanem, said that the fund was stretched on key developmental areas such as human development, health, education, HIV/AIDS, community development programmes, infrastructure development, transportation and power generation, the local Lagos-based *This Day* newspaper reported.

Ghanem, who led a team of World Bank experts on an inspection tour of various state government developmental projects, emphasized that the bank would explore ways in which to collaborate with government and other agencies to improve the quality of life for ordinary Nigerians.

He said that the common objective in the fight against poverty and the creation of wealth involved finding ways in which to attract investment for economic growth and job creation.

This emphasized the need for good governance, financial transparency, and budget management and accountability, Ghanem said.

He added that it was, and has been, in the interests of the

World Bank to fight poverty and enhance good governance in the country.

Ghanem lamented the spread of HIV/AIDS, expressing the bank's willingness in encouraging groups and other bodies to rise up in the fight against the scourge, adding that combating the disease should be a priority area of any government.

He said that this could only be achieved when everybody, including the civil society and non-governmental organizations, as well as churches and mosques, co-operated with government in its fight against the disease.

"The other way is to mobilize everybody's effort. It does not have to be one institution or one group that fights HIV/AIDS. It is also important to talk about the dangers of HIV/AIDS and how it is being contracted and how to avoid it," he added.

Earlier, during a courtesy call on the Governor of Kwara State, the Country Director said his team was in the state to listen to the government on how the bank could collaborate with it, to deepen the existing relationship between the two institutions.

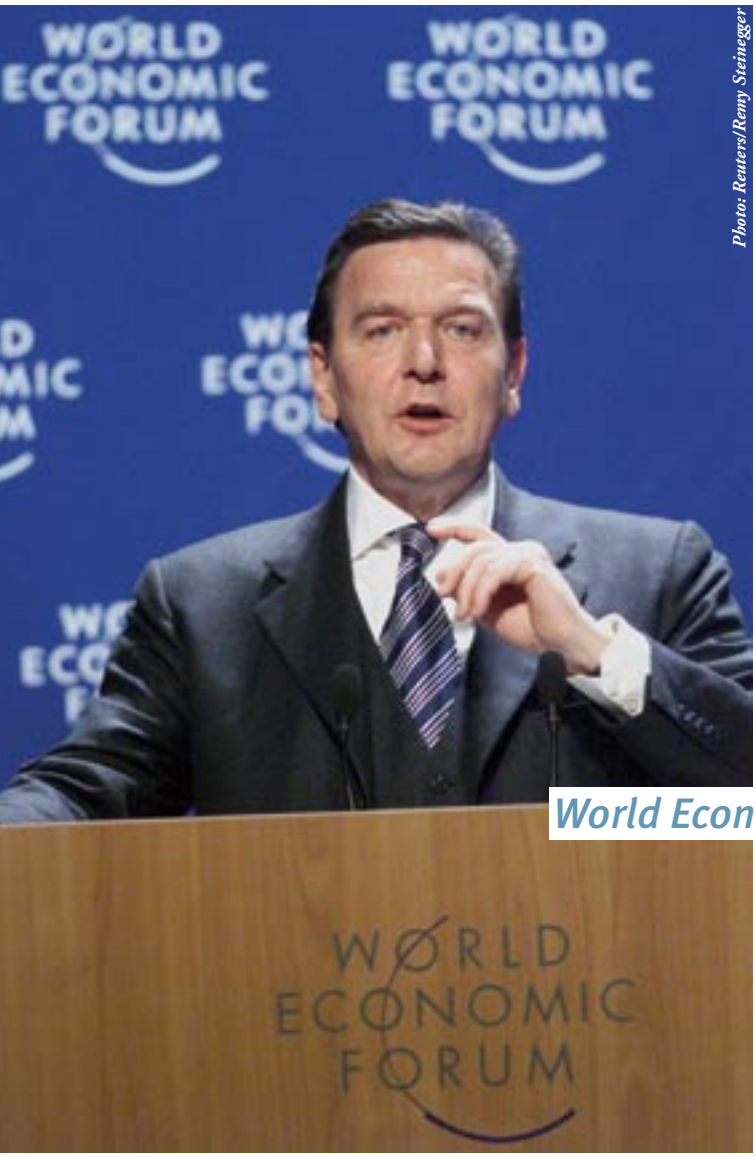


Photo: Reuters/Renny Steinegger

World Economic Forum urges US restraint on Iran

Davos — The threat of military action to stop Iran's nuclear ambitions became a central theme recently at the World Economic Forum, with Germany's leader warning that the Middle East cannot abide another war, a clear message to the United States that is being increasingly echoed throughout Europe, the Associated Press reported last month.

"This is a hotbed region already," German Chancellor, Gerhard Schroeder *(pictured left),* one of the leading opponents of the US-led invasion of Iraq, said to a round of applause. "The last thing we need is another military conflict."

Germany, the UK and France worked hard to clinch a deal with Iran in November last year to suspend its uranium enrichment activities in return for improved trade and political relations with the international community.

Iran has consistently maintained that it is enriching uranium only for the purposes of nuclear power — not weapons.

Despite this, the United States, suspicious that Iran is making nuclear weapons, has previously demanded that the country answer to the Security Council, and has refused to rule out military strikes. US Democrat Senator, Christopher Dodd, said military action should be the last resort.

"The military option — while I wouldn't take it off the table — has to be far from the mind of the administration's thinking," he said.

Such comments may prompt Germany and France to be even more critical when it comes to US intelligence warnings about

perceived global threats in light of the unreliable intelligence given about Iraq's so-called weapons programme, evidence of which was never found.

In addition, the role of the United Nations is once again being put to the test, throwing the spotlight on its inspections in Iran.

Also in Davos was the Director General of the United Nations International Atomic Energy Agency (IAEA), Dr Mohamed ElBaradei, who emphasized that the IAEA was receiving "good co-operation" from Iran over the country's controversial nuclear programme.

"I am saying that we are getting good co-operation from Iran," ElBaradei told journalists in Switzerland.

IAEA nuclear inspectors said on January 18, after completing their first inspection, that they wanted to return to a military site in Iran where Washington charges that Tehran is illicitly simulating nuclear weapons testing.

"In the last 15 months we have made good strides in understanding the nature and the scope of its programme," ElBaradei said.

The IAEA had no evidence that Iran was developing nuclear weapons through its atomic energy programme, he indicated.

"We cannot work on the basis of beliefs, we have to work on the facts," the UN nuclear chief said, while acknowledging that the IAEA was relying largely on its own equipment, inspections, and information gathering.

But inspectors were receiving no information or evidence from outside sources, he cautioned.

"If people have information, and on this basis are coming to the conclusion that this is a weapons programme, then I would very much like them to share it.

"Right now we are not getting much, so we are relying on our own abilities. As long as we have co-operation, and we do not see a smoking gun, the international community should bear with us," ElBaradei insisted.

Talks are continuing between Britain, France, Germany and Tehran on a more comprehensive plan that would include economic ties, amid reports that the European Union had hardened its stance by urging Tehran to completely dismantle its nuclear fuel programme.

In Tehran recently, Iran's Supreme Leader of the Islamic Republic, Ayatollah Seyed Ali Khamenei, warned European powers to take their nuclear negotiations with Iran seriously, otherwise Tehran would reconsider its co-operation.

"The Europeans negotiating with Iran should know that they are dealing with a great, cultured nation ... if Iranian officials feel that there is no seriousness in the European negotiations, the process will change," Khamenei was quoted as saying by the Islamic Republic News Agency (IRNA).

ElBaradei meanwhile said he hoped that the dialogue would be successful and urged the United States to join face-to-face talks with Iran.

"It is vital that the United States will become part of that dialogue," he said.

"This issue will not be resolved without face-to-face negotiations," ElBaradei added, drawing a parallel with US involvement in talks with North Korea on its nuclear ambitions.

UAE hosts Environment 2005 on sustainable transportation

Abu Dhabi — Hundreds of international experts gathered at the Abu Dhabi International Exhibition Centre in late January to discuss issues on the importance of sustainable transportation, the United Arab Emirates news agency, WAM, reported last month.

The Emirate of Abu Dhabi hosted the International Conference on Sustainable Transportation in Developing Countries, or Environment 2005, under the patronage of President His Highness Sheikh Khalifa bin Zayed Al Nahyan at the Abu Dhabi International Exhibition Centre.

Delivering the UAE's address during the opening ceremony, the Minister of Health, Hamad Abdul Rahman Al Midfa, said that the country had pledged to join forces with the international community to work out sustainable solutions to key environmental issues and concerns including sustainable transportation, and called for a true partnership between the advanced countries and the least developing countries to achieve sustainabale development.

"Aware of the strategic role of the transport sector in socio-economic development, the UAE has taken a series of measures, the most important of them (being) the introduction of unleaded fuel. We are now finalising plans to reduce sulphur in diesel and to study the possibility of using natural fuel," Al Midfa said.

"We are also giving attention to the safety of road networks to ensure (the) smooth flow of traffic and therefore reduce pollutants generated by vehicles," the Minister of Health, who is also the Chairman of the Federal Environmental Agency (FEA), said.

The UAE, he said, had struck, in a short span of time, a balance between the requirements of development and the environment through its drive to develop legislative and institutional frameworks, environmental strategies and the development of human resources.

"The UAE has also forged a fruitful public-private sector partnership and tapped international expertise and modern technology to conserve and develop its environment," he said.

In a statement to WAM, the Deputy Prime Minister of the UAE, Minister of State for Foreign Affairs and the Chairman of the Environmental Research and Wildlife Development Agency (ERWDA), Sheikh Hamdan bin Zayed Al Nahyan, said that the UAE had committed itself to sustainable development "to achieve economic progress and comprehensive development, while making sure that its environment, heritage and culture are well preserved."

"In that regard," he added, "the country sought to launch important initiatives and projects that have extended beyond national boundaries."

He was referring to the country's decision to ratify the Kyoto Protocol on the United Nations' Framework Convention on Climate change which he said "proved (the) UAE's firm stand and commitment to all international accords." The Protocol has yet to be formally ratified.

On the subject of sustainable transportation, he said that

the UAE had made remarkable progress in switching over to cleaner fuels.

"The UAE has made remarkable progress on (the) sustainable transport front including emissions specifications, banning the use of leaded fuel, setting up projects for air quality management, adopting more strict legislation to ban unsafe ships in the country's waters, warning factories of dumping industrial waste in the sea and setting air navigation standards.

"We are entering a stage where we will increase efforts to confront challenges posed by sustainable development and to intensify co-operation on local, regional and international levels," he said.

Al Madfa also said that more needed to be done on the international level to achieve better global, environmental standards.

"To fill the gap between advanced nations and developing nations, we need more efforts to forge a true partnership and launch joint co-operation programmes, taking into consideration the special features of each region and its financial and human resources.

"Advanced nations should exchange expertise with developing nations and offer technology and finance while the latter are demanded to reschedule their environmental priorities and make better use of assistance extended by international donors," he said.

The Chief Executive Officer of Dolphin Energy, Ahmed Ali Al Sayegh, also underlined the importance of holding Environment 2005 in the UAE for achieving the best means of friendly, sustainable transportation.

The Dolphin project currently delivers gas from Oman to the northern emirates, while plans to tap gas from Qatar to the UAE are also underway.

He said that the exhibition highlighted the positive role that oil and gas companies played as they sought to undertake their missions without damaging the environment, while contributing to the achievement of sustainable development.

Many of the world's leading oil and gas companies attended the conference, including a strong presence of Indian firms, which participated for the first time this year.

Indian expertise in energy audit for the oil and gas sectors, industrial waste disposal and urban energy management were on offer at the expo.

The Indian Ambassador to the UAE, Sudhir Vyas, told WAM that this marked the beginning of a positive involvement by Indian environmental consultants in the Gulf.

"India has succeeded in several environmental initiatives, particularly in the technological aspects of urban and industrial energy management that could be of particular use to clients in the Gulf," he said.

The Petroleum Conservation Research Association under the Indian Ministry of Petroleum and Natural Gas was offering its expertise on energy audit or energy efficiency improvement, the company's Regional Co-ordinator, Sudhir Vyas, said.

"The Association recently bagged a contract for an energy audit programme for Oman Refinery that will get underway in June. It plans, through the ongoing expo, to interact with more Gulf states to offer its expertise in the field of energy efficiency improvement," he said.

"The measures could help refineries improve energy efficiency in the range of five to 35 per cent and also reduce environmental problems," he explained.

Workshops were held during the expo to encourage discussion and the exchange of expertise to set the correct and necessary policies in place for sustainable transportation in the developing world.

The workshops dealt with sustainable transportation and its global, regional and local benefits to the economy, fuel economy improvement policies and the improvement of transit systems. Sustainable transportation and society and sustainable transportation and health were also discussed.

The event, which was held from January 30 to February 2, attracted 25 ministers of environment and health and 338 exhibitors from 41 countries across the world.

The gathering observed a minute silence in memory of the late UAE President, His Highness Sheikh Zayed Bin Sultan Al-Nahyan, who had put the issue of the environment high on the list of the UAE's priorities.

Qatar's economy booms, market to open to foreigners


Photo: Reuters/Mohamed Hammi

Doha — Qatar attracted $4.5 billion in foreign investment in the private sector last year, according to the Minister of Economy and Commerce, His Excellency Sheikh Mohamed bin Ahmed bin Jassem Al Thani *(pictured right),* the Middle East North Africa Financial Network (MENAFN) reported.

The figure represents a 1,543 per cent increase over 2003.

The Minister was addressing a press conference in early February, a day after a law was passed allowing foreigners to buy and sell shares on the Qatari stock exchange.

The new law would allow foreigners to own up to 25 per cent of the equity of listed firms.

"If you want to be part of the global economy, you have to be an open economy. And what we are saying is that this is a step in that direction," he said at the time.

Previously, only Gulf nationals could buy shares in certain sectors and in limited amounts.

Al Thani said that the easing up of tight financial controls had resulted in the issuing of 2,568 commercial registrations for new business entities last year, which was a record.

The entities included domestic ventures, other establishments as well as foreign and joint venture companies. The commercial registration figure showed a 75.2 per cent rise over 2003. Government investment amounted to $4.1bn last year.

Foreign direct investment (FDI) in 2004 was also at a record high of $2.0bn, he said.

The gross domestic product (GDP) of the country reached an impressive $28.4bn at the end of last year, showing a 20.5 per cent increase over 2003.

These figures were evidence that Qatar's economy continues to boom, registering a growth rate of 20.5 per cent, Al Thani said, adding that this was the first time his Ministry was announcing these figures.

The share of the oil and gas sector in the GDP was 62.1 per cent. Exports grew by 33.3 per cent last year to reach a record $17.6bn. The value of imports was lower at $6.5bn, showing a 32.4 per cent increase over 2003, according to the Minister.

Meanwhile, local Arabic dailies quoted the Minister as having said at the press briefing (in Arabic) that edicts (fatwas) issued by some Islamic scholars from time to time caused immense harm to his Ministry.

"We are studying if there is a possibility to seek legal action in this regard," the Minister was quoted as saying.

Some edicts were correct but many were not, the Minister said.

He also said that the new Doha Securities Market (DSM) building which was expected to be ready in two years' time, would also have a big residential hotel complex.

Austrian President receives OPEC Fund Director-General

Photo: OPEC Fund

Top diplomats representing international organizations often call on dignitaries from their host countries, usually as a matter of courtesy to get to know the relevant heads of state and to make valuable, bilateral contacts.

