OPEC bulletin

5/08

The Rome Consensus

Special

IEF

11th International Energy Forum

Concrete results at Rome dialogue

As the doors closed on the final session of the 11th International Energy Forum (IEF) in Rome last month, it was clear that significant progress had been made on matters of substance affecting the industry, particularly the key fossil fuel sectors.

Ministerial delegations from 74 countries participated in the biennial producer-consumer dialogue Forum, together with 13 international organizations and, at the previous day's closely connected Third International Energy Business Forum, 27 business leaders.

In a video interview with OPEC immediately after the event, the IEF's Secretary General, Dr Noé van Hulst, described the 11th Forum as the largest gathering of Energy Ministers he could remember in the dialogue, underlining the growing importance of this process, which OPEC has played a major role in establishing and developing over the past decade and a half.

In the interview *(see page 44 and the OPEC website),* he welcomed the 'concrete results where we can advance on particular issues'.

The issues he highlighted have also been high on OPEC's agenda in recent years: the continued progress with transparency, and the mandate and agreement to further advance the Joint Oil Data Initiative (JODI), including its extension into gas; the decision to enact, together with the International Energy Agency and OPEC, a joint assessment of biofuels, covering both their potential and their limitations; the extensive, in-depth discussions of carbon capture and storage — at a greater level than ever before — including the need for more research and development and demonstration projects, and its deployment in developing countries, notably through the Clean Development Mechanism; the recognition by the Forum that cooperation between national and international oil companies would be an important topic for the future; and the request for the IEF Secretariat to provide a report to the 12th Forum in 2010 on uncertainties that hamper investment and the means of tackling them.

Other prominent issues at the 11th Forum included oil prices and volatility, interdependence, a sustainable energy future, energy efficiency and the achievement of the Millennium Development Goals, with the halving of poverty rates by 2015. All issues, once again, which have been aired at length by OPEC on countless occasions, including in the background paper it prepared for the event, entitled *'Oil outlook to 2030'.*

When looking at last month's achievements in Rome, for newcomers to the industry, it is perhaps easy to be complacent about the IEF.

But, for those who have been around rather longer, they will recall the time when, not so long ago, the whole idea of effective, institutionalized producer-consumer dialogue would have been considered a pipedream.

Instead, the dialogue became a reality in 1991, albeit with humble beginnings, and has since gone from strength to strength.

Dr Hulst, who took over as Secretary General earlier this year, is committed to enhancing and deepening the dialogue and to advancing the practical side of it, mirroring the success of JODI in other important areas.

We go along with this in OPEC and we wish Dr Hulst every success in achieving his aims in the coming years.

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OPEC bulletin

Cover
Historic Rome — a fitting setting for the 11th IEF Meeting *(see special feature)*.
Photo: Diana Golpashin.

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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 coordinate 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 now comprises 13 Members: Qatar joined in 1961; Indonesia and SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); Nigeria (1971); Angola (2007); and Ecuador (joined the Organization in 1973, suspended its Membership in 1992, and rejoined in 2007); Gabon joined in 1975 and left in 1995.

The OPEC Bulletin welcomes letters and comments on articles included in the Bulletin, as well as contributions on oil and energy issues in general.
Please send your letters to: obletters@opec.org

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

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11th International Energy Forum

The Rome consensus on the world's energy future

With oil prices at unprecedented highs, amid a growing number of reports that the international oil industry has entered a new and dynamic phase, there were more than enough challenging topics up for discussion, among the record number of oil and energy ministers and other officials that attended the 11th International Energy Forum (IEF) in Rome in April. The producer-consumer initiative, which has gone from strength to strength over the years, nowadays tackles the most important issues head on — and the Italian round of talks proved to be no exception. Omar Farouk Ibrahim, the Bulletin's Editor-in-Chief, reports on the outcome of the Forum, which again highlighted the need for all parties in the energy sector to further enhance their global energy dialogue.

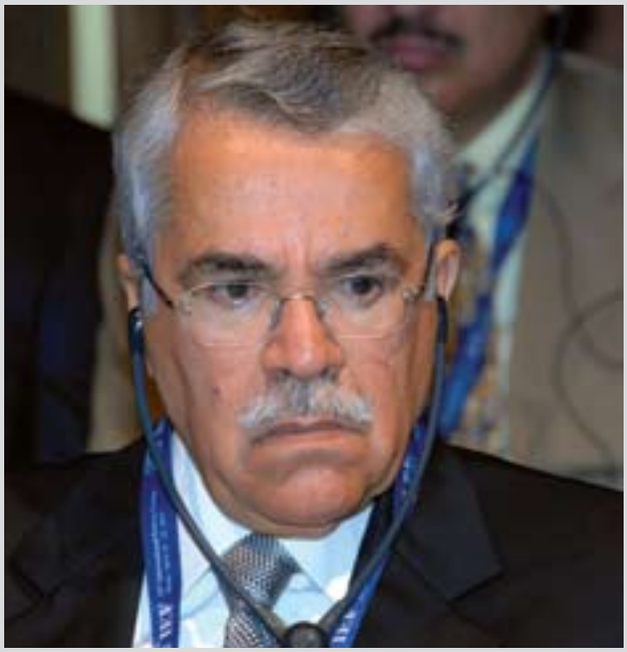
L–r: Nobuo Tanaka, Executive Director, IEA; Abdalla Salem El-Badri, OPEC Secretary General; Noé van Hulst, Secretary General, IEF.

The 11th International Energy Forum (IEF), hosted by Rome, between April 20 and 22, was unique in many respects. Firstly, it registered the participation of 74 countries at ministerial level, the largest in the history of the 17-year-old initiative that was created to foster dialogue among energy-producing and consuming countries. Secondly, the participation of other key energy stakeholders — international oil companies (IOCs), national oil companies (NOCs), and service companies — as well as intergovernmental organizations, was unprecedented. However, the biggest success was not in the number or quality of participants, but in the amount of issues about which producing and consuming nations were in agreement as requiring urgent attention, in order to ensure sustained energy supplies to the world well into the future.

The two-day informal ministerial dialogue, with the theme *Energy dialogue to respond to global challenges* was preceded a day earlier by the International Energy Business Forum (IEBF), where the chief executive officers of the world's leading energy and service companies, along with academics and some ministers, discussed, in a frank and open manner, the challenges facing the industry and their views about the way forward.

Abdalla Salem El-Badri, OPEC Secretary General.

Romano Prodi, Italian Prime Minister, officially opening the 11th IEF.



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

Above right: Rafael Ramírez, Venezuelan Minister of Energy and Petroleum.

Below (l–r): Nobuo Tanaka, Executive Director, IEA; Abdalla Salem El-Badri, OPEC Secretary General; Noé van Hulst, Secretary General, IEF.

Their discussions centred on energy partnerships, energy investments, reducing market uncertainties, technology and human resources. The preliminary discussions laid the foundation for the following ministerial discussions.

Energy challenges

A few days before April 20, the IEF Secretariat (IEFS) published on its website background papers by three major

energy institutions — the International Energy Agency (IEA), the IEFS, and OPEC — in addition to the World Bank Group, highlighting their various perspectives on the challenges facing the energy industry and proposing possible ways to meet these.

The organizers of the forum — the host country, Italy, and the two co-hosts, India and Mexico, working with the IEFS, identified four broad challenges facing the industry and asked for frank discussions about them from all

Above: Mohamed Bin Dhaen Al Hamli, Minister of Energy of the United Arab Emirates.

Above right: Dr Shokri M Ghanem, Chairman of the Management Committee of the National Oil Corporation of the SP Libyan AJ.

Below: Desidério da Graça Veríssimo e Costa (c), Angolan Minister of Petroleum.

Abdallah S Jum'ah, President and CEO of Saudi Aramco.

participants, acknowledging, at the same time, that the talks were informal and any consensus that emerged was not binding on member countries.

These challenges, which constituted the sub-themes of the sessions, were: Enhancing Energy Resource Availability; Ensuring Energy Investment; Ensuring a Sustainable Energy Future; and the role of the IEF in promoting Global Energy Security and Dialogue. The fact that discussions were conducted under Chatham House Rules helped to create an enabling environment for participants to speak freely, frankly and with openness, such that, on some occasions, participants distinguished between their personal opinions and the positions of their countries, companies or organizations.

While the whole programme was organized under the four sub-themes, it became obvious in the course of the discussions that they were not mutually exclusive themes and that arguments made while discussing one challenge were found valid in discussing others.

In dialogue about energy resource availability, participants from both producing and consuming countries were in agreement that:

a) world energy demand is set to rise, for reasons ranging from global economic growth — as some developing countries join the league of developed nations — to global population increase, which is projected to jump from the current 6.7 billion to 9.2bn people by 2050, and the quest to improve the living conditions of these people through the provision of modern energy services in line with the United Nations' *Millennium Development Goals (MDGs);*

b) that fossil fuels, in particular oil, will remain dominant in the global energy mix for the foreseeable future, accounting for over 80 per cent of total global energy supplies, while all others (hydro, nuclear and renewables combined) will contribute the rest. Demand for oil is projected to record an average of between 1.3 and 1.4 per cent growth per annum up to 2030. In the same period, world oil demand is projected to rise from the current 86 million barrels per day to between 116m b/d and 118m b/d; and

c) that there is ample oil, both conventional and non-conventional, to meet global energy needs for decades to come, with the world's ultimately recoverable reserves having doubled since the 1980s,

Abdalla Salem El-Badri, OPEC Secretary General; with (behind) Nobuo Tanaka, Executive Director, IEA.

while cumulative production has been less than one third of the increase. On the other hand, it is becoming more obvious that the great expectations built around renewable fuels, including biofuels, are not going to materialize, at least, not in the foreseeable future.

Resource deliverability

From the discussions, a consensus emerged that the key challenge facing the industry is not that of resource availability, but resource deliverability: how to ensure that the available resources are ready to be delivered to the consumers as and when they need them and, in the context of today's carbon-constrained world, in a socially and environmentally acceptable form.

To meet the challenge of deliverability, participants were in agreement that the industry will require, first, huge investment in the whole spectrum of the energy supply chain. In the oil sector alone, the estimated investment requirement for the period 2006–30 is in excess of $5 trillion. Again, there was consensus that the required investment, though huge, was not beyond the means of international capital markets, or the industry.

Yet, the necessary conditions to attract these huge investments in a timely manner are lacking. From the producers' point of view, there is so much uncertainty about the level of future oil demand growth, which translates into considerable uncertainties about the level of required investments. The key drivers of these uncertainties include future world economic growth, consuming countries' energy policies, as well as technological developments.

A situation where the path of future world economic growth cannot be predicted with some certainty, and where major oil-consuming countries are churning out policies that aim to cut their future consumption of oil, or where political leaders from consuming countries keep make statements that clearly tell oil-producing nations and other industry investors that their oil is not going to be needed, does not create confidence in the investment climate.