Accordingly, the Director-General of the OPEC Fund for International Development, Suleiman J Al-Herbish (r), recently paid a courtesy call on the Federal Austrian President, Dr Heinz Fischer (l), at Vienna's Hofburg Palace. Fischer assumed his role as head of state ten months ago.

The OPEC Fund has provided emergency aid and grants to several Austrian NGOs, including support for Austrian victims during the floods of 2002, which affected the low-lying Danube region

The Fund's philosophy

The Director-General briefed Fischer on the work of the OPEC Fund, explaining its operational philosophy, which is to promote co-operation between OPEC Member Countries and other developing countries, and to help particularly the poorer, low-income countries in pursuit of their social and economic advancement.

Al-Herbish explained the diverse activities of the institution. In particular, he informed Fischer about the Fund's recently-launched 16th Lending Programme, which provides loans at minimal interest rates.

He briefed the President on the Blend Facility, a new financing window, endowed with additional resources of $300 million, which has been set up to meet the demand for financing beyond the confines of the regular Lending Programme.

He also mentioned the Fund's efforts towards strengthening the private sector in its partner countries. The Private Sector Facility (PSF) was set up in response to requests from developing countries which needed and wanted assistance in building up their private sectors.

The main focus of the PSF is to finance small and medium-scale enterprises in an effort to improve essential services within a country and to make efficient use of resources to help facilitate long-term economic growth.


Photo: Welfare Association


Early Childhood Resource Center

Working with the Austrian Committee of the Holy Land, the Fund has lent its support to providing injured Palestinians with medical treatment in Austrian hospitals at a time of heightened violence in the West Bank and Gaza strip, when local hospitals, as pictured above, were unable to cope with the increasing levels of emergency care

The Grant programme

Describing the Fund's grants programme, Al-Herbish cited recent efforts of the institution to deliver assistance to the south-east Asian nations affected by last month's tsunamis.

In this regard, he highlighted the individual support provided by Fund Member Countries to the relief effort. Indonesia, the country worst affected by the disaster is a Fund Member Country. Al-Herbish also conveyed his sympathy to the President for the loss of Austrian lives.

Apart from such emergency pledges, the Fund extends grants to many different projects around the world which are in need of assistance. To date, the Fund has extended $321.6m in grants, which do not need to be repaid, and has helped in a diverse range of areas, from fighting famine through agricultural research, to supporting ethnic minorities in Latin America, fighting HIV/AIDS, and even assisting victims in Austria affected by major floods in 2002.

In fact, within Austria, the Fund has forged a close working relationship with many of the country's NGOs, whose work is carried out both nationally and internationally.

Austrian collaboration

Austria is renowned for giving to those in need of help, and this can be said especially for the special relationship the country has had with the Palestinian people over the years. The Austrian Committee of the Holy Land, an NGO based in Austria, has provided injured Palestinians with medical treatment in Austrian hospitals, with the help of grants given by the OPEC Fund.

This assistance was given at a time of heightened violence in the West Bank and Gaza Strip, which had severely compromised the ability of local medical services to cope with the increasing levels of emergency care.

On the local level in Austria, the Fund has granted money in support of a scientific, research study on the *Postnatal Transmission of the Hepatitis C Virus* in conjunction with the University Children's Department of the Allgemeines Krankenhaus (AKH), one of Vienna's leading hospitals, as well as having supported the construction of an Islamic cemetery in Vienna.

Fischer extends appreciation to OPEC

President Fischer showed a keen interest in the work of the Fund. He paid tribute also to the contribution of its sister institution, OPEC, to oil market stability to the benefit of both producer and consumer countries.

Fischer inquired about relations between the OPEC Fund and host-country, Austria, and was assured by Al-Herbish that they were excellent.

Al-Herbish took the opportunity to thank once again the government and people of Austria for their continued hospitality and co-operation extended to the organization and the Fund's staff.

News from the OPEC Fund

January 2005

Grants approved

Fund supports community project in Sudan

Amount: $100,000.
The OPEC Fund for International Development has extended a $100,000 grant to a Sudanese non-governmental organization, ZEITUNAT, to pursue a community development project targeting 15 villages in Sudan's West Kordofan State. The project will seek to help reduce hunger and extreme poverty. It will pave the way for community participation in development, and create productive, employment opportunities. Also planned are sustainable livelihoods for some 1,000 families, the drilling of wells and the construction of health and education facilities. A health centre will be built in Kashavic, some 844 km south-west of Khartoum, the national capital. Two artesian wells, at two locations in Kashavic, will be equipped with related water yards for people and separate areas for livestock. A 400-pupil-capacity primary school will also be built, with classrooms fitted with solar panels and furnished with benches, desks and other relevant furniture. The government of Sudan will take care of the administration of the school, providing teachers and the requisite running costs.

ZEITUNAT is a non-profit NGO, based in Kashavic. It works to strengthen sustainable development and to extend socio-economic services to poor rural communities in West Kordofan State.

OPEC Fund assists study programme of the G-77

The grant of $80,000 to the Group of 77 (G-77) will help finance the preparation of important technical studies and policy papers ahead of the 60th United Nations General Assembly in September. The 60th meeting includes on its agenda several items of high relevance to the G-77. These include reviews of issues such as progress towards the Millennium Development Goals, as well as implementation of the Monterrey Consensus and the Johannesburg Programme on Sustainable Development. The Assembly will also discuss the institutional reform of the UN system.

Loans signed

$18m Fund loan extended to Egyptian power plant

Amount: $18m.
Project: El Kuriemat power plant.
Executing agencies: Egyptian Electric Holding Company.
Total cost: $276.8m.
The loan agreement with Egypt will help finance the recommissioning of the Kuriemat power plant. The plant is being rehabilitated in a bid to enable the country to meet burgeoning electricity demand. Egypt has one of the best electricity networks in the developing world, with services reaching more than 99 per cent of the population. However, electricity requirements are steadily rising, and forecasts indicate that peak loads will increase significantly over the next few years, necessitating the expansion of the country's power-gener-

Photo: Reuters/Zohra Bensemra

These Sudanese children attending school in West Darfur, Sudan are considered lucky by some, as education has been affected severely due to the recent conflict in the country. The Fund's $100,000 grant will go towards building a primary school, amongst other things, in Sudan's West Kordofan State, which will benefit from the all-Sudan peace settlement which was signed on December 31, 2004

ating capacity. The Kuriemat power plant has been chosen for recommissioning as it possesses a number of advantages: its close proximity to fuel sources; a plentiful water supply for cooling; and for the ease in which the electricity can be switched to the national electricity network. The loan will co-finance the heat recovery steam generator package.

Loan to prevent communicable diseases in Madagascar

Amount: $5m.
Project: Communicable disease control.
Executing agency: Project Implementation Unit under the aegis of the Ministry of Health and Family Planning.
Total cost: $18m.
The loan agreement with Madagascar will co-finance a project aimed at reducing the incidence of communicable diseases by constructing blood transfusion centres, expanding health care infrastructure and implementing capacity building measures across the entire health sector. Despite the government's focus on meeting the basic health needs of the population, health indicators in Madagascar remain poor, with preventable illnesses such as tuberculosis, malaria, and diarrhoeal diseases the chief causes of morbidity. Concern is also growing over the rising incidence of HIV/AIDS and blood-borne and sexually transmitted diseases such as hepatitis and syphilis. Only around 58 per cent of the population has access to basic health services and wide disparities in coverage exist between urban and rural regions. In order to reduce the spread of blood-borne illnesses, the project will construct a national blood transfusion centre in the capital Antananarivo, along with six provincial and 32 district-level transfusion centres. Patients will be able to receive treatment free of charge and on an anonymous basis. A monitoring facility to house an AIDS observatory will also be built in Antananarivo, and sensitization campaigns will be carried out to educate the population in the prevention of sexually-transmitted diseases.


Photo: Reuters/Mike Hutchings

A Madagascan child plays in a polluted river in the capital, Antananarivo. Such dirty waterways are the cause of many communicable diseases which the Fund loan will help combat in Madagascar. Diarrheoa is caused by water that contains bacteria, viruses and parasites, while malaria is transmitted by mosquitoes that depend on water to grow and develop

Fund supports microfinance institution in Cambodia

Amount: $1.5m.
A $1.5m line of credit has been signed between the Fund and AMRET, a licensed microfinance institution in Cambodia, which provides microfinance services to the rural population. AMRET distributes credit through some 1,000 village associations in ten provinces and municipalities around the country. Almost three-quarters of its loans are used to finance agricultural activities, notably rice and crop production, animal husbandry, fishing and palm sugar production. Credit is also provided for other small business ventures, such as handicrafts, food trading and processing, and bicycle and motorcycle repairs. AMRET's client base has grown steadily and is now approaching 100,000 customers. The loan will help AMRET meet a number of key strategic objectives: expansion of its services into two new provinces, diversification of its funding sources and the decentralization of some operational and financial management to the provincial level.

Fund extends $20m loan to Morocco for water supply

Amount: $20m.
Project: Wirgane Dam.
Executing agency: Ministry of Land Development, Water and Environment.
Total cost: $73.21m.
The loan agreement signed with Morocco will help finance a project to alleviate water shortages in the city of Marrakesh. Construction of the Wirgane Dam is expected to boost potable water supplies by some 17m cu m annually. The availability of water in Morocco varies widely, and this unequal distribution across the country has necessitated the use of dams to help maintain an adequate supply of water during periods of drought. In light of Morocco's rapidly rising population and increased demand for irrigation water, concerns have arisen regarding capacity levels, and studies predict widespread water shortages if the current infrastructure is not expanded. This situation holds particularly true in the city of Marrakesh. Objectives of the project, therefore, are to secure additional potable water supplies from the N'Fis River by constructing a new dam.

Zambia receives $4m loan for road rehabilitation scheme

Amount: $4m.
Project: Mongu-Kalabo road, Phase II.
Executing agency: Ministry of Works and Supply.
Total cost: $15.08m.
The loan will help finance Phase II of a project to open up the country's isolated Western Province by constructing a road across the Zambezi flood plain. The road, which will run between the towns of Mongu and Kalabo, will have a significant impact on the social and economic integration of the region. Most of the existing roads in Zambia's western regions are of unpaved earth and track that become impassable during the rainy season. Travelling from Mongu to Kalabo is particularly problematic since the only choices available entail either crossing the flood plain or taking a more circuitous 360 km route. Under phase one of the project, which was also co-financed by the OPEC Fund, aims were to construct a 74 km road to connect the two towns, and incorporate embankments over culverts to enable cross-drainage across the Zambezi flood plain. Phase two will provide the additional financing needed to upgrade the stretch to all-weather bituminous standard and carry out modifications to the original design that were deemed necessary after the rainy season in 2003 brought some of the highest flood levels recorded in the area in over four decades.

Zambia receives $6m Fund loan to rehabilitate major road

Amount: $6m.
Project: Kafulafuta-Luanshya road.
Executing agency: Ministry of Works and Supply.
Total cost: $11.53m.
The loan agreement with Zambia will rehabilitate sections of a 45.36 km-long road connecting the cities of Kafulafuta and Luanshya. The route forms part of the strategic main road network of the Copper Belt Province and is a key component of the government's road sector investment programme. Since its construction in 1966, the bitumen-paved Kafulafuta-Luanshya road has served heavy volumes of daily traffic, resulting in its severe deterioration. The Fund loan will help reconstruct and surface the road.

Photo: Reuters/Andrew Winning

Sugar cane is one of Malawi's primary export crops, but in order to get the produce to the market, the country relies on good roads which are very much in need of maintenance

Rural development scheme in Vietnam gets $10m loan

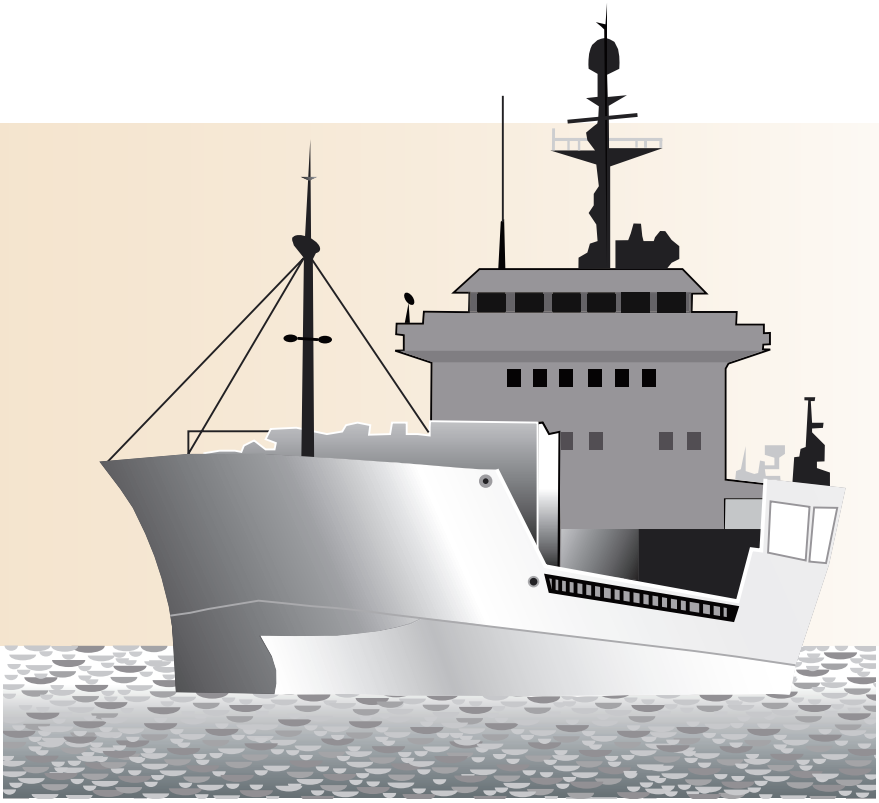
Amount: $10m.
Project: Quang Nam Province development.
Executing agency: Quang Nam Province People's Committee.
Total cost: $12.6m.
Vietnam has taken the loan to co-finance a multi-faceted rural development scheme in the Quang Nam Province. The project falls within the framework of a government strategy to improve rural infrastructure in order to boost agricultural production, raise household incomes, reduce living costs and enhance access to markets, jobs and other social services. The project will carry out works such as the construction of rural roads, bridges and primary schools, as well as the establishment of irrigation schemes and wells to help raise agricultural productivity.

Malawi takes $7m loan to rehabilitate key road

Amount: $7m.
Project: Zomba-Jali-Chitakale road.
Executing agency: National Roads Authority.
Total cost: $42.63m.
The loan agreement signed with Malawi will help finance the rehabilitation of the Zomba-Jali-Chitakale road, an important link that passes through key agricultural areas. Its completion will facilitate the transport of inputs and produce and allow the surrounding population improved access to marketplaces and social services. Being a landlocked country, road transportation plays a vital role in the movement of both domestic supplies and exports. The quality of the 15,541 km network is poor. Under the project, these shortfalls will be addressed by upgrading the road to asphalt standard, and providing drainage, bridges, road markings, signs and culverts, where needed.

December

This section is based on the OPEC Monthly Oil Market Report published in mid-January by the Research Division of the Secretariat, containing up-to-date analysis, additional information, graphs and tables. The publication may be downloaded in PDF format from our Web site (www.opec.org), provided OPEC is credited as the source for any usage.



Crude oil price movements

OPEC Reference Basket

The month started with a bearish tone as ample supplies of Middle Eastern crude eased concern over winter fuels amid the initial expectation that OPEC would not rein in output at its December 10 Meeting in Cairo. The Basket plunged in the first three days of the month by 13 per cent or $5.25 to reach $34.53/b (see **Table A**).