Furthermore, the fact that some major consumer countries are making concerted efforts to discourage the use of oil, while at the same time promoting other sources of energy, which are economically less viable and environmentally less friendly, also sends the wrong signals

Visiting the OPEC stand at the 11th IEF, Dr Aldo Flores (r), Mexican Assistant Minister of Energy, is shown some of the Organization's publications by Zoreli Figueroa (l), Senior Public Relations Coordinator.

Jamal Saghir, Director, World Bank; M J A van der Hoeven, Minister of Economic Affairs, the Netherlands; Odd Roger Enoksen, former Minister of Petroleum and Energy, Norway.

about the future of the oil market. In such circumstances, it is only natural that producers find it difficult to make the required investment, because they do not want to be left with large idle capacities which are very expensive to maintain, at a time when there are many serious contending demands for scarce national revenues.

Many producing countries highlighted their plight as developing countries with huge social demands in health, education, food and basic economic infrastructure, which are often taken for granted in developed countries, pointing out that it would not be rational for them to divert their scarce resources from supplying the needs of their populations into oil production capacity expansion if there is so much uncertainty about the level of future world oil demand.

Access to national resources

To the consumers, the issue of investment is tied to access to resources. They note that the IOCs' control of oil reserves has been diminishing over the last few decades, and that the NOCs have become major actors on the energy scene. While recognizing that some NOCs have grown in stature, both financially and technologically, over the years, consumers argue that it is important that the IOCs are given access to national resources, so that they can use their financial, technological and managerial might to deliver

Left: Noé van Hulst, Secretary General, IEF.

Far left: Abdullah bin Hamad Al Attiyah, Deputy Premier and Minister of Energy and Industry, Qatar.

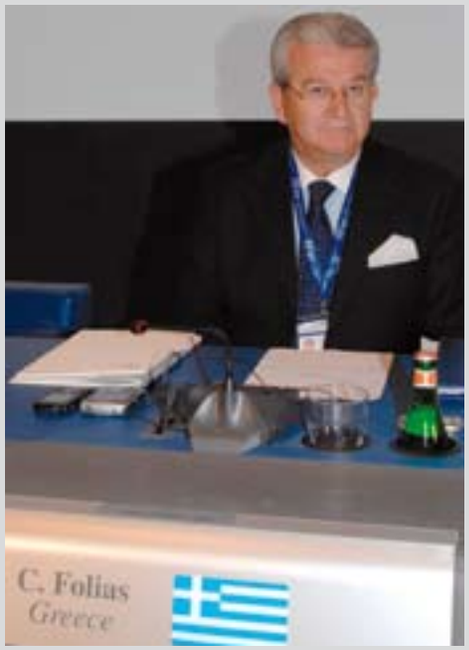
the available resources to the final consumer. Both parties agree that cost inflation, political limitations, unilateral imposition of sanctions, non-respect for the sanctity of contracts and environmental concerns constitute impediments to investment in the industry.

It was noted that service costs in the industry have risen dramatically in the last few years, with upstream costs, according to the IHS/CERA cost index, rising by 98 per cent since 2000, of which 75 per cent came in the last two-and-a-half years alone. On the political limitations, it

Continued on page 22.

Assembled delegates listen attentively to the presentations made at the IEF.


J. L. Borloo
France


C. Folias
Greece


AUSTRIA


Energy Forum

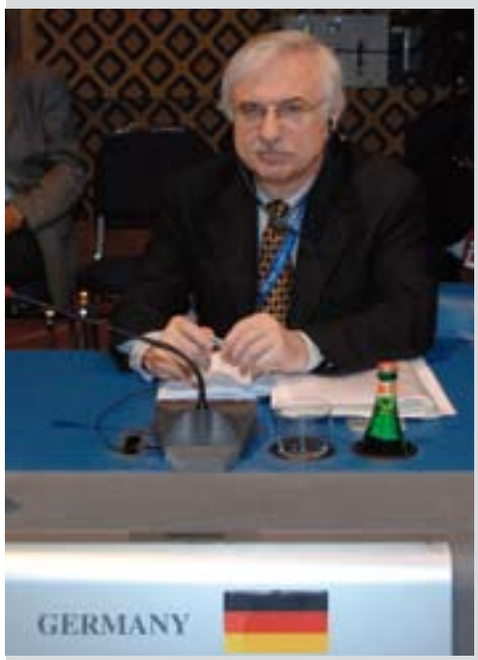
Participants from 74 countries at ministerial level, as well as officials from all the key energy stakeholders, made the 11th IEF, the largest and most important in the history of the 17-year old initiative. On the following pages, we carry a selection of high-level dignitaries, experts, analysts, intergovernmental representatives and company executives, who helped contribute to the success of the Forum.


BRUNEI DARUSSALAM


REPUBLIC of the CONGO


CUBA


ECUADOR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INDIA


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Norway


S. Qin
China


EGYPT


ETHIOPIA
European Commission


INDONESIA


ITALY
JAPAN


K. Kobayashi


MEXICO
MOROCCO


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NEW ZEALAND
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NORWAY


KUWAIT


ALGERIA


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MALTA


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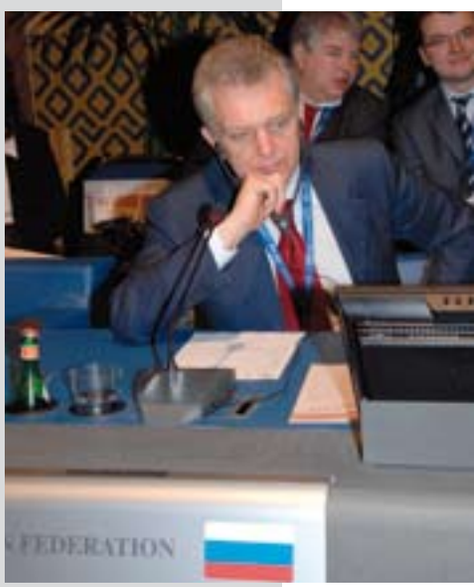


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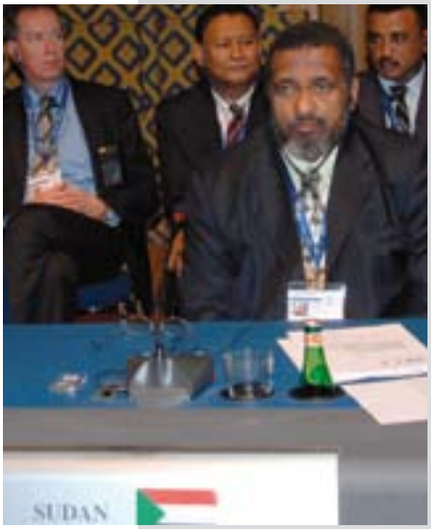
QATAR
ROMANIA


M. Leuenberger
R. Ramirez


THE NETHERLANDS


TURKEY


SUDAN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of AMERICA
UNITED KINGDOM


SRI LANKA


SOUTH AFRICA


VIET NAM
YEMEN


A.H.M. Fowzie
Sri Lanka


P. L. Bersani
Italy
V. Khristenko
Russian Federation


M. Glos
Germany


A. bin Hamad Al-Attiyah
Qatar


G. Nozari
Iran


Indonesia


IMF
OAPEC


Energy Charter


N. Tanaka
A. Amari
Japan
L. J. Brinkhorst
The Netherlands

was observed that in some countries, available resources are not accessed because there are legal restrictions on exploration and exploitation.

For example, more than 80 per cent of the United States' continental shelf, which is believed to have abundant oil reserves, is off limits for exploration. Similarly, a number of oil-rich countries have restricted access to their reserves to their national oil companies alone, denying IOCs the opportunity to participate in the exploration and development of their resources.

Economic sanctions

While recognizing that some NOCs are technologically advanced and have the financial and managerial capability to harness and deliver resources that are within their national boundaries, participants suggested that in an increasingly interdependent world, where energy has become critical to global efforts at poverty reduction, economic growth and meeting environmental challenges, inclusiveness, rather than exclusiveness, should characterize the relationship between industry partners.

A number of participants noted that equally detrimental to investment has been the unilateral imposition of economic sanctions on countries with huge oil reserves. Indeed, it was argued that part of the cause of the current tight market situation was the series of politically-motivated economic sanctions that a number of oil-producing countries were subjected to in the last three decades, or so.

While some consumers and investors expressed concern about non-respect for the sanctity of contracts by some producing countries, the affected countries argued that it is in the character of every living contract to make room for a review with changing circumstances. Where one party to a contract refuses to renegotiate the terms of a contract, because doing so could reduce some of the advantages that it has long enjoyed over the other party, without necessarily making the former a loser, then the owners of the resource have a right to unilateral review.

Interestingly all parties to the discussion were in agreement that cooperation and partnership among all industry stakeholders — NOCs, IOCs, service companies and national governments — are absolutely necessary to harness all resources to address the emerging challenges. Some recent successful partnerships between NOCs, IOCs and national governments were cited as shining examples for other countries to emulate.

While still discussing the necessary conditions for the required investment to flow into the industry, participants noted that escalating concern about the environment, especially in recent times, and the need to protect it, has added to the cost of operating in the industry. The quest for cleaner energy has increased the cost of exploration, production, transportation, refining and the use of oil. This has, in turn, meant that investment costs have risen. Participants were, however, in agreement that protecting the environment is essential and that efforts to develop technologies that would enhance the environmental friendliness of oil should be intensified.

Noé van Hulst (l), Secretary General, IEF, with HRH Prince Abdulaziz Bin Salman Bin Abdulaziz, Assistant Minister of Petroleum and Mineral Resources, Saudi Arabia.

Transparency in oil data

Apart from the rising cost of exploration, production and transportation, which have made the volume of required investment larger than ever before, participants observed that, in an ostensible effort to curb environmental pollution, a number of countries have resorted to the promo-

tion of biofuels, by heavily subsidizing their production. The result of this has begun to manifest in higher prices of staple foods across the world. This has resulted in food riots in a number of developing countries. The competition between harvesting for human consumption and harvesting for biofuels must not be allowed to wreak havoc on humanity.

Both producers and consumers were unanimous about the important role that stable markets play in promoting a good investment climate for the oil industry. Towards this end, calls were made for more transparency in oil data from both consuming and producing countries. It was noted that with oil data transparency, producers could more readily predict the future demand of consumers, while the latter could also determine the future supply levels of producers. A situation where either party does not provide data fully, timely and in a transparent manner does not help to create the enabling environment for the market to be stable.

Manpower shortage

While still deliberating the challenge of a sustainable energy future, participants acknowledged that energy is necessary for qualitative improvement in the lives of people. They also recognized that about a third of the world's population does not have access to modern energy services. Furthermore, they accepted that, for the foreseeable future, fossil fuels will continue to dominate the global energy mix; the serious effort to promote alternatives notwithstanding. At the same time, they agreed that there are more daunting challenges facing the oil industry today than in the past. Among them are the, already mentioned, environmental challenge, which cannot be wished away, and the problem of a shortage in manpower.