Sentiment turned bullish at the beginning of the second week on mixed reactions to the outcome of the Cairo Meeting amid an unfortunate event in Jeddah and production outages in the Niger Delta. However, this bullish momentum was short-lived as the market regained its bearish footing on the return of Nigerian production amid easing concerns over winter fuels on the forecast for warmer weather in the northern hemisphere.

The downward sentiment received further support on the resumption of Iraq's northern exports. Accordingly, the Basket dropped to $33.78/b on December 8 with the weekly average slipping $4.26 or 11 per cent to $34.24/b.

The bulls revived in the third week on a number of factors including OPEC's call to reduce output by 1.0m b/d effective January 1, limited east-bound arbitrage opportunities, the halt of Iraq's northern exports and an expected cold snap in the northern hemisphere which would boost demand for heating fuel. The Basket closed the week up 85¢ or 2.5 per cent to reach $35.09/b, supported by a December 15 rally of five per cent. The calls for lower OPEC output also supported prices although market perception was that the reduction in output will not affect winter supply. Concern over security of the oil infrastructure in the Middle East, a halt in Nigerian production and the delayed restart of Norway's North Sea oil fields revived market bullishness. Hence, the Basket's weekly average surged $2.67 or 7.6 per cent to close at $37.76/b on December 23.

In the last week of December, the forecast for mild winter weather in the US north-east exerted downward pressure, helping the Basket to slip over five per cent in the first three days of the week to $34.81/b. Despite a bullish turn in the last few days of the week following an unfortunate event in a major Middle Eastern OPEC producer, the Basket's weekly average dropped $2 or over five per cent from the previous week to $35.72/b as the year-end holiday season helped calm the market. On the last day of the year, the Basket stood at $36.43/b.

The average monthly price for the Basket was down $3.26 or eight per cent in December compared to the previous month to settle at $35.70/b, which was 30¢/b lower than the 2004 average. In percentage terms, this was the second largest monthly retreat this year after November's loss of 14 per cent. Eased worries over winter fuels amid prospects for milder temperatures in the northern hemisphere capped prices, while the ample supply of OPEC crude ahead of the implemented January production cut supported calmness in the market place.

The OPEC Basket averaged $36.05/b for the year, up $7.95 or 28 per cent from the previous year. This was despite a continued downward trend throughout most of November and into December, as a series of events throughout the year as well as supply fears and tightness in downstream capacity supported earlier gains of eight per cent in March, 12 per cent in May, 11 per cent in August and over 12 per cent in October. However, the Basket regained momentum in January with the average rising over six per cent to $38.39/b as of

1. *An average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.*

Table A: Monthly average spot quotations for OPEC's Reference Basket and selected crudes including differentials $/b

	Nov	Dec	Year-to-date average 2003	Year-to-date average 2004
Reference Basket	38.96	**35.70**	28.10	36.05
Arabian Light	35.56	**34.64**	27.69	34.53
Dubai	34.87	**34.16**	26.77	33.66
Bonny Light	43.60	**39.08**	28.76	38.27
Saharan Blend	42.97	**39.61**	28.73	38.35
Minas	37.25	**34.76**	29.52	36.85
Tia Juana Light	37.37	**32.36**	26.97	33.66
Isthmus	41.10	**35.31**	28.25	37.01
Other crudes				
Brent	42.80	**39.43**	28.81	38.23
WTI	48.22	**43.12**	31.09	41.44
Differentials				
WTI/Brent	5.42	**3.69**	2.28	3.21
Brent/Dubai	7.93	**5.27**	2.04	4.57

January 17, 2005 on recent global outages from Iraq's interrupted exports, a partial halt in Nigerian output, weather-related North Sea loading disruptions and the incomplete recovery of production in the Gulf of Mexico amid a cold snap in the eastern and northern hemispheres.

US market

December saw mixed reactions amid easing concerns over winter fuels which pushed the physical market downward. The healthy stock level revealed in the weekly US petroleum report on the first day of the month set a bearish tone for the market. The forecast for a mild winter amid a build in heating oil stocks supported the downward price movement.

On December 3, West Texas Intermediate (WTI) slipped to $42.38/b for the first time since August 31. An upward revision of the US natural gas inventories further eroded price support in the first three days of the month, with WTI plunging some 14 per cent. However, the tight supply of sour crude slightly narrowed the WTI/WTS (West Texas Sour) gap from $5/b to $4.40/b. The perception that OPEC would keep the production ceiling unchanged in its Meeting of the Conference in Cairo contributed to market calm, allowing WTI to fall further to $40.68/b on December 10. Tighter Middle East sour supplies to the USA also squeezed the sweet/sour spread for WTI/WTS to below $4/b. OPEC's decision to cut excess production combined with a blast of cold descending on the US north-east supported a reversal in prices. Accordingly, WTI gained $5.40 or 13 per cent over the week to register $46.08/b on December 17.

The halt of exports from Iraq's northern outlet supported the bullish sentiment with the WTI/WTS spread narrowing to $3.11/b. Nevertheless, another build in the US crude oil stocks to 296m b — the highest since July 30 — widened the spread to $4.50/b. This rally continued toward the end of the year, despite warm weather in the USA, as a tragic event in a major Middle Eastern producer and pre-holiday short-covering sent WTI prices up 6.5 per cent in two days of the final week of the year. The year closed with WTI at $43.39/b and December's monthly average at $43.12/b, down $5.10 or 10.5 per cent from the previous month. A draw on the US crude oil stocks in the final week pushed prices upward in the New Year, with WTI in January climbing to over $49/b in mid-January on the back of a series of global outages amid the forecast for colder temperatures in the northern hemisphere.

European market

North Sea crude was subdued early in the month on closed arbitrage opportunities amid full refinery storage, thus pressuring differentials in a contango market. Nevertheless, the outage of Norway's Statoil Snorre A platform pushed North Sea grades higher. Moreover, emerging January loading programmes, which showed lower North Sea volumes than in December, improved market sentiment and helped to firm differentials. By mid-December, the forward structure changed amid a fall in freight rates with fixtures to the USA helping to revive backwardation. The firm crack spread due to healthy refining margins for Brent triggered the buying spree. The bearish sentiment prevailed in the second period on rising freight rates and lower refining margins amid the approaching holiday season, with the covering of short positions having already taken place. Forecasts for warm weather supported weaker demand for winter fuels, especially outbound barrels to the USA, poised by the outage at a Norwegian oil field that boosted sentiment at year-end.

Sentiment in the Mediterranean was bearish on ample supplies amid lower buying interest early in the month as well as reduced refining margins with buyers favouring more lucrative sweet grades. Falling

freight rates in the north kept Urals under pressure in the Mediterranean. Moreover, more lucrative Middle East rivals supported the differentials remaining at weak levels despite lower yield value. However, lower Iraqi exports through Turkey triggered a buying spree that supported market strength for sour crudes at mid-month. Nevertheless, traders' sales ahead of the disclosure of new programmes for January loading exerted downward pressure on differentials. Urals traded in mid-December at a discount of $5/b against dated Bent. The Urals differential widened further on a larger volume on offer for January loading amid an overhang of arbitrage barrels.

Far East market

Sour Middle Eastern crude began the month on a good footing amid higher demand. January Oman traded at a 15¢/b premium to MOG as arbitrage for rival grades such as Russian Urals was closed due to the wide Brent/Dubai spread and high freight rates. However, the narrowing of the exchange for swap exerted pressure on Middle East crudes when trade for Oman's February loading emerged and the differential was narrower at a premium of 2¢/b to MOG. February Oman flipped into discount of 9¢/b, pressured by arbitrage supplies of West African heavy sweet and Russian Urals. Kerosene-rich Abu Dhabi crude remained under pressure as well on mild winter demand. Output reductions from the Middle Eastern OPEC producers supported the market as Oman traded at an 8–12¢/b premium, while Abu Dhabi Murban remained under pressure from the mild weather, trading at a 35¢/b discount to ADNOC's official selling price (OSP).

Asian market

The Asian regional market remained under pressure from the wide spread between light sweet and heavy sour grades. Soaring freight rates amid high OSP attracted refiners, especially Chinese, to buy more sour barrels. Accordingly, Malaysia's January Tapis was on offer at a discount of $1.50/b to the Asian Petroleum Price Index (APPI), from a premium of 10¢/b set in the first week, before finally trading at a $2/b discount, a level not seen since 2002. However, falling outright prices, which kept the sweet/sour differential narrower, attracted buyers for the sweet grade due to the falling crack spread. Hence, February Tapis sold at a discount of $1.30/b to APPI.

Table B: Selected refined product prices *$/b*

		Oct 04	Nov 04	Dec 04	Change Dec/Nov
US Gulf (cargoes)					
Naphtha		56.86	52.19	42.74	–9.45
Premium gasoline	*(unleaded 93)*	58.45	53.16	44.25	–8.91
Regular gasoline	*(unleaded 87)*	56.89	52.29	43.86	–8.43
Jet/kerosene		64.19	56.60	51.52	–5.08
Gasoil	*(0.2% S)*	61.54	55.61	50.04	–5.57
Fuel oil	*(1.0% S)*	34.51	31.19	28.49	–2.70
Fuel oil	*(3.0% S)*	31.47	21.80	22.32	0.52
Rotterdam (barges fob)					
Naphtha		61.21	56.49	50.20	–6.29
Premium gasoline	*(unleaded 95)*	55.72	50.62	42.54	–8.08
Regular gasoline	*(unleaded)*	55.81	50.64	42.39	–8.25
Jet/kerosene		65.91	60.31	54.05	–6.26
Gasoil	*(0.2% S)*	63.06	56.89	51.26	–5.63
Fuel oil	*(1.0% S)*	28.10	25.23	24.96	–0.27
Fuel oil	*(3.5% S)*	25.88	21.49	20.93	–0.56
Mediterranean (cargoes)					
Naphtha		50.76	45.68	39.98	–5.70
Premium unleaded	*(0.15g/l)*	54.39	48.74	39.88	–8.86
Premium gasoline	*(unleaded 95)*	54.43	48.70	39.72	–8.98
Jet/kerosene		62.82	57.18	50.77	–6.41
Gasoil	*(0.5% S)*	60.78	56.47	50.75	–5.72
Fuel oil	*(1.0% S)*	29.03	26.72	25.65	–1.07
Fuel oil	*(3.5% S)*	24.20	18.65	18.62	–0.03
Singapore (cargoes)					
Naphtha		48.81	47.46	42.79	–4.68
Premium gasoline	*(unleaded 95)*	54.73	52.45	44.81	–7.64
Regular gasoline	*(unleaded 92)*	53.68	51.74	44.24	–7.50
Jet/kerosene		61.25	57.64	50.07	–7.57
Gasoil	*(0.5% S)*	58.40	56.82	51.33	–5.49
Fuel oil	*(180 cst 2.0% S)*	30.96	29.40	26.93	–2.47
Fuel oil	*(380 cst 3.5% S)*	29.95	27.99	24.00	–3.99

Product markets and refinery operations

The continuation of mild weather, together with the high refinery runs and production, and lower product prices, particularly for the middle distillates, have been the main driving forces in the market since the middle of August last year. These circumstances triggered a fall in refining margins across the globe in December. In that month, refining margins dropped 63 per cent in the USA, 37 per cent in Europe and 45 per cent in Singapore compared to November. On the emergence of a cold snap in the northern hemisphere, especially in the US north-east, and reduced refining runs due to the winter maintenance schedule, product prices are expected to regain part of last month's losses to once again support refining margins and crude oil prices (see **Table B**).

The refinery utilization rate increased all over the world in December, with the exception of Japan. Following mild weather

Table C: Refinery operations in selected OECD countries

	Refinery throughput *(m b/d)*				Refinery utilization *(%)*[1]			
	Oct 04	Nov 04	Dec 04	Dec 04/03	Oct 04	Nov 04	Dec 04	Dec 04/03
USA	15.23	15.89	16.03	0.49	91.2	95.2	96.0	2.5
France	1.72	1.68[R]	1.55	–0.28	88.1	86.0[R]	79.6	–16.9
Germany	2.34	2.19[R]	2.28	0.06	102.3	95.7	99.8	1.6
Italy	1.79	1.68[R]	1.86	0.07	77.4	72.6	80.4	2.6
UK	1.66	1.66	1.66	0.08	91.3	91.1	91.3	3.1
Eur-16	12.15	11.93[R]	12.22	–0.05	88.0	86.4[R]	88.5	–0.9
Japan	3.77	4.20[R]	4.34	0.03	80.3	89.3[R]	92.2	1.9

1. Refinery capacities used are in barrels per calendar day.
R Revised since last issue.
Sources:
OPEC statistics, Argus, Euroilstock Inventory Report/IEA.

in north Asia and increasing kerosene stocks in Japan, Japanese refiners reduced their utilization rate by 1.7 per cent from 93.9 per cent in November 2004. But in Singapore, refiners hiked runs by one per cent to 90.1 per cent and may cut throughput further due to the high stock levels of various products. In the USA, refiners also maximized their utilization rate, which rose to 96 per cent, up by about one per cent compared to the previous month. Additionally, low tertiary stocks have also encouraged Eur-16 refiners to keep up their runs, which rose by 1.4 per cent to 88.8 per cent (see **Table C**).

US market

Robust production and lower demand resulted in a significant drop in prices for premium products. The crack spread of gasoline slid over $5/b in December, and recent stock builds may put additional pressure on them over the next few weeks. As of January 7, the US gasoline stock level reached 215.3m b, nearly 7m b higher than in the same period of last year. It may increase further as typically demand for gasoline falls to its lowest level in January (see **Table B**).

Last month, regular gasoline prices in the US Gulf Coast plummeted by $8/b on average. Similarly, the driving force of the market, distillates, lost momentum due to mild weather, with the prices for gasoil and heating oil dropping by $5.57/b and $5.08/b, respectively. However, as of January 7, 2005, US distillate fuel stocks were 11 per cent lower than in the same period last year. With the emergence of the recent cold snap, distillate prices may rebound to support refining margins.

The market for jet fuel was bolstered recently in New York and the US Gulf Cost due to higher demand for aeroplanes. But fuel oil, which was supported earlier by utility plant demand, lost ground recently and US stocks for that product have continued to grow. The crack spread of high sulphur fuel oil against WTI crude oil is about –$20/b (see **Table C**).

European market

With the implementation of new gasoline and diesel specifications, along with low distillate inventories, especially tertiary stocks, the European product market was expecting a boost in the last month of 2004. However, mild weather amid Russian gasoil exports dominated the market and undermined light and middle distillates. In December, regular gasoline and gasoil prices slid on average by $8.25/b and $6.53/b, respectively (see **Table B**).

Poor refining margins and very costly crude oil have encouraged some European refiners, particularly in the Mediterranean area, to use further feedstock, a trend which supported straight-run fuel oil prices. Furthermore, the recent cold weather in the USA and favourable trans-Atlantic arbitrage opportunities have also allowed a relative recovery in the prices for premium products.

Despite the encouraging developments for the other light products, the market for naphtha still remained bearish, as plentiful supply, low prices of alternative feedstocks like LPG and closed arbitrage opportunities to the USA and Asia weighed on the market for that product.

Similarly, the market for high-sulphur fuel oil looked disappointing due to ample supply and weak demand on both sides of the Atlantic basin along with the lack of arbitrage opportunities to Asia. The high-sulphur fuel oil crack against the Brent benchmark crude is still around –$20/b, eroding the refining margins significantly (see **Table C**).