Participants noted that in the next 10–15 years, half of the current skilled workforce of the industry will be retiring. At the same time, universities are not producing enough fresh graduates in relevant energy disciplines. It was observed that following the collapse of the oil market in the 1980s, many institutions of higher learning closed down, or downgraded their faculties responsible for producing manpower for the oil industry. In addition, the rising profile of environmentalists has made the quest for a career in the oil industry less attractive than it was in the past.

Does that signify the end of the oil era? The consensus was a resounding no. The world cannot abandon oil when it does not have a reliable, affordable and sustainable alternative. But at the same time, the world is not prepared to ignore the harmful effects of emissions from fossil fuels. This is the challenge of technology.

Abdalla Salem El-Badri (l), OPEC Secretary General, with Malcolm Wicks, Minister of State for Energy, United Kingdom.

All participants agreed that technology has the potential to make the exploration, production, transportation and consumption of oil cleaner. In particular, participants were unanimous in acknowledging the potential of carbon capture and storage (CCS) technology in mitigating CO_2 emissions from the production and use of fossil fuels.

The question is — if all stakeholders believe that CCS has this great potential, what is holding them back from seriously promoting it? What is preventing them from coming together — oil-producing and consuming countries, NOCs and IOCs, service companies and research institutions across the world — to collaborate to develop and promote this technology? Some have noted the irony that those countries that are most interested in developing the CCS technology do not have the technological capability to do so, and those who have the ability are reluctant to do so because they feel that when CCS is developed and commercialized, the oil age will be prolonged.

If the reality today is that the world will have to rely on fossil fuels, particularly oil, for the foreseeable future, as all participants agreed, then it is against the common good of humanity for those with the know-how

to facilitate the development of CCS to fail to provide it. They owe the over two billion people who are without access to modern energy services a duty to provide that know-how. They owe the other countless billions who have access and want to maintain it a duty to provide the know-how. They owe the world a duty to provide it so that global economic growth can be ensured. And they also owe our generation and future generations a duty to provide it, in order to protect the environment.

Some OPEC Member Countries, who do not have the capability to develop CCS technology, at least as quickly as the world would want it, have shown their commitment to supporting its development with a financial contribution of $750 million for scientific research into energy and the environment.

Atmosphere of openness

As the 11th IEF ended, the atmosphere of openness that characterized it was truly unique, and the issues about which consensus were reached included:

- world energy demand is set to increase;
- fossil fuels, in particular oil, will continue to provide the dominant share of the global energy mix;
- about a third of the world's population does not have access to modern energy services and this situation militates against the achievement of the UN MDGs;

- there are ample oil reserves to meet rising energy demand: the question is whether the enabling environment has been created to turn these available resources into deliverable resources;
- CCS technology has huge potential to make fossil fuels more environmentally friendly;
- the current effort to promote biofuels could have serious negative consequences on the world's poor as the competition between crops for food and crops for fuel intensifies;
- sufficient confidence in demand security is needed for the right investment to be made;
- the need to reduce market uncertainties;
- IOCs and NOCs need to partner one another to be more able to successfully tackle the challenges posed by the new energy era;
- enhance transparency in oil data through the Joint Oil Data Initiative (JODI);
- the energy industry has been demonized for too long and there is a need to correct that image before the industry can attract the right calibre of person;
- there is a need to eliminate political barriers to investments.

IEF

OPEC Webcast

Featured on the following pages are edited interviews conducted by the dedicated Webcast team from the OPEC Secretariat. Moderator, Eithne Treanor, spoke to selected ministers, high-level officials and oil company executives who attended the 11th IEF in Rome.

Abdalla Salem El-Badri

OPEC Secretary General

Asked if he thought the producer-consumer dialogue is more coordinated now and whether he sees more unity between the two sides, Abdalla Salem El-Badri, OPEC Secretary General, said he is very happy about the progress made at the IEF, since when he looks back to much earlier meetings, they were not able to talk significantly to one another.

Abdalla Salem El-Badri, OPEC Secretary General.

"Now we understand each other better — we have a common interest that energy, fossil fuels, and issues such as supply and demand, are all very important. We are also aware that we have to agree on the (market fundamental) numbers. The IEF is a good platform and a good forum now for talking to one another — face to face and not through the media."

Regarding the high crude oil prices and the ongoing problem of speculation, El-Badri said that what OPEC is doing in its policies is not contributing to the high price of crude.

"Stocks are high, with 53 days of forward cover, so there are other factors that are contributing to the high price."

These other factors, he said, include the slump in the value of the US dollar, the refinery problems and the geopolitical situation.

"But as far as supply to the market is concerned, there is enough oil out there," he stressed.

Concerning the promising environmentally friendly technology of carbon capture and storage (CCS), El-Badri said the OPEC Secretariat in Vienna has been following this process for a long time.

"We are saying that fossil fuels are the only energy source that will last for the foreseeable future, which means that, today, we have to work on cleaner fossil fuels — and this means CCS. We have to cooperate — both the producers and the consumers — to develop this technology and to use the process more."

Questioned about the likely outcome of the Rome IEF meeting, El-Badri said he would like to see, as a result, producers and consumers understanding each other more. "I think at this meeting we will achieve this understanding."

Odein Ajumogobia (SAN)

Nigerian Minister of State for Energy (Petroleum)

Asked how relevant the IEF is to the welfare of the global energy industry, Odein Ajumogobia (SAN), Nigerian Minister of State for Energy (Petroleum), said he thought it is very important — producers and consumers need to be speaking the same language.

"We are all concerned about energy security. And we, in the developing world, are concerned about sustainable development. We need to be able to sell our oil at a price that we can predict over a sustained period. The people who buy our oil also need to be able to predict the price. This dialogue is very useful for discussing these issues and has provided us with some good insights so far," he affirmed.

Concerning the much-heralded shift in dynamics widely foreseen in the oil industry, the Minister said he did not think this shift has actually occurred yet.

"There is still a lot of blame being attached to OPEC, who many people think are responsible for the high oil prices. They also think the Organization should put

Odein Ajumogobia (SAN), Nigeria's Minister of State for Energy (Petroleum).

more oil on the market. But I think we have all agreed that it (the high price) is beyond supply and demand fundamentals."

Continued Ajumogobia: "Some of the speculation we are seeing in the market today is based on a lack of transparency and I think that if the producers and consumers can come together, it can make the whole marketplace more transparent, which, in turn, will reduce speculation, which is at the heart of driving prices at the moment."

Speaking on Nigeria, the Minister said there is a large movement towards trying to develop the nation's gas industry, which represents a whole new portfolio of investment for the country.

"We are looking forward to this development. We still have the security challenges, but we are working on those," he pointed out.

Asked about the importance of future investment in the oil industry, Ajumogobia said this was another reason why the IEF meetings are so important — in bringing producers and consumers together.

"There is a degree of tentativeness in investment planning because of the way the market is today. That is why it is important for us to be clearer about our goals as producing countries when we come together with the consuming states in this dialogue, so that we can try and understand the market from each other's perspectives."

That (approach) is critical, rather than pushing the blame around as to who is responsible for today's high oil prices.

He stated: "The high oil price does provide an incentive to invest, but at the same time, it is a disincentive because there is the fear that it could affect demand and, therefore, slow down the economy and bring the knock-on effects that come with that."

The Minister added: "This is an important forum for us to share our ideas and hopefully find a consensus."

Rafael Ramirez

Venezuelan Minister of Energy and Petroleum

Regarding the importance of the IEF to oil industry affairs, Rafael Ramirez, Venezuela's Minister of Energy and Petroleum, said it is very important as it serves as an opportunity for producing countries to air their points of view (to the consumers) about the oil market situation.

Rafael Ramirez, Minister of Energy and Petroleum, Venezuela.

"We have many reasons to declare that the price we are seeing in the market today has nothing to do with the fundamentals of supply and demand. We have many problems with the devaluation of the US dollar, the financial problems in the US economy, and with speculation.

"For that reason, we consider that when we come to the IEF, we can put our message across and explain the situation in the market, as we see it. The producers have many decisions to make to defend prices and their petroleum reserves."

Asked if he thought placing more oil on the market would solve the high oil price problems, Ramirez said the large industrialized countries are always asking for more oil from OPEC.

"But we are convinced in the Organization that we do not need to produce more oil at this time. We have to make our position clear to everyone since OPEC is always under pressure from the big consumers to produce more oil."

The Minister noted that OPEC will meet again in September, as scheduled, at which time it will look at its policies governing future production levels.

Speaking on Venezuela, Ramirez said the country is producing 3.3 million barrels per day of crude at the moment. He said there have been some difficulties, especially in connection with ExxonMobil "but at the moment all is okay."

He made it clear that Venezuela has no problems working with international oil companies.

"It is just that they have to respect the country's sovereign rights. In striking the right balance, I am confident we can work together for a long time to come."

Turning to the environment and sustainable development, Ramirez revealed that his country is working on many initiatives towards this end.

"We realize that the oil economy, which consumes a lot of oil, has to be more efficient in the use of its hydrocarbons," he added.

Abbas Ali Naqi

Secretary General of the Organization of Arab Petroleum Exporting Countries (OAPEC)

Asked about the importance of the IEF, Abbas Ali Naqi, Secretary General of the Organization of Arab Petroleum Exporting Countries (OAPEC), said the Forum brings together producers and consumers in such a way that there is no commitment — but they can talk freely and hopefully reach a common understanding on various issues.

"If we compare now to 15 or 20 years ago, we can see there is a quiet, yet comfortable situation between the two sides. There was a time when they were at opposite sides of the table. Before, one party was blaming the other. Today, everyone knows the situation, the events and what is going on in the oil market.

"We can talk clearly, which is very important. It is also very important for governments, national oil companies and international oil companies to be able to sit down and discuss issues and exchange views on the oil market.

Abbas Ali Naqi, Secretary General of OAPEC.

"It is also very important for OPEC and non-OPEC producers to further their ties," he stated.

Speaking about his organization, Naqi explained that OAPEC consists of ten Member Countries, with seven of those also Members of OPEC.

"OAPEC does not decide on prices and production — that is left to OPEC — but it does studies and reports which help the ministers in their decision-making process.

"There is great cooperation between the two organizations, including in exchanging data and reports and studies."

Naqi noted that many Arab oil-producing countries are now investing downstream, either domestically, or in joint ventures in other states, such as the Far East, Europe and the United States.

"This will hopefully help to ease the refining problems in the years ahead," he said.

Naqi noted that, every four years, OAPEC convenes an Arab energy conference, which includes all Arab nations, as well as international entities outside OAPEC. The next meeting will be in Doha, Qatar, in 2010.

Mohammed Meziane

Chief Executive Officer, Sonatrach, Algeria

Regarding Algeria's domestic developments, Mohammed Meziane, Chief Executive Officer of the Algerian national energy company, Sonatrach, said the firm is

trying to increase the country's oil production, since domestic demand has risen considerably as the nation has developed.