Asian market

The impressive performance of the middle part of the barrel in Asia over the last few months ground to a halt in December, due to ample supply and lower Chinese imports. The major characteristics of the Asian market last month were the cut of refinery runs by Japanese refiners, falling demand for both middle distillates and naphtha due to the mild winter and petrochemical plant maintenance, India's low-sulphur diesel imports and the sliding of clean and distillate cracks (see **Table B**).

Also in December, gasoline and jet/kerosene in the Singapore market plunged by $7.04/b and $7.57/b, respectively, and the gasoil price dropped by $5.72/b. However, the bearish momentum in the Asian light and distillate products recently reversed following a cold spell in North Asia and increased gasoline demand from Indonesia and the Middle East. Strong demand for jet fuel in south-east Asia, particularly from Vietnam and Indonesia, has further strengthened jet fuel prices.

The Asian fuel oil market displayed mixed movements. While low-sulphur

fuel oil prices were lifted by utility plant needs, the market for high-sulphur fuel oil remained under pressure due to ample supply and sluggish demand. With the expected arrival of 2 million tonnes of arbitrage cargoes in the near future and the lack of strong Chinese consumption, the fuel oil crack spread against Dubai crude is expected to remain at a discount (see **Table C**).

The oil futures market

The futures market saw hefty liquidation by non-commercial speculative funds at the close of November as NYMEX crude oil futures hit a four-month low on December 7, settling at $41.46/b after a loss of 3.5 per cent or $1.52. Market sentiment turned bullish as the situation in Nigeria eased and participants braced for crude and product stock-builds amid mild weather in the US north-east. Net longs turned into net shorts after a hefty 23,255 shift in contracts to close at 17,440 for the first time since November 4, 2003 and the highest net short position since October 7, 2003. This switch in positions by non-commercials was brought about by speculators adding shorts, while at the same time reducing longs by a similar volume. However, oil futures prices rallied on December 14 on the back of a surge in heating oil and natural gas futures following a blast of frigid temperatures in the US north-east. The rally ran counter to some views that the impact of OPEC's production cuts had been minimal and the expectation of a moderate draw on US crude oil inventories amid rising distillate stocks. However, heating oil futures moved up as a blast of cold weather hit the region, rekindling worries about tight winter supplies. The NYMEX WTI prompt month contract rose 81¢ or nearly two per cent to settle at $41.82/b while heating oil and natural gas futures soared around four per cent and 2.3 per cent, respectively.

Sentiment was mixed in the following week, balanced between the forecast for warmer weather in the US north-east, geopolitical concerns in the Middle East and strike threats in Nigeria. As a result, prices for the WTI February contract settled down 2¢ at $45.76/b on the NYMEX market. Hence, non-commercial positions balanced out, turning slightly long after two weeks of net shorts. Speculators remained net long in the final week of the year following liquidation of short positions on the so-called technical correction as the NYMEX WTI February contract saw a 45¢ rise following a hefty 6.5 per cent loss the previous day on mild weather in the USA easing fears of a winter heating fuel supply shortfall. Open interest contracts fell from the December 14 peak of 704,134 to close at 656,458 lots on December 28. Nevertheless, market sentiment appeared bullish as the New Year begins with frigid weather in the northern hemisphere.

The NYMEX forward curve steepened in contango in December. The 1st/2nd month spread widened in mid-month to –82¢/b on easing concern over winter fuels amid the prospect of higher OPEC output. The contango persisted on lucrative Middle East crude amid comfortable US inventory levels. The contango continued throughout the month as the crude oil stock build peaked at 296m b on December 17. The spread narrowed in the second half of December between –15¢/b and –20¢/b as crude stocks slipped to 291m b by year-end. The contango average for the 1st/2nd month in December was –30¢/b compared to –10¢/b in November. In the same period last year, the market stood in backwardation of 15¢/b and 39¢/b as US crude oil stocks dropped from 278m b on December 5 to 270m b on December 26. The contango has continued into the New Year in a narrow range of around –15¢/b.

Tanker markets

OPEC area spot fixtures have experienced a substantial decrease for the first time in four months. Data shows that OPEC area spot fixtures fell 2.13m b/d or 13 per cent to 14.30m b/d in December from 16.43m b/d in the previous month. This sharp decline in OPEC spot fixtures was due to the typical lull in activity because of the end-of-the-year holidays. OPEC's decision to cut overproduction by 1.0m b/d starting in January 2005 also added to the slide. However, compared to last year's figure, OPEC spot fixtures were up 3.37m b/d, or around 31 per cent higher. Despite the considerable decrease from the previous month, OPEC's share of global spot chartering remained nearly at the same 66 per cent level observed in November, but higher than last year's figure of 61.5 per cent. The plunge was more pronounced in Middle Eastern countries which saw their spot chartering decrease by 2.37m b/d. Fixtures on the Middle East/eastbound long-haul route slid by 1.52m b/d, the sharpest fall in the last two years, due to the lower demand for sour grades, especially from Chinese refiners, who are planning to comply with more restrictive specifications for petroleum products. Rates on the Middle East/westbound long-haul route experienced the same trend, decreasing by 35 per cent or 850,000 b/d to stand at 1.6m b/d, which was 130,000 b/d less than last year's figure. With this decline, the share of these two routes together in OPEC's total spot chartering went down to less than 47 per cent, the lowest level since March 2003. The remainder of OPEC's spot fixtures behaved contrary to these two long-haul routes, increasing by 240,000 b/d or three per cent to stand at 7.63m b/d. Non-OPEC spot fixtures showed a decrease of around 11 per cent or 940,000 b/d, but kept their share in total spot chartering at the previous month's level of around 34 per cent. With these declines in OPEC and non-OPEC spot chartering of 3.0m b/d, total spot chartering stood at 21.62m b/d. However, compared to last year's figure, total spot chartering was 3.85m b/d higher, due to the growth in OPEC production to meet high global oil demand. According to preliminary estimates, sailings from the OPEC area increased by 620,000 b/d or three per cent to 25m b/d. Sailings from the Middle East rose a slight 240,000 b/d to 17.95m b/d, which represented 71.7 per cent of total OPEC sailings, against 72.6 per cent in November. Arrivals in the US Gulf and East Coasts and the Caribbean increased by nearly 1.0m b/d to a record of 11.58m b/d, while arrivals in Japan dropped by almost 500,000 b/d. Arrivals in Euro-Med and NW Europe also fell by nearly 300,000 b/d and 400,000 b/d, respectively.

Except for the increase on the Aframax Caribbean/US East Coast route, freight rates for crude oil cargoes plunged sharply in December from 30-year highs reached in November. The main reason behind this considerable drop was weak trade in combination with a huge tonnage avail-

ability, since most of the tanker brokers were out of the market on holidays. OPEC's decision to cut overproduction by 1.0m b/d in January also put downward pressure on the tanker market. For most of the routes, this level of slowdown has not been seen for many years. VLCC freight rates on the Middle East/eastbound and westbound long-haul routes dropped by 74 and 63 points to a monthly average of Worldscale 232 and W147, respectively, due to a slowdown in oil demand in Asia and the USA because of milder weather. Despite the sharp drop, freight rates on these two routes still remained W79 and W18 higher than at the same time least year. A similar pattern dominated Suezmax rates, but with a more significant decline of W107 on the West Africa/US Gulf Coast route due to weak demand for sweet crudes and a glut of West African crude, mainly from Nigeria and Angola, to stand at a monthly average of W229, up 27 per cent from last year's figure. Freight rates on the routes from NW Europe to the US East and West Coasts dropped by W62 from the previous month to W280, but remained W86 higher than last year's level. For the Aframax sector, freight rates within the Mediterranean region and from there to NW Europe dropped by 24 per cent each to a monthly average of W298 and W258, respectively, due to high tonnage and declining activity due to lower demand. On the Indonesia/US West Coast route, freight rates dropped by 39 points to average W333 in December, which was still W162 higher than last year's level. The only exception in crude oil freight rates was on the Caribbean/US East Coast route, where freight rates registered a slight increase of three per cent or 10 points to stand at a record of around W400 due to abundant activity. Compared to last year's figure, this route was up W139 points.

The tanker market for products experienced different directions but remained very tight in the Mediterranean region, where freight rates soared 99 points to stand at a monthly average of W464, which was 206 points higher than last year's figure due to strong activity. On the routes from the Mediterranean to NW Europe and from the Caribbean to the US Gulf Coast, freight rates remained almost unchanged at W464 and W357, respectively. However, freight rates from the Middle East to the East dropped 35 points due to a lull in Asian demand for products such as jet kerosene and high sulphur fuel oil. The NW Europe/US East and West Coasts route experienced a decline of 25 points to W355. Despite the decline on most routes, freight rates remained higher than last year's levels.

World oil demand

Revision to historical figures (2002-03)

World oil demand for the year 2003 was once again revised slightly upward by 230,000 b/d to 79.49m b/d. The adjustment was mainly due to a 210,000 b/d upward revision in Other Asia.

Forecast for 2004

World

World oil demand growth for the year that has just ended remained unchanged from the previous report at 2.50m b/d. However, total world oil demand now stands at 81.99m b/d, an increase of 220,000 b/d from the previous estimate. The higher level for global consumption in 2004 is a result of the upward revision to the previous year's figures. With data now available for most of the year, world oil demand rose 1.66m b/d or 2.08 per cent in the first quarter, followed by an astonishing increase of almost 3.8m b/d or close to five per cent during 2Q and another solid gain of 2.42m b/d or three per cent in 3Q. The exceptionally high growth seen in 2Q originates from the 1.31m b/d rise in Chinese apparent demand combined with the strength in consumption in North America, Other Asia, the Middle East and the FSU. Preliminary figures for November and December imply that oil demand picked up momentum in North America and Europe while OECD Pacific demand showed a continued deceleration. Gasoline and distillate consumption in the USA surged in November and December. According to the US DoE, gasoline consumption in December grew by 2.5 per cent y-on-y, while distillate demand was up by more than 6.7 per cent in the same period. The rate of growth in Chinese demand showed signs of slower growth during 3Q, dropping 10.5 per cent y-on-y from the 23.9 per cent observed in 2Q, but seems to have gained momentum in November with production and trade data pointing to a rise of more than 15 per cent. Because of indications of stronger growth in product demand in several OECD countries and China, the 4Q demand figure has been revised up by 400,000 b/d to 83.5m b/d.

OECD

The OECD countries, which account for roughly three-fifths of total world oil demand, will contribute slightly more than one quarter of expected demand growth this year, evidencing the continued declining trend in energy intensity. Total OECD demand is expected to rise 710,000 b/d or 1.44 per cent to average 49.56m b/d in 2004. The lion's share will originate in the North American region, with the USA accounting for four-fifths of the estimated 600,000 b/d increase. With indications of stronger than usual demand in Western Europe during the last couple of months, y o-y demand growth is expected at around 230,000 b/d or 1.49 per cent — the highest rise in the last six years. OECD Pacific consumption is projected to shrink by 120,000 b/d or 1.42 per cent, mainly on poorer Japanese jet kerosene and fuel oil demand as well as a drop in South Korean distillate and jet consumption. The split of total OECD oil requirements by products for the period January-October 2004 shows that inland deliveries of gasoil/diesel, LPG, and gasoline grew by 180,000 b/d, 150,000 b/d and 110,000 b/d, respectively, compared to the same period last year. In contrast, residual fuel oil requirements continued to decline by almost nine per cent or 270,000 b/d during the ten-month period. Fuel oil consumption shrank in all major OECD countries but the decline was more severe in the OECD Pacific countries where demand fell by almost 12 per cent during the first ten months of this year. The sustained recovery in Japanese nuclear power generation combined with unseasonably mild 4Q temperatures in north-east Asia accentuated this trend.

Developing countries

Oil demand in developing countries is projected to rise by 830,000 b/d or 4.05 per cent to average 21.29m b/d for 2004. Almost 50 per cent of the increase will take place in Other Asia followed by solid growth in the Middle East region. Solid

rates of economic growth and increasing revenue from record high oil prices, along with heavily subsidized energy prices in the Middle East, indicate that consumption of petroleum products will increase to five per cent in 2004. In the other two regions, oil demand is projected to rise at a more moderate pace with Latin America seeing three per cent growth while Africa's oil demand will increase by less than two per cent.

Other regions

As preliminary data from the first ten month of the year becomes available, it seems that almost two-fifths of total world oil demand growth in 2004 originated in the Other Regions group, with almost 90 per cent of the growth coming from China. Oil demand in this group is projected to rise by slightly less than 1.0m b/d, which translate into a y-on-y growth of 9.5 per cent. China's astonishing growth rates of 16 per cent and 24 per cent seen in 1Q and 2Q of this year slowed down to 10.5 per cent in 3Q. However, preliminary production and trade statistics point to a considerable jump in Chinese apparent consumption in November and December. Thus, our 4Q estimate for growth in apparent demand has been revised upwards to 12.5 per cent. The increase in Chinese domestic consumption was met by a surge in oil and product imports which rose to 41 per cent, 63 per cent and 19 per cent in the first three quarters of 2004. Preliminary trade figures for the last quarter point to a rebound in imports of around 600,000 b/d or 27 per cent. Production and trade statistics show that apparent demand in the FSU dropped in 1Q by more than ten per cent y-o-y but recovered by almost 13 per cent in 2Q and was followed by another rise of eight per cent in 3Q. A sharp rise in FSU production has made up for the increase in net oil exports resulting in a marginal 80,000 b/d estimated growth in apparent demand for the whole of 2004. Oil demand in other Eastern European countries shows a y-on-y rise of 30,000 b/d or 3.1 per cent to 860,000 b/d.

Forecast for 2005

Looking in retrospect over the last six months since the first forecast for 2005 world oil demand, the expected growth in global consumption has oscillated within a range of 250,000 b/d, from a peak of 1.74m b/d forecast in September and a low of 1.49m b/d forecast in November. Following the upward revision in total world economic activity, which is now estimated at 4.12 per cent on a PPP basis, as well as signs of solid consumption in November and December in several OECD economies and China, the global demand growth figure for 2005 has seen a further upward adjustment. Total world oil demand growth for this year is now estimated at 1.65m b/d, which translates into a two per cent rise over 2004 resulting in an average global demand of 83.64m b/d. Preliminary figures for the four-week period up to the second week of 2005 indicate healthy gasoline consumption growth of 5.2 per cent in the USA at a time when demand for gasoline should have subsided. Distillate consumption also rallied early in 2005 with the data released by the DoE showing a surprising 12.6 per cent rise. Product demand in Mexico and Canada picked up in November, underpinned by healthy fuel oil, diesel and gasoline consumption. Surprisingly, the Big Four economies in Europe, which account for approximately 50 per cent of total Western Europe's consumption, showed healthy demand growth rates for the last months of 2004. China, the wild card when it comes to assessing this year's demand, showed indications of a rebound in apparent demand during November and possibly December. Preliminary production and trade statistics indicate that both imports and domestic apparent consumption jumped in November by approximately 15 per cent. Following the drop in demand growth during 3Q04 of 10.50 per cent versus the 16 per cent and 24 per cent rises in 1Q and 2Q, the strong November and December figures cast doubt that consumption in China will decelerate as previously believed following the implementation of administrative as well as monetary policies by the Chinese government in an attempt to slow the pace of economic growth. Therefore, the estimated growth rate for the last quarter of 2004 has been revised up to 12.5 per cent along with the forecast for 2005. Chinese apparent demand for the present year is now estimated to grow by 460,000 b/d or 7.2 per cent to reach 6.9m b/d.

Table D: FSU net oil exports *m b/d*

	1Q	2Q	3Q	4Q	Year
2001	4.30	4.71	4.89	4.47	4.60
2002	5.14	5.84	5.85	5.49	5.58
2003	5.87	6.75	6.72	6.61	6.49
2004[1]	7.17	7.28	7.34	7.40	7.30
2005[1]	7.35	7.69	7.76	7.83	7.66

1. *Forecast.*

World oil supply

Non-OPEC

Estimate for 2004

Non-OPEC supply for 2004 has been revised up to 49.79m b/d, with a quarterly distribution of 49.63m b/d, 49.71m b/d, 49.49m b/d and 50.30m b/d, respectively. The yearly average increase stands at 1.19m b/d compared with the 2003 figure.

Forecast for 2005

Non-OPEC supply for 2005 is forecast to increase 1.22m b/d. North America is expected to witness a rise of 240,000 b/d, mainly on a 150,000 b/d increase from the USA due to the return of barrels lost to Hurricane Ivan and 60,000 b/d growth in Canada, partially offset by an expected 100,000 b/d decline in both OECD Pacific and Western Europe where the UK is forecast to dip 70,000 b/d. Total OECD supply is expected to increase to 21.50m b/d. Total DC supply is forecast to rise

500,000 b/d, mainly from Latin America with Brazil adding 220,000 b/d, while in Africa, Angola, Sudan and Chad should see increases of 170,000 b/d, 50,000 b/d and 40,000 b/d, respectively. The FSU is expected to be the major contributor to the rise in non-OPEC supply, mainly from Russia's 380,000 b/d, while Kazakhstan and Azerbaijan are expected to add 60,000 b/d each. Quarterly figures are redistributed at 50.82m b/d, 50.85m b/d, 50.64m b/d and 51.47m b/d, respectively. The yearly average is forecast at 50.95m b/d.

The FSU's net oil exports for 2005 are expected at 7.61m b/d, an increase of 360,000 b/d over the 2004 figure of 7.30m b/d (see **Table D**).

OPEC NGLs and non-conventional oils

The 2005 forecast for OPEC NGL+NCO remains unchanged at 4.14m b/d, an increase of 190,000 b/d over the 2004 figure. Figures for 2001–2003 were also unchanged at 3.58m b/d, 3.62m b/d and 3.71m b/d, respectively, compared with the last report.

OPEC NGL production, 2001–05

	m b/d
2001	**3.58**
2002	**3.62**
2003	**3.71**
1Q04	3.88
2Q04	3.89
3Q04	3.97
4Q04	4.04
2004	**3.95**
Change 2004/2003	0.24
2005	**4.14**
Change 2005/2004	0.19

OPEC crude oil production

Available secondary sources indicate that OPEC output for December was 29.72m b/d, 50,000 b/d less than the revised November figure. The 4Q and annual averages are estimated at 29.90m b/d and 29.07m b/d, respectively. **Table E** shows OPEC production as reported by selected secondary sources.

Rig count

Non-OPEC

Non-OPEC rig activity was higher in November compared with the October figure. North America gained 97 rigs mainly in Canada and USA, with Western Europe down one rig for a total of 64. Rig activity in DCs was up by 13 rigs to 398, mainly in Middle East and Latin America.

OPEC

OPEC's rig count was 272 in December, a gain of five rigs compared with the November figure. The increase in rig activity was mainly contributed by Saudi Arabia.

Stock movements

USA

After three consecutive months of cumulative increases, US commercial oil stocks ended the year with a significant seasonal draw of 12.9m b or 460,000 b/d to stand at 965.8m b during the period December 3–31, 2004. Other oil and unfinished oil stocks contributed the most, while crude oil and residual fuel oil stocks added slightly to the decline, attributable to tax incentives at the end of the year. In contrast, other main product inventories such as gasoline and distillates showed moderate increases. Despite this draw, the y-o-y surplus rose to 34.8m b or about four per cent (see **Table F**).

Crude oil inventories remained above the 290m b level, shedding 2.1m b to register 291.8m b on the back of lower imports, which fell from 10.86m b/d in the week ending December 3 to 9.78m b/d in the week ending December 31, due to very high freight rates in the loading month of November. A rise in refinery runs of nearly one per cent from 93.95 per cent to 94.83 per cent during the same period was another reason for this draw. Compared with last year's level, crude oil inventories are 22.5m b or about eight per cent higher.

Gasoline inventories registered a considerable build, increasing by 6.2m b to 214.3m b on the back of higher production despite a slight improvement in implied demand. This build widened the y-o-y surplus to 7.6m b or about four per cent. Nearly stagnant implied demand due to warm weather in the main consuming north-east region helped distillate inventories to finish higher, adding 1.8m b to reach 121.1m b. Despite this stock-build, the y-o-y deficit extended to 15.4m b or about 11 per cent.

The Strategic Petroleum Reserve (SPR) continued to move up gradually towards maximum capacity of 700m b which is planned to be reached by the end of April 2005. During the December 3–31 period the SPR rose 1.2m b to 674m b, which was 35.8m b higher than the level observed a year ago.

US commercial oil stocks in the week ending January 14, 2005 showed an increase of 2.91m b to 963.1 mainly due to a strong build in crude oil inventories. Higher imports and slightly lower crude runs are behind the build in crude oil stocks.

Western Europe

Taking into consideration the slight downward revision of November figures, oil stocks in Eur-16 (EU plus Norway) reversed longstanding continuous builds falling a significant 36m b or 1.16m b/d to stand at 1,068.1m b during December. This stock draw extended the y-o-y deficit to 20.9m b or about two per cent (see **Table G**).

Crude oil stocks were the main contributor to the draw, plummeting 30.5m b to 452.7m b on lower imports affected by an interruption of oil supply from Iraq due to sabotage and the North Sea due to shut-downs mainly in the Norwegian sector. High freight rates caused by tight tonnage availability in November also undermined December arrivals. All main

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

	2003	3Q04*	Nov04*	Dec04*	4Q04*	2004	Dec/ Nov
Algeria	1,134	1,257	1,288	1,305	1,291	1,230	17
Indonesia	1,027	958	959	965	960	967	6
IR Iran	3,757	3,940	3,947	3,925	3,940	3,918	–22
Iraq	1,322	1,990	1,809	1,841	1,973	2,021	32
Kuwait	2,173	2,395	2,438	2,433	2,437	2,341	–5
SP Libyan AJ	1,422	1,577	1,603	1,605	1,603	1,535	2
Nigeria	2,131	2,369	2,377	2,263	2,315	2,342	–114
Qatar	743	796	803	791	798	781	–11
Saudi Arabia	8,709	9,406	9,458	9,428	9,455	8,984	–30
UAE	2,243	2,457	2,478	2,483	2,485	2,360	4
Venezuela	2,305	2,607	2,608	2,683	2,640	2,588	75
Total OPEC	**26,965**	**29,752**	**29,769**	**29,723**	**29,896**	**29,066**	**–47**

* Not all sources available.
Totals may not add, due to independent rounding.

product inventories experienced declines except naphtha which showed a minor build. Distillate stocks continued to be drawn down for the fourth consecutive month, dropping by 3m b to 347.6m b, or close to last year's level. Healthy demand was behind this draw as consumers rushed to fill their tanks before the start of 2005 when new low-sulphur specifications come into effect.

Relatively lower prices encouraged heating oil consumers, especially in Germany, to enter the market before the end of the year even with the mild winter. Increasing exports, especially to the US market due to open arbitrage, pushed down gasoline stocks to 131.3m b, or 1,4m b lower than the November level and 14.4m b below the year-ago figure. Fuel oil demand in Europe remained weak but that was not reflected in fuel oil stocks which witnessed a draw of 1.5m b to stand at 111.8m b. The main cause behind the draw was higher exports, particularly to Asia, where strong demand and easing freight rates paved the way to regional buyers to seek European materials.

Japan

At the end of November, total commercial oil stocks in Japan displayed a considerable build of 10.8m b or 360,000 b/d to stand at 205.6m b, the highest level since October 2001. The climb in inventories left the y-o-y surplus at 26.40m b or about 15 per cent. Most of the build happened on product stocks which rose 8.6m b to 78.9m b, while crude oil inventories increased by 2.2m b to 126.7m b, a level not seen since July 2003 (see **Table H**).

Among products, middle distillates displayed the lion's share of the increase, rising 5.1m b or about 11 per cent to 44.9m b on the back of higher throughput and a lull in demand. In November, Japanese refiners continued to maximize the production of middle distillates in order to meet potential higher winter consumption which only materialized very late in November. Despite this increase, the y-o-y balance turned to a deficit of 3.10m b or about six per cent. Fuel oil stocks followed the same pattern, rising 2m b to 19.9m b on weak demand due to the normal winter. Higher production and relatively lower consumption helped gasoline stocks to move slightly up by 1.5m b to stand at 14.1m b which was 800,000 b or about six per cent above the year-ago level. Crude oil stocks continued their build for the fourth consecutive month, rising 2.2m b to 126.7m b or about 30 per cent higher than last year's level. Increasing imports and lower implied demand contributed to this stock-build.

Balance of supply/demand

Table I for 2004 shows a minor upward revision to total non-OPEC supply of 30,000 b/d which now stands at 53.73m b/d. World oil demand has been revised up a significant 220,000 b/d to 81.99m b/d, resulting in an estimated annual difference of around 28.26m b/d. The quarterly distribution stands at 28.25m b/d, 27.40m b/d, 28.21m b/d and 29.16m b/d. Accordingly, significant downward revisions have been made to the quarterly balance figures which now stand at –60,000 b/d, 1.01m b/d and 1.54m b/d. The 4Q balance is 730,000 b/d while the annual balance for 2004 stands at 810,000 b/d.

Table I for 2005 shows world oil demand expected at 83.64m b/d and total non-OPEC supply expected at 55.08m b/d. This would result in an annual difference of around 28.56m b/d, some 300,000 b/d above the estimated 2004 level, with a quarterly distribution of 28.77m b/d, 27.68m b/d, 28.30m b/d and 29.49m b/d, respectively.

Table F: US onland commercial petroleum stocks[1] *m b*

	Oct 29, 04	Dec 3, 04	Dec 31, 04	Change Dec/Nov 04	Dec 31, 03	Jan 14, 05[2]
Crude oil (excl SPR)	289.7	293.9	291.8	–2.1	269.3	292.2
Gasoline	201.7	208.1	214.3	6.2	206.7	217.0
Distillate fuel	115.7	119.3	121.1	1.8	136.5	123.8
Residual fuel oil	35.6	42.7	40.7	–2.0	37.7	39.8
Jet fuel	40.2	41.4	41.4	0.0	38.7	41.6
Total	**963.7**	**978.7**	**965.8**	**–12.9**	**931.0**	**963.1**
SPR	669.7	672.8	674.0	1.2	638.2	676.5

1. *At end of month, unless otherwise stated.*
2. *Latest available data at time of publication.*

Source: US/DoE-EIA.

Table G: Western Europe onland commercial petroleum stocks[1] *m b*

	Oct 04	Nov 04	Dec 04	Change Dec/Nov	Dec 03
Crude oil	469.2	483.2	452.7	–30.5	454.9
Mogas	133.1	132.8	131.3	–1.4	145.7
Naphtha	28.6	24.2	24.6	0.4	24.0
Middle distillates	354.2	350.6	347.6	–3.0	347.5
Fuel oils	115.9	113.3	111.8	–1.5	116.8
Total products	**631.8**	**620.9**	**615.4**	**–5.5**	**634.0**
Overall total	**1,101.0**	**1,104.1**	**1,068.1**	**–36.0**	**1,089.0**

1. *At end of month, and includes Eur-16.*

Source: Argus, Euroilstock.

Table H: Japan's commercial oil stocks[1] *m b*

	Sep 04	Oct 04	Nov 04	Change Nov/Oct04	Nov 03
Crude oil	111.9	124.5	126.7	2.2	97.2
Gasoline	12.9	12.6	14.1	1.5	13.3
Middle distillates	46.0	39.8	44.9	5.1	48.0
Residual fuel oil	21.0	17.9	19.9	2.0	20.7
Total products	**79.9**	**70.3**	**78.9**	**8.6**	**82.0**
Overall total[2]	**191.8**	**194.8**	**205.6**	**10.8**	**179.2**

1. *At end of month.*
2. *Includes crude oil and main products only.*

Source: MITI, Japan.

Table I: World crude oil demand/supply balance *m b/d*

	2000	2001	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
World demand														
OECD	48.0	48.0	48.1	48.9	50.2	48.3	49.2	50.6	49.6	50.3	48.4	49.4	51.0	49.8
North America	24.1	24.0	24.1	24.6	25.0	24.9	25.2	25.6	25.2	25.2	25.1	25.4	26.0	25.4
Western Europe	15.2	15.3	15.3	15.5	15.8	15.4	15.7	16.0	15.7	15.8	15.4	15.8	16.1	15.8
Pacific	8.7	8.7	8.6	8.8	9.4	8.0	8.3	9.0	8.7	9.3	7.9	8.2	8.9	8.6
Developing countries	19.3	19.7	20.2	20.5	20.8	21.4	21.3	21.7	21.3	21.7	22.3	22.1	22.5	22.1
FSU	3.8	3.9	3.7	3.8	3.6	3.8	4.0	4.0	3.9	3.9	3.9	4.1	4.1	4.0
Other Europe	0.8	0.8	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9
China	4.7	4.7	5.0	5.6	6.3	6.8	6.4	6.3	6.4	6.8	7.3	6.7	6.8	6.9
(a) Total world demand	**76.5**	**77.1**	**77.8**	**79.5**	**81.8**	**81.0**	**81.7**	**83.5**	**82.0**	**83.7**	**82.6**	**83.1**	**85.1**	**83.6**
Non-OPEC supply														
OECD	21.9	21.8	21.9	21.6	21.8	21.6	20.8	21.4	21.4	21.9	21.7	20.9	21.5	21.5
North America	14.2	14.3	14.5	14.6	14.8	14.7	14.4	14.6	14.6	15.0	14.9	14.6	14.9	14.9
Western Europe	6.8	6.7	6.6	6.4	6.4	6.3	5.8	6.1	6.2	6.3	6.2	5.7	6.1	6.1
Pacific	0.8	0.8	0.8	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.6	0.6	0.6
Developing countries	10.9	10.9	11.2	11.3	11.6	11.7	11.9	12.0	11.8	12.2	12.1	12.4	12.5	12.3
FSU	7.9	8.5	9.3	10.3	10.8	11.1	11.3	11.4	11.1	11.3	11.6	11.8	11.9	11.6
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.4	3.5	3.6	3.5	3.5
Processing gains	1.7	1.7	1.7	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.8	1.8	1.9	1.8
Total non-OPEC supply	**45.7**	**46.4**	**47.7**	**48.6**	**49.6**	**49.7**	**49.5**	**50.3**	**49.8**	**50.8**	**50.9**	**50.6**	**51.5**	**50.9**
OPEC NGLs and non-conventionals	3.3	3.6	3.6	3.7	3.9	3.9	4.0	4.0	3.9	4.1	4.1	4.2	4.2	4.1
(b) Total non-OPEC supply and OPEC NGLs	**49.0**	**50.0**	**51.4**	**52.3**	**53.5**	**53.6**	**53.5**	**54.3**	**53.7**	**54.9**	**55.0**	**54.8**	**55.7**	**55.1**
OPEC crude supply and balance														
OPEC crude oil production[1]	28.0	27.2	25.4	27.0	28.2	28.4	29.8	29.9	29.1					
Total supply	77.0	77.2	76.7	79.3	81.7	82.0	83.2	84.3	82.8					
Balance[2]	0.6	0.0	–1.1	–0.2	–0.1	1.0	1.5	0.8	0.8					
Stocks														
Closing stock level (outside FCPEs) *m b*														
OECD onland commercial	2534	2632	2480	2527	2470	2547	2599							
OECD SPR	1270	1285	1344	1407	1421	1426	1433							
OECD total	3804	3918	3824	3934	3891	3973	4032							
Oil-on-water	877	830	815	884	909	900	893							
Days of forward consumption in OECD														
Commercial onland stocks	53	55	51	51	51	52	51							
SPR	26	27	28	28	29	29	28							
Total	**79**	**82**	**78**	**79**	**81**	**81**	**80**							
Memo items														
FSU net exports	4.1	4.6	5.6	6.5	7.2	7.3	7.3	7.4	7.3	7.3	7.7	7.8	7.8	7.7
[(a) — (b)]	**27.4**	**27.2**	**26.5**	**27.2**	**28.2**	**27.4**	**28.2**	**29.2**	**28.3**	**28.8**	**27.7**	**28.3**	**29.5**	**28.6**