"Over its next five-year programme, Sonatrach intends to spend $45 billion, with exploration activities taking $1.3bn. We are also planning some ten petrochemical plants."

Meziane said that, as with other national oil companies and international oil firms, Sonatrach is facing very high costs for engineering and construction materials. "Equipment is now costing three to four times as much as it did just a few years ago. We are also facing the problem of a lack of qualified human resources."

Meziane continued that, unlike in the 1970s and 1980s, the hydrocarbons sector today does not hold the same importance for young people seeking careers, compared with other employment areas.

Mohammed Meziane, Sonatrach's CEO.

"The problem is that with the huge investments and projects we need to make, we need a large number of people and we need the expertise. With the current situation, the quality of the services offered is also deteriorating."

Looking to the future, Meziane said Algeria has to consider that although it wants to be a producer and exporter of oil and gas, it is also a growing consumer.

Dr Hasan M Qabazard

Director, OPEC Research Division

Dr Hasan M Qabazard, Director, OPEC's Research Division.

Questioned about the effectiveness of the IEF, Dr Hasan M Qabazard, Director of the OPEC Research Division, said: "This meeting is one of the most important energy gatherings held worldwide. It gains that importance because of the assembly of so many of the oil and energy ministers from around the world, as well as chairmen and chief executive officers of energy companies.

"It has high-level discussions and dialogue. This is what the IEF is promoting — dialogue between producers and consumers, so that each party understands the other side's concerns and important issues."

Asked about the progress being made on the Joint Oil Data Initiative (JODI), Qabazard said the venture is a very important initiative that is promoting transparency in the oil market, as far as data on production and reserves is concerned.

"At this meeting, OPEC will be asking for more transparency, as far as demand is concerned, as well as more transparency in the financial markets, which are becoming a very important driver in the oil industry," he asserted.

Concerning some of the challenges facing the oil industry, Qabazard said environmental issues are

becoming the main headlines "in anything we do today, as far as oil expansion, operations and the use of fossil fuels are concerned."

He noted that oil prices are very high and are being affected by non-fundamentals, including geopolitics and the world economy, which is going through a turbulent time and affecting the US dollar.

"We would like to have a better understanding of how these variables are affecting the market," he said.

Qabazard explained that, as a member of the Executive Board of the IEF, OPEC has been involved in "this very important movement" from the very beginning.

Questioned further about the current market situation, he said there are a lot of uncertainties at the moment. These are partly emanating from the economic situation and partly from the energy policies of different countries, which are casting more uncertainty over demand levels.

"That is why we are calling for more transparency, so that we can have a better estimate of the amount of oil that is needed in the years ahead. This, in turn, will allow us to do better planning, in association with our long-term investments.

"This approach will help us ensure that the market remains well supplied with oil in the years ahead. I hope that after this meeting, we will achieve a better understanding of the issues involved, achieve more transparency and see more involvement in JODI and other IEF initiatives. We really need to use this forum as a platform for discussion and dialogue," he added.

Pier Luigi Bersani, Minister of Economic Development, Italy.

Pier Luigi Bersani
Minister of Economic Development, Italy

Speaking through an interpreter on the role of the IEF, Pier Luigi Bersani, Italian Minister of Economic Development, said: "We all agree on the importance of getting together and having market transparency — not to have this could be very dangerous for the future with all the problems we have to face today.

"We need the producing countries to inform us of the status of their output levels and production capability, so that we can tell with more precision the amount of investments required for the future.

"But, at the same time, the consuming countries have to announce their future needs and what amount of energy they are expecting to produce through alternative sources," he added.

Al-Zubeir Ahmed Al-Hassan
Minister of Energy and Mining, Sudan

Asked about his country's domestic activities, Al-Zubeir Ahmed Al-Hassan, Minister of Energy and Mining of Sudan, said it is currently producing around 500,000 b/d of crude and many companies are working in new blocks to explore for more oil.

"We are expecting good news in the next two or three years with regard to increasing our reserves and having more oil output," he said.

Over the last ten years, oil has put Sudan into a far better situation — helping to extend the industry and expand the related infrastructure and services, thereby helping to stabilize the economy, he noted.

"We have started to build refineries — our first 100,000 b/d plant will be expanded to double the output — and we are looking to build a second plant."

Al-Hassan said Sudan is basically an agricultural country. "We want to use the money we make from our oil to boost the agricultural sector and, in so doing, we hope we can alleviate poverty in the country."

Al-Zubeir Ahmed Al-Hassan, Minister of Energy and Mining, Sudan.

He stated that all the energy projects Sudan is planning need partners, financing and technical assistance "so we are trying to get these as a result of our bilateral relations with other producing countries."

Added the Minister: "We think this will help in building a good national capacity and good national partnerships with the international oil companies and other firms.

"We don't think we have any problem in getting financing for the upstream projects, but now we need investment in petrochemicals and refineries. But with the strengthening of the Sudanese economy, I think we will be able to get the financing we need," he added.

Malcolm Wicks

Minister of State for Energy, United Kingdom

Regarding current oil market developments, Malcolm Wicks, United Kingdom Minister of State for Energy, said the immediate concern is the very high price of a barrel of oil, with it "continuing to skyrocket". But he said that this is mirrored by the fact that both coal and gas are also expensive commodities right now.

"At a time when the world is looking at the implications of the so-called credit crunch, this is not helping the situation. But I think the useful thing about the IEF is that you have the producing nations and the consuming countries, as well as the company chiefs, all assembled here and we can at least discuss these issues.

"What people are telling me is, let us avoid the idea that this is a boxing match between the big producers and consumers, and that there is a shared interest here — we are all in the same boat.

"Quietly, we are trying to make sure that we paddle forward together in the same direction," he said.

Wicks professed that greater cooperation has to be the way forward.

"There is a huge global grab for energy taking place in the 21st century and this is not going to go away. The Western countries are still demanding energy — that is growing — while the emerging economies, such as China and India, and also Brazil and other South American countries, as well as South Africa, are all needing more energy to fuel their economies," he observed.

"Then you have difficulties with oil producers in some

Malcolm Wicks, Minister of State for Energy, UK.

parts of the world, for example Iraq. Many oil countries have increased production — and they are performing very well in terms of doing their share — but we have to discuss these issues together and try and move to calmer territory.

"In addition to the objective factors, there is clearly a kind of psychology premium ... a sort of madness is going on in the market at the moment and we need to get away from that."

Questioned further about the reasons behind the oil price hike, Wicks said the world is obviously facing difficulties with the subprime mortgage market in the United States.

"There have been knock-on effects in my own country, the UK. That might seem a million miles away from producing a barrel of oil, but in a market situation these things relate together, sadly in unhelpful circumstances.

"But I hope that as we move away from the immediate credit crunch issues, we will see some calmness in the energy markets as well," he affirmed.

Asked about British Prime Minister Gordon Brown's call for OPEC to increase production in a bid to cool prices, Wicks conceded that OPEC producers — especially Saudi Arabia — have done very well in producing the necessary output.

"I can understand where the producing countries are coming from, but at the same time we do feel that more oil could have a calming effect on the high oil price. It is not easy and we have to work on this issue together and do what we can about the objective factors, the economic situation and then hopefully the psychology of the market will start to calm down.

"I think we have to get a dialogue going about the mainstream energy issues, which are complex and difficult enough. But the other really important challenge is to do with climate change and global warming.

"What has really taken me here in Rome is the real buzz about carbon capture and storage (CCS), because quite frankly, how do we square the circle about burning fossil fuels like mad for 100 or more years, which produce carbon — how do we square that with the climate change objectives?

"Well, one of the answers has to be CCS and I am detecting much more interest in this process among different nations and the producing countries as well," he said.

Wicks revealed that the UK will also have a big CCS project. This will be connected to a coal-fired power station, where the carbon will be stored under the North Sea.

Aaslaug Haga

Minister of Petroleum and Energy, Norway

Asked about Norway's domestic energy developments, Aaslaug Haga, Norway's Minister of Petroleum and Energy, said: "What we see in Norway is that our production of oil has already gone down and will continue to go down in the future.

"But we will increase the amount of gas we produce, so in a way it is balancing out with the oil we are losing. Gas is going to be our major product when we look into the future."

Regarding the IEF, Ms Haga said it represents an important meeting for ministers to discuss the various issues at stake.

Aaslaug Haga, Minister of Petroleum & Energy, Norway.

"You find many of them are on the same plate (over issues), which is always good and means you can get a lot done in a short time.

"I hope we will come out of the meeting with a better understanding of how important it is that the energy sector, in general, and the petroleum sector

more specifically, are concerned about the environmental issues.

"In that connection, I also hope that we get a better understanding about how important carbon capture and storage technology is for the energy sector in the future," she added.

M J A van der Hoeven

Minister of Economic Affairs, the Netherlands

Asked for her impressions about the importance of the IEF, M J A van der Hoeven, Minister of Economic Affairs of the Netherlands, said the dialogue is very useful and important because it brings together producers and consumers.

M J A van der Hoeven, Minister of Economic Affairs, the Netherlands.

She said it is not just about being together in the Forum, it also gives participants the chance to organize very important bilateral meetings, to discuss all the issues concerned.

"But I do hope that by the time of the next meeting in two years in Mexico, we will not just be talking. In between something has to be done. Talking about prices is one thing, talking about planning is another thing, and talking about necessary data is a third thing — but we have to do something as well. I really hope there will be some results by next time."

Ms van de Hoeven maintained that one of the common challenges facing the industry is that everything has to do with investments, both in downstream and upstream operations.

"Carbon capture and storage (CCS) is really an item all are talking about, as is biofuels," she said. In the Netherlands, we have four pilot CCS schemes in operation and we are going to introduce one or two pilot projects concerning carbon storage.

"These are just demonstration projects and what we want to do is to build the thing up to have a large demonstration scheme to see just how CO_2 is going to behave in large quantities. Then it has to be made commercially available. This will need some more years to develop and a lot of money."

Speaking more on the environment, the Minister said the awareness of the need for energy efficiency is not present everywhere.

"However, this is quite natural in the emerging economies who have a big need for energy and do not have enough of it."

She pointed out that demand for energy is going to soar whatever happens and this brings the question about sustainability and heightens concerns about the global climate.

"Of course, we first have to ensure that security of supply and security of demand are being realized. However, if we achieve that without having an eye on the climate, and the sustainability issue, then we would be doing the one thing the right way — and the other thing the wrong way."

Ms van de Hoeven said her country offers the perfect climate for investment in such processes as CCS, but such projects need to be private/public partnerships.

"Everyone is talking about the need for greater interdependence, but with that you must have more transparency of data and that is why the Joint Oil Data Initiative (JODI) is so very important because it offers the data that leads to better transparency."

Turning to domestic developments, the Minister said the Netherlands is focusing more on gas at the moment.

Dr Martin Bartenstein
Minister of Economics and Labour, Austria

Asked for his thoughts on energy's future, Dr Martin Bartenstein, Minister of Economics and Labour of Austria, said that although there will be some slight changes