1. Secondary sources.
2. Stock change and miscellaneous.

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

***Table I** above, prepared by the Secretariat's Energy 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 One and Two** on page 72, while **Graphs One and Two** (on pages 71 and 73) show the evolution on a weekly basis. **Tables Three to Eight**, and the corresponding graphs on pages 74–79, show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*

Graph 1:
Evolution of spot prices for selected OPEC crudes
September to December 2004

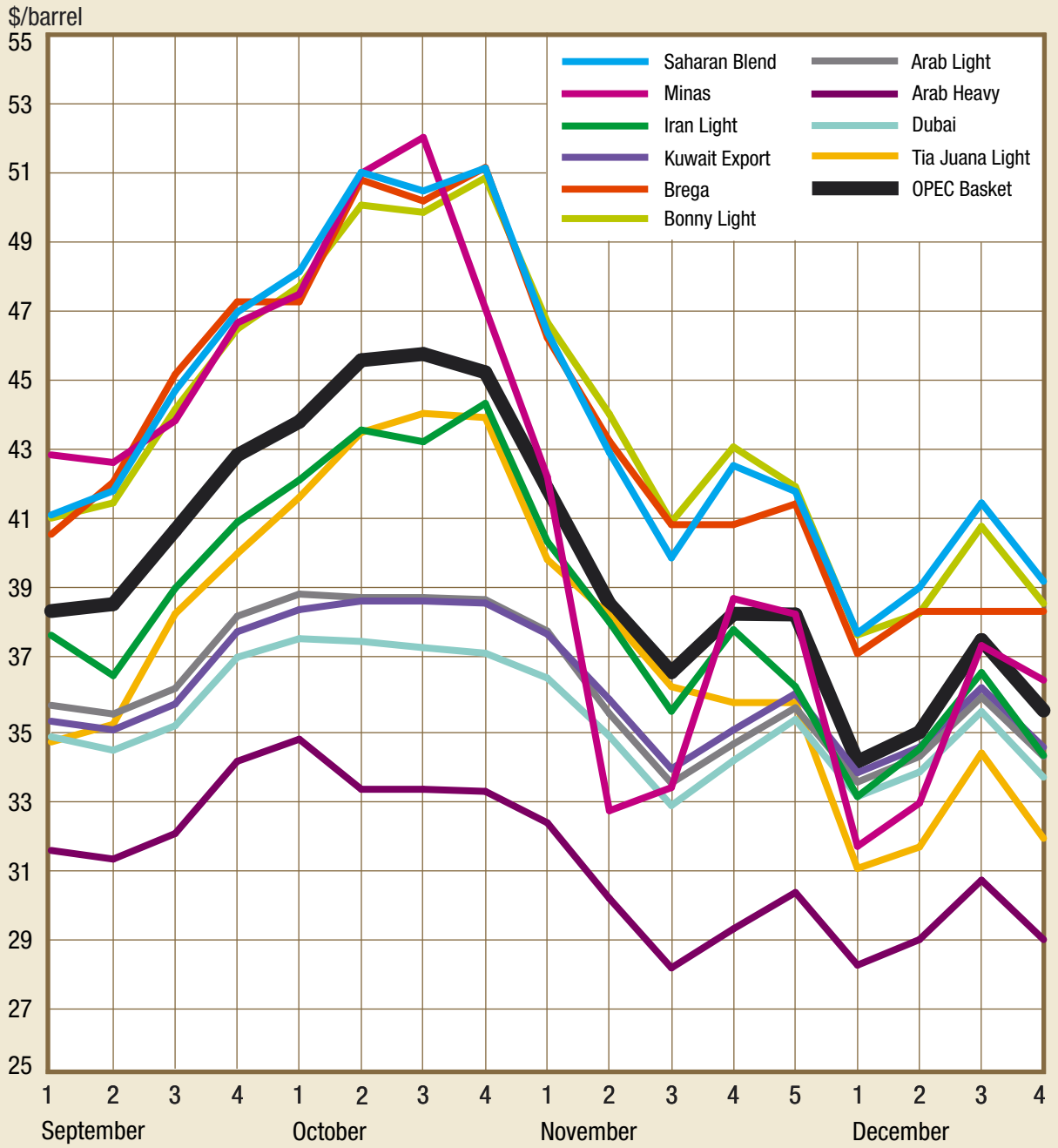


Table 1: OPEC spot crude oil prices, 2003–04 ($/b)

Member Country/ Crude (API°)	2003 Dec 5Wav	2004 Jan 4Wav	Feb 4Wav	Mar 5Wav	April 4Wav	May 4Wav	Jun 5Wav	Jul 4Wav	Aug 5Wav	Sep 4Wav	Oct 4Wav	Nov 5Wav	1W	2W	Dec 3W	4W	4Wav
Algeria																	
Saharan Blend *(44.1)*	29.77	31.29	30.57	33.46	33.71	37.96	35.14	38.16	42.67	43.92	50.48	42.97	37.96	39.28	41.73	39.46	39.61
Indonesia																	
Minas *(33.9)*	32.09	30.27	29.38	32.21	32.19	37.18	36.75	36.28	41.79	44.27	49.68	37.25	31.79	33.04	37.60	36.60	34.76
IR Iran																	
Light *(33.9)*	28.55	29.31	28.00	30.78	30.41	34.97	32.67	35.42	38.40	38.77	43.59	37.81	33.23	34.61	36.82	34.42	34.77
Iraq																	
Kirkuk *(36.1)*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kuwait																	
Export *(31.4)*	28.25	29.16	28.61	30.97	31.75	34.78	33.83	34.98	38.44	36.12	38.81	35.87	33.92	34.66	36.38	34.66	34.91
SP Libyan AJ																	
Brega *(40.4)*	30.02	31.58	30.90	33.90	33.82	37.96	35.46	38.08	43.07	44.04	50.14	43.21	37.37	38.59	0.00	0.00	37.98
Nigeria																	
Bonny Light *(36.7)*	29.64	30.94	30.47	33.34	33.74	37.87	35.60	38.08	42.55	43.56	49.91	43.60	37.91	38.54	41.05	38.82	39.08
Saudi Arabia																	
Light *(34.2)*	29.20	29.83	29.18	31.62	32.48	35.63	34.70	35.55	38.93	36.58	39.00	35.56	33.65	34.39	36.11	34.39	34.64
Heavy *(28.0)*	27.10	27.49	26.93	29.42	30.31	33.07	32.00	32.75	35.41	32.38	33.79	30.17	28.35	29.09	30.81	29.09	29.34
UAE																	
Dubai *(32.5)*	28.06	28.93	28.49	30.77	31.69	34.65	33.58	34.70	38.22	35.52	37.61	34.87	33.23	33.94	35.69	33.79	34.16
Venezuela																	
Tia Juana Light[1] *(32.4)*	27.60	29.28	28.17	29.88	29.88	33.63	31.67	33.81	36.86	37.23	43.55	37.37	31.15	31.77	34.49	32.02	32.36
OPEC Basket[2]	***29.44***	***30.33***	***29.56***	***32.05***	***32.35***	***36.27***	***34.61***	***36.29***	***40.27***	***40.36***	***45.37***	***38.96***	***34.24***	***35.09***	***37.76***	***35.72***	***35.70***

Table 2: Selected non-OPEC spot crude oil prices, 2003–04 ($/b)

Country/ Crude (API°)	2003 Dec 5Wav	2004 Jan 4Wav	Feb 4Wav	Mar 5Wav	April 4Wav	May 4Wav	Jun 5Wav	Jul 4Wav	Aug 5Wav	Sep 4Wav	Oct 4Wav	Nov 5Wav	1W	2W	Dec 3W	4W	4Wav
Gulf Area																	
Oman Blend *(34.0)*	28.43	29.34	28.67	31.10	31.71	34.78	33.92	35.10	38.49	36.53	39.81	36.65	34.37	35.13	36.82	35.28	35.40
Mediterranean																	
Suez Mix *(Egypt, 33.0)*	25.89	26.55	25.42	28.11	28.40	33.00	30.56	33.21	36.75	36.43	39.56	35.34	31.25	31.88	34.20	32.58	32.48
North Sea																	
Brent *(UK, 38.0)*	29.82	31.33	30.65	33.70	33.23	37.71	35.21	38.33	42.87	43.43	49.74	42.80	37.77	38.99	41.86	39.08	39.43
Ekofisk *(Norway, 43.0)*	29.62	31.10	30.52	33.70	33.31	37.79	35.37	38.42	42.86	43.44	49.75	42.23	37.47	39.24	41.54	38.78	39.26
Latin America																	
Isthmus *(Mexico, 32.8)*	29.71	31.78	30.64	33.08	32.76	36.95	34.85	37.41	40.88	41.47	47.40	41.10	33.99	34.66	37.63	34.94	35.31
North America																	
WTI *(US, 40.0)*	32.15	34.33	34.62	36.59	36.80	40.11	38.18	40.69	44.77	45.98	53.32	48.22	42.25	42.40	45.01	42.82	43.12
Others																	
Urals *(Russia, 36.1)*	27.90	28.63	27.41	30.79	29.88	34.87	32.08	35.45	38.29	37.96	42.12	37.52	33.39	34.38	37.99	36.30	35.52

1. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.
2. OPEC Basket: an average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.
Kirkuk ex Ceyhan; 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 Oilgram Price Report; Reuters; Secretariat's calculations.

Graph 2:
Evolution of spot prices for selected non-OPEC crudes
September to December 2004

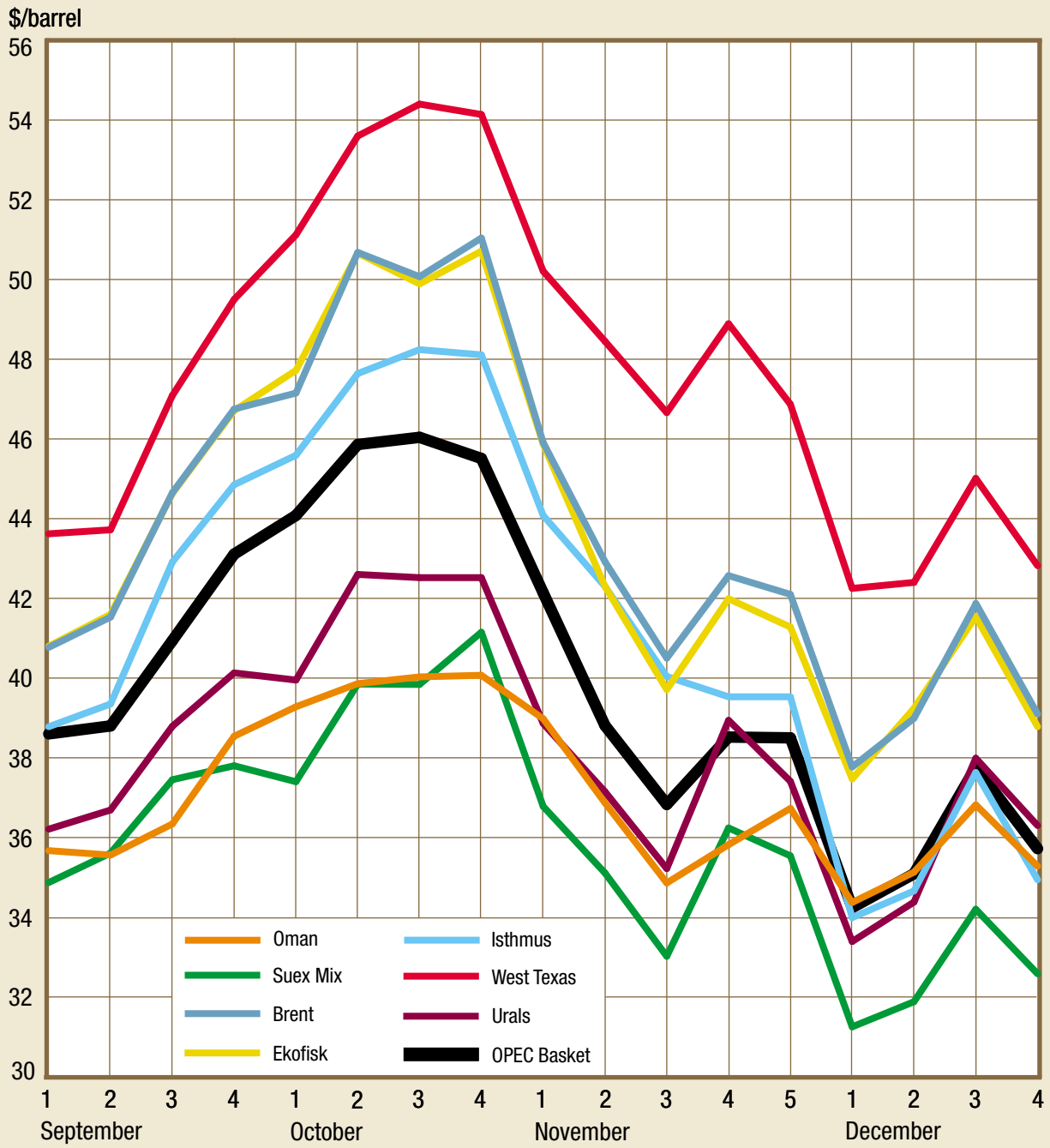


Table 3: North European market — spot barges, fob Rotterdam ($/b)

		naphtha	regular gasoline unleaded	premium gasoline unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
2002	December	34.20	31.17	31.34	32.63	33.21	26.11	19.99
2003	January	40.35	35.19	35.31	35.22	36.66	26.83	25.97
	February	43.96	39.13	39.15	41.16	43.08	30.77	25.93
	March	40.60	35.98	36.06	39.61	42.75	26.86	21.91
	April	29.40	34.09	34.38	29.59	31.66	23.10	18.61
	May	28.03	31.74	32.06	29.00	30.30	21.68	20.29
	June	32.26	32.92	33.15	30.57	31.72	25.14	21.57
	July	32.81	35.17	35.36	31.08	32.98	25.56	24.15
	August	34.97	38.00	38.04	32.47	34.52	25.86	23.72
	September	32.66	33.64	33.70	29.84	32.23	23.84	21.64
	October	35.69	33.66	33.71	33.92	36.35	24.23	22.63
	November	37.49	33.51	33.54	34.21	37.57	23.08	22.56
	December	39.45	33.78	33.84	35.02	39.08	20.63	19.55
2004	January	43.00	37.66	37.73	36.58	40.35	22.05	20.75
	February	40.40	38.46	38.56	34.16	38.53	20.73	20.32
	March	42.65	41.57	41.68	37.77	40.55	23.33	21.49
	April	43.49	45.52	45.58	38.74	43.69	23.03	22.77
	May	48.99	53.08	53.11	42.83	47.81	25.70	25.10
	June	45.70	45.79	45.85	41.68	45.26	24.21	23.39
	July	48.87	52.01	52.03	46.18	49.88	24.28	24.44
	August	48.87	52.01	52.03	46.18	49.88	24.28	24.44
	September	54.96	51.06	51.06	49.99	55.74	23.73	24.62
	October	54.88	50.73	50.77	53.02	58.49	23.40	24.12
	November	61.21	55.81	55.72	63.06	65.91	28.10	25.88
	December	56.49	50.64	50.62	56.89	60.31	25.23	21.49

Source: Platts. Prices are average of available days.

Graph 3: North European market — spot barges, fob Rotterdam

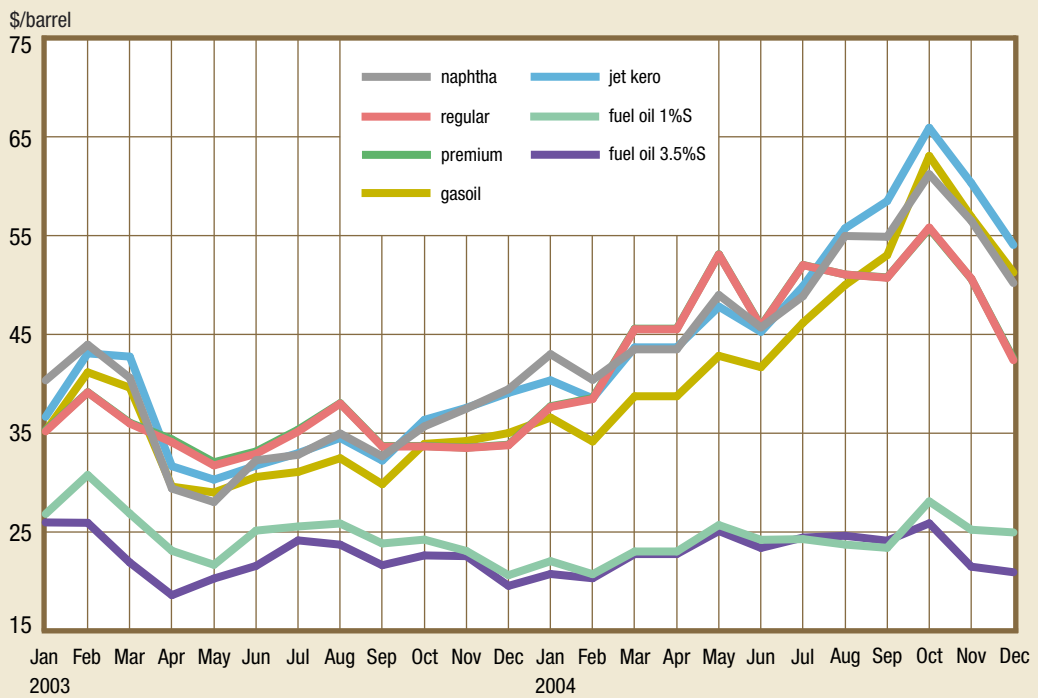


Table 4: South European market — spot cargoes, fob Italy ($/b)

		naphtha	gasoline premium unleaded 95	gasoline premium 0.15g/l	gasoil	fuel oil 1%S	fuel oil 3.5%S
2002	December	27.71	30.57	30.86	32.02	24.07	18.32
2003	January	33.02	34.20	34.44	35.05	29.15	23.71
	February	35.86	38.05	38.22	40.11	31.05	24.65
	March	32.05	33.75	33.99	39.45	28.10	20.94
	April	22.88	29.69	29.96	29.69	21.14	18.18
	May	22.24	28.97	29.28	26.72	21.57	18.46
	June	26.31	31.51	31.78	29.88	25.01	20.94
	July	26.84	34.10	34.33	29.50	27.39	23.29
	August	28.57	37.21	37.40	31.49	27.66	22.64
	September	26.78	32.33	32.59	29.46	22.91	20.49
	October	29.45	33.18	33.43	34.99	24.81	21.48
	November	30.43	32.79	33.05	33.79	23.93	20.33
	December	31.90	33.08	33.33	33.87	21.60	16.68
2004	January	34.41	37.04	37.24	37.04	23.16	19.39
	February	32.03	37.91	38.10	37.91	21.40	19.56
	March	34.24	40.92	41.07	36.94	23.63	20.02
	April	35.78	44.55	44.65	38.31	24.32	21.01
	May	40.52	52.16	52.15	43.41	27.66	23.69
	June	37.48	44.64	44.74	41.92	26.54	21.07
	July	40.37	49.37	49.40	45.88	26.47	23.03
	August	40.37	49.37	49.40	45.88	26.47	23.03
	September	45.94	48.76	48.80	49.41	25.47	23.59
	October	45.90	49.84	49.87	53.12	25.66	22.81
	November	50.76	54.43	54.39	60.78	29.03	24.20
	December	45.68	48.70	48.74	56.47	26.72	18.65

Source: Platts. Prices are average of available days.

Graph 4: South European market — spot cargoes, fob Italy

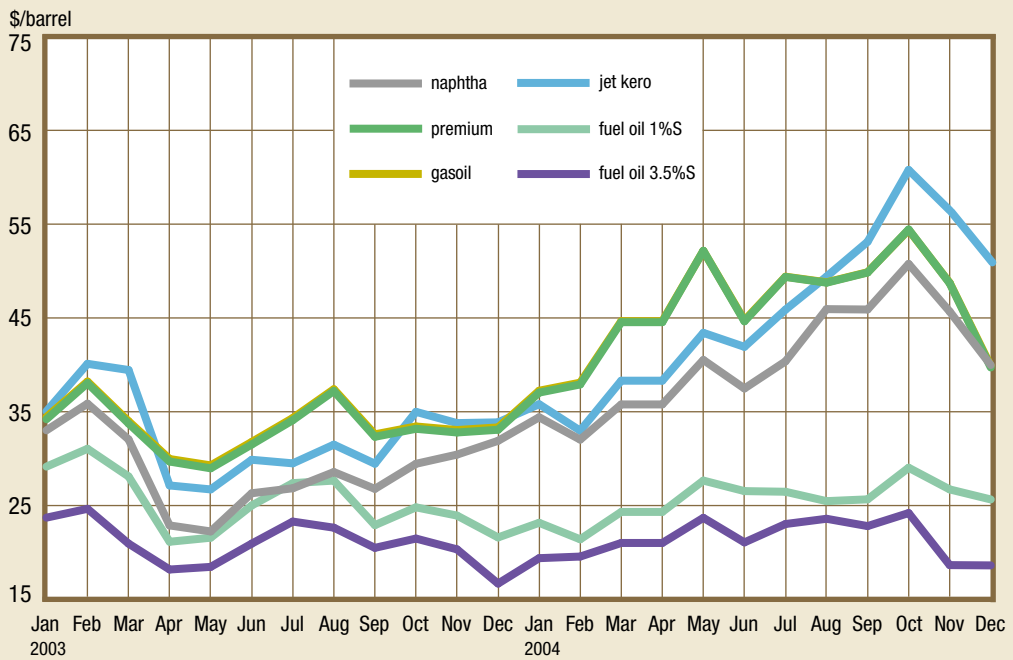


Table 5: US East Coast market — spot cargoes, New York *($/b, duties and fees included)*

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 1%S	fuel oil 2.2%S
2002	December	33.59	34.21	34.67	32.62	26.68	24.30
2003	January	36.60	37.78	38.17	37.87	31.53	30.04
	February	41.65	47.11	48.11	46.52	35.06	30.61
	March	39.86	40.82	40.92	38.71	31.71	27.13
	April	33.37	32.66	32.88	27.29	23.98	20.51
	May	31.65	30.79	31.66	29.58	24.51	21.79
	June	33.58	31.69	32.21	28.40	25.18	22.46
	July	36.45	32.76	33.71	30.45	27.53	26.26
	August	41.92	33.96	35.36	30.97	27.74	26.43
	September	37.51	30.52	31.67	28.53	24.88	23.15
	October	36.24	34.10	35.21	29.94	25.93	24.22
	November	36.52	34.75	35.94	30.01	26.14	24.65
	December	36.97	37.06	38.28	31.28	25.76	22.91
2004	January	41.77	40.88	42.83	34.39	28.05	23.99
	February	43.76	38.05	42.04	34.25	26.26	23.02
	March	45.56	37.87	40.47	28.90	24.67	23.11
	April	46.94	38.33	42.10	29.85	25.65	24.62
	May	56.32	42.45	48.54	34.22	30.33	27.86
	June	48.06	41.40	43.80	32.71	29.64	25.62
	July	51.30	45.54	49.26	30.90	27.93	25.07
	August	51.30	45.54	49.26	30.90	27.93	25.07
	September	50.39	48.57	52.29	32.08	27.97	25.34
	October	52.80	52.49	58.16	31.82	27.85	26.47
	November	57.67	62.09	65.82	39.29	33.17	31.16
	December	53.12	57.86	59.01	38.16	28.77	24.50

Source: Platts. Prices are average of available days.

Graph 5: US East Coast market — spot cargoes, New York

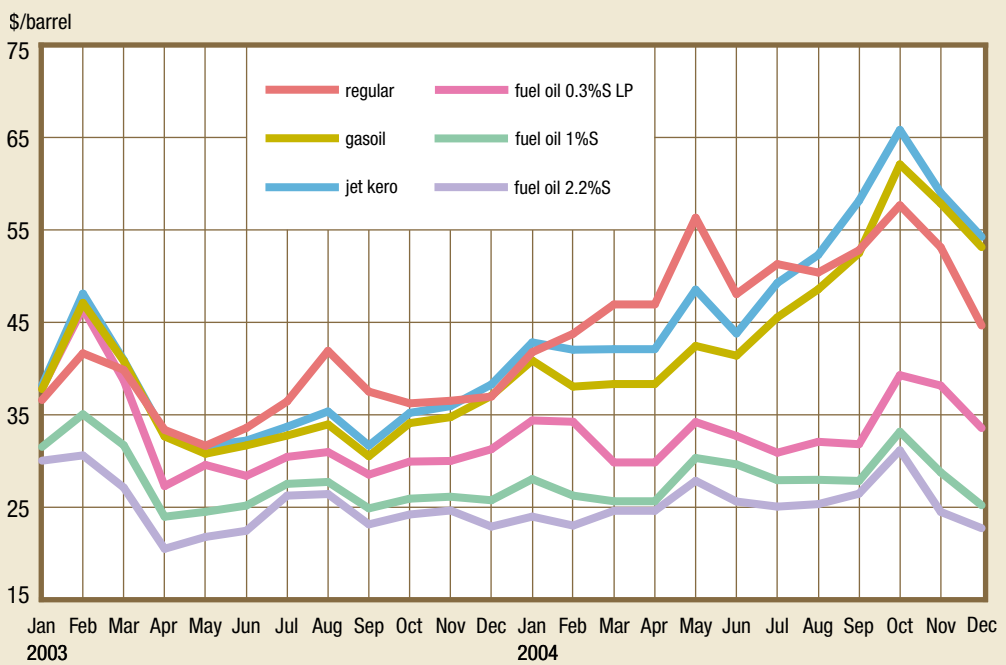


Table 6: Caribbean market — spot cargoes, fob ($/b)

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2002	December	31.43	33.64	34.27	23.58	23.18
2003	January	37.00	37.44	37.87	29.31	28.51
	February	40.53	45.21	44.77	29.89	28.43
	March	36.78	37.87	37.94	26.05	24.18
	April	29.03	30.65	31.62	19.01	18.45
	May	28.84	29.84	30.36	20.27	19.62
	June	28.91	31.30	31.79	20.95	20.19
	July	30.95	32.35	32.97	24.71	24.64
	August	34.67	33.69	34.72	24.89	24.81
	September	30.23	30.28	31.21	21.60	21.51
	October	33.95	33.72	34.74	22.36	22.10
	November	33.90	34.24	35.16	22.65	22.33
	December	35.64	35.89	37.44	20.34	19.99
2004	January	39.72	40.21	42.44	19.99	19.56
	February	36.80	37.30	40.07	19.02	18.73
	March	40.69	37.93	40.74	19.11	18.82
	April	41.08	38.18	41.70	20.62	20.50
	May	46.82	42.18	46.71	23.86	23.73
	June	43.00	41.30	44.16	21.62	21.37
	July	44.95	45.39	49.00	21.06	20.82
	August	44.95	45.39	49.00	21.06	20.82
	September	46.62	48.67	52.38	21.34	21.04
	October	49.65	52.80	58.10	22.47	22.11
	November	55.18	62.12	64.83	27.16	26.87
	December	50.51	56.02	57.23	20.50	20.26

Source: Platts. Prices are average of available days.

Graph 6: Caribbean market — spot cargoes, fob

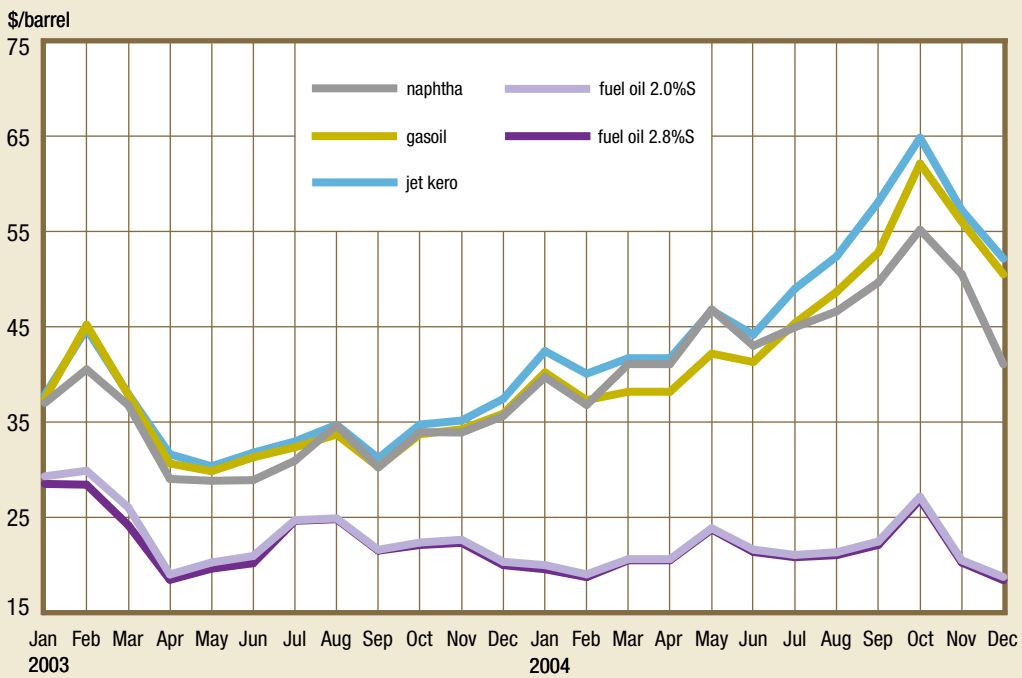


Table 7: Singapore market — spot cargoes, fob ($/b)

		naphtha	gasoline premium unleaded 95	gasoline premium unleaded 92	gasoil	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2002	December	29.57	30.25	29.35	31.88	32.10	23.95	24.24
2003	January	32.21	34.34	33.52	34.23	34.37	26.51	26.97
	February	37.34	40.14	39.28	39.35	39.27	29.05	29.33
	March	33.78	37.51	36.67	37.87	35.33	26.19	26.65
	April	23.58	28.74	27.79	30.03	28.35	22.55	23.12
	May	23.77	28.73	27.74	29.12	28.25	23.18	23.15
	June	26.66	31.59	30.84	29.33	28.48	24.20	24.51
	July	27.77	34.59	33.41	29.57	29.78	25.54	26.18
	August	29.67	37.30	35.95	33.27	33.58	24.27	24.92
	September	27.86	33.11	32.14	32.42	31.40	23.13	23.80
	October	30.46	35.55	34.39	33.58	33.84	23.88	24.38
	November	32.54	35.78	34.25	35.08	35.89	23.53	23.99
	December	34.67	39.52	38.43	36.67	37.50	23.38	23.79
2004	January	39.49	44.25	43.25	41.42	39.60	24.73	24.98
	February	34.21	40.05	39.33	38.74	37.44	24.61	24.88
	March	36.03	44.10	43.15	38.42	37.72	24.31	24.57
	April	36.48	44.09	42.79	42.82	40.92	25.30	25.54
	May	39.69	49.71	48.41	44.62	45.71	27.58	27.83
	June	37.19	45.19	44.04	42.84	43.17	26.63	26.87
	July	38.60	46.52	45.12	46.25	48.08	26.92	26.98
	August	38.60	46.52	45.12	46.25	48.08	26.92	26.98
	September	44.19	51.50	50.62	51.67	52.29	27.99	28.19
	October	43.95	49.06	48.20	54.29	55.30	26.99	27.18
	November	48.81	54.73	53.68	58.40	61.25	30.14	29.95
	December	47.46	52.45	51.74	56.82	57.64	28.72	27.99

Source: Platts. Prices are average of available days.

Graph 7: Singapore market — spot cargoes, fob

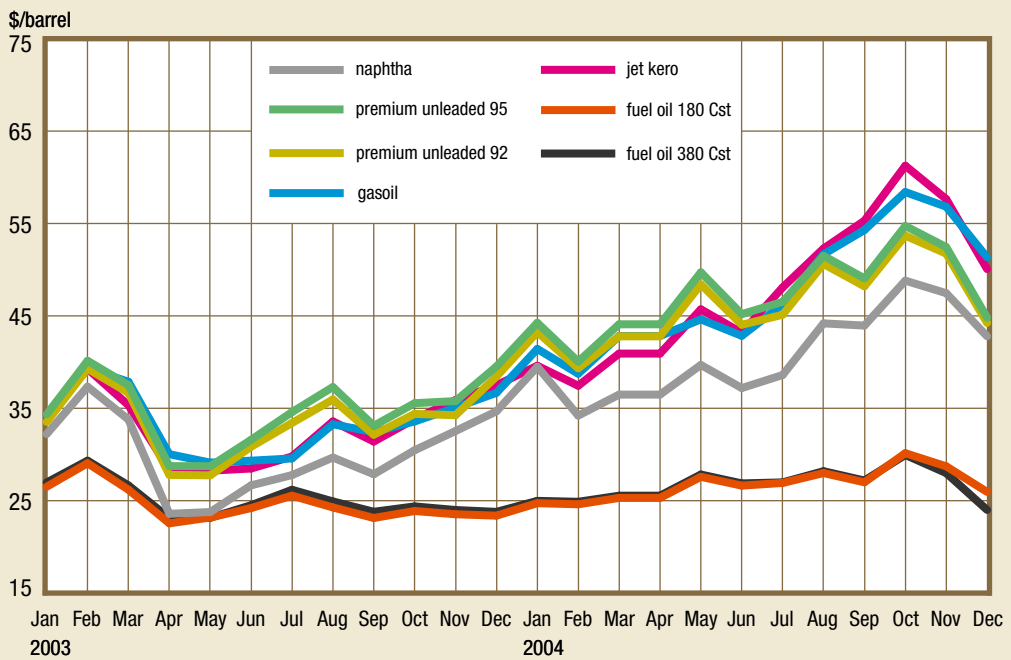
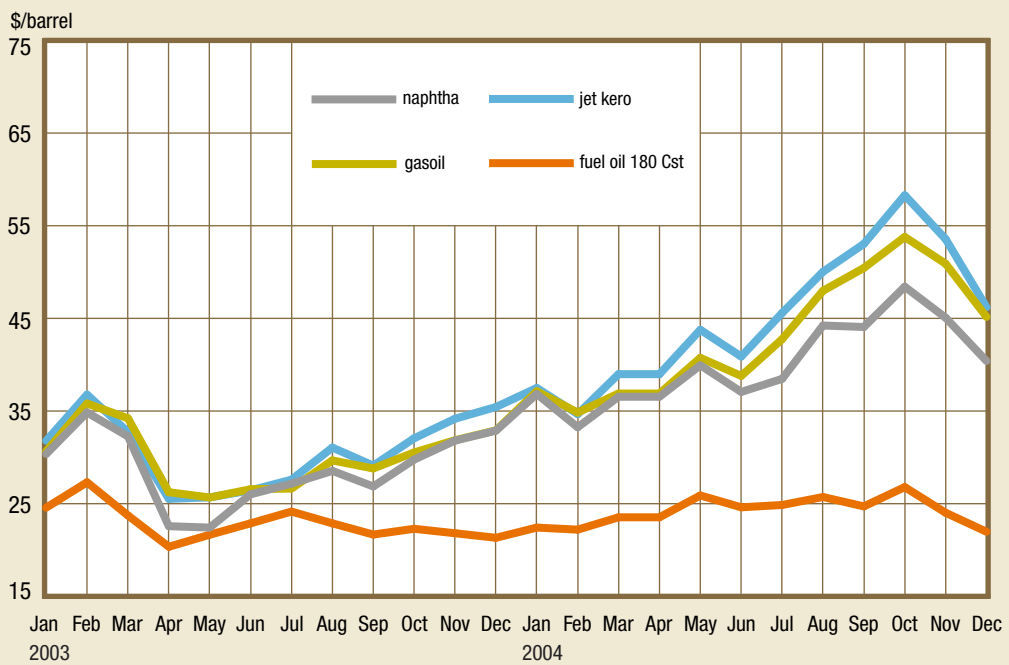


Table 8: Middle East Gulf market — spot cargoes, fob ($/b)

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2002	December	28.14	28.53	29.77	21.95
2003	January	30.36	30.66	31.79	24.57
	February	34.85	35.81	36.77	27.31
	March	32.26	34.22	32.74	23.73
	April	22.57	26.24	25.52	20.35
	May	22.42	25.67	25.68	21.65
	June	26.01	26.56	26.44	22.88
	July	27.16	26.63	27.59	24.15
	August	28.54	29.67	31.06	22.88
	September	26.86	28.80	29.11	21.67
	October	29.76	30.53	32.06	22.29
	November	31.81	31.85	34.17	21.81
	December	32.88	32.91	35.43	21.32
2004	January	36.84	37.13	37.49	22.42
	February	33.25	34.84	34.67	22.20
	March	35.04	34.84	35.02	21.96
	April	36.54	36.89	38.98	23.53
	May	39.94	40.74	43.77	25.89
	June	37.06	38.79	40.88	24.61
	July	38.47	42.75	45.58	24.86
	August	38.47	42.75	45.58	24.86
	September	44.23	47.98	50.03	25.72
	October	44.07	50.44	53.04	24.71
	November	48.42	53.79	58.29	26.79
	December	45.07	50.90	53.56	24.02

Source: Platts. Prices are average of available days.

Graph 8: Middle East Gulf market — spot cargoes, fob



Forthcoming events

Amsterdam, The Netherlands, March 1–2, 2005, *28th Annual offshore pipeline technology conference & exhibition.* Details: Informa UK Ltd, The Bookings Department, Lorraine Ward, PO Box 406, West Byfleet, London, KT14 6NN, UK. Tel: +44 (0)20 7017 4581; fax: +44 (0)20 7017 4745; e-mail: lorraine.ward@informa.com; Web site: www.ibcenergy.com/opt.

London, UK, March 2–4, 2005, *ERTC alkylation training course 2005.* Details: Global Technology Forum, Vicki Pope, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 (0)1737 365100; fax: +44 (0)1737 365101; e-mail: vicki@gtforum.com; Web site: www.gtforum.com.

Bangkok, Thailand, March 2–5, 2005, *10th International power transmission & distribution, electrical installation and industrial automation technology exhibition and conference.* Details: Thailand Office UK, OES, 11 Manchester Square, London, W1U 3PL, UK. Tel: +44 (0)20 7862 2121; fax +44 (0)20 7862 2128; e-mail: elenex@oesallworld.com; Web site: www.allworldexhibitions.com.

Calgary, Canada, March 7–8, 2005, *Calgary energy show 2005 and Canadian Energy Research Institute (CERI) 2005 North American natural gas conference.* Details: Canadian Energy Research Institute, #150, 3512 - 33 Street NW Calgary, AB T2L 2A6, Canada. Tel: +1 403 220 2380; fax: +1 403 284 4181; e-mail: jstaple@ceri.ca; Web site: www.ceri.ca/conferences.

Shanghai, China, March 7–8, 2005, *5th Asia aviation fuel markets.* Details: Centre for Management Technology, Cynthia Yeo, Event Manager, 80 Marine Parade Road, #13-02 Parkway Parade Singapore 449269, Singapore. Tel: +65 6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; Web site: www.cmtevents.com.

Rio de Janeiro, Brazil, March 8–9, 2005, *11th Latin oil & gas 2005.* Details: Global Pacific & Partners, Suite 27, 78 Marylebone High Street, Marylebone, London W1U 5AP, UK. Tel: + 44 (0)20 7487 3173; fax: +44 (0)20 7487 5611; e-mail: sonika@globac.com; Web site: www.petro21.com.

Bahrain, March 12–15, 2005, *14th Middle East oil & gas show and conference.* Details: Conference Organisers, Ross Davidson, Society of Petroleum Engineers, PO Box 502217, Dubai, UAE. Tel: +973 4390 3540; fax: +973 4366 4648; e-mail: spedub@spe.org; Web site: www.spe.org.

Nusa Dua, Bali, Indonesia, March 13–16, 2005, *Managing deepwater in the Asia Pacific region*. Details: SPE, Suite B-11-11, Level 11, Block B, Plaza Mont'Kiara, Jalan Kiara, Mont'Kiara, 50480 Kuala Lumpur, Malaysia. Tel: +60 3 6201 2330; fax: +60 3 6201 3220; e-mail: spekl@spe.org; Web site: www.spe.org.

Singapore, March 14–15, 2005, *Refining economics 2005 (course).* Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, Singapore 069534. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; Web site: www.cconnection.org.

Paris, France, March 14–16, 2005, *6th European fuels conference.* Details: World Refining Association, Donna Colbourne, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 (0)20 7067 1800; fax: +44 (0)20 7242 2673; e-mail: d.colbourne@theenergyexchange.co.uk; Web site: www.wraconferences.com/wra102overview.html.

Bilbao, Spain, March 14–17, 2005, *Gastech 2005.* Details: Turret Group Ltd, Armstrong House, 38 Market Square, Uxbridge, Middlesex, UB8 1TG, UK. Tel: +44 (0)1895 454 592; fax: +44 (0)1895 454 584; e-mail: info@gastech.co.uk; Web site: www.gastech.co.uk.

Kuala Lumpur, Malaysia, March 15–16, 2005, *GEPetrol & oil and gas in Equatorial Guinea.* Details: CWC Associates Ltd, 3 Tyers Gate, London SE1 3HX, UK. Tel: +44 (0)20 7089 4200; fax: +44 (0)20 7089 4201; e-mail: bookings@thecwcgroup.com; Web site: www.thecwcgroup.com.

London, UK, March 15–18, 2005, *Commercial and trading aspects of oil refining.* Details: Petroleum Economist Ltd, 15/17 St Cross Street, London EC1N 8UW, UK, Tel: +44 (0)20 7831 5588; fax: +44 (0)20 7831 4567/5313; e-mail: training@petroleum-economist.com; Web site: www.petroleum-economist.com.

Beijing, China, March 17–18, 2005, *CTLtec 2005 — 2nd Forum on coal to liquid & gasification technology & investments.* Details: Centre for Management Technology, Cynthia Yeo, Event Manager, 80 Marine Parade Road, #13-02 Parkway Parade Singapore 449269, Singapore. Tel: +65 6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; Web site: www.cmtevents.com.

Bali, Indonesia, March 21–22, 2005, *Crude oil marketing & valuation (course).* Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, Singapore 069534. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; Web site: www.cconnection.org.

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Dear readers,

They say that all good things must come to an end, and so, after 11 years working on the *OPEC Bulletin*, the time has come to hand over the reins. It has been a great privilege and a pleasure to work for an international Organization of such standing and influence as OPEC, and there has genuinely never been a dull moment!

The international oil market has witnessed a complete turnaround over the past decade or so. When I joined the magazine in 1994, prices were in the doldrums and showed little sign of recovering. Back in those days, I even attended a conference on the theme of 'can OPEC survive?' We then saw events such as the price collapse of 1998 which triggered a wave of mergers that have reshaped the face of the entire industry.

Who would have thought, ten years ago, that the energy scene would look like it does today? OPEC has not only survived, it is flourishing. That's part of the excitement of working in the petroleum industry – most of the experts' predictions will always be wrong!

Finally, the *Bulletin* is truly a team effort and so I want to thank my colleagues Pippa, Diana and Elfi for all their efforts over the years. I may be leaving the magazine, but I know that in their hands, it will continue to go from strength to strength.

Graham Patterson
Editor, *OPEC Bulletin*

January

OPEC Meetings

An *OPEC/UNCTAD workshop on the WTO* was held at the OPEC Secretariat in Vienna, Austria, on January 14, 2005.

The *52nd Meeting of the Ministerial Monitoring Sub-Committee (MMSC)* was held at the Secretariat on January 29, 2005.

The *134th (Extraordinary) Meeting of the OPEC Conference* took place in Vienna, Austria, on January 30, 2005.

Secretary General's diary

The *Roundtable of principal suppliers and users of oil in Asia* was organized by the Indian Ministry of Petroleum & Natural Resources and took place in New Delhi, India, on January 6, 2005.

The *SG Oil Day* was organized by Société Générale Corporate and Investment Banking and took place in Paris, France, on January 21, 2005.

The *Annual 2005 meeting of the World Economic Forum* was held in Davos, Switzerland, on January 26–30, 2005.

Secretariat missions

The *Workshop on the developing world and the electricity challenge* was organized by the International Energy Agency (IEA) and took place in Paris, France, on January 17–18, 2005.

Forthcoming OPEC Meetings

The *135th Ordinary Meeting of the OPEC Conference* is due to be convened in Isfahan, IR Iran, on March 16, 2005.

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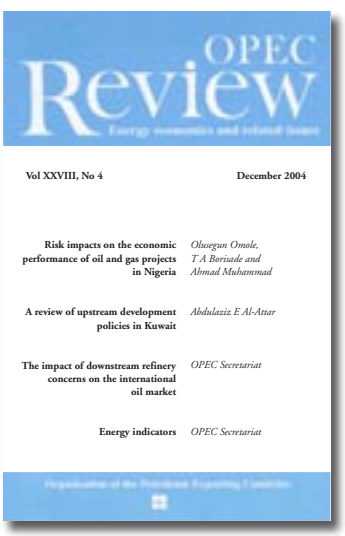

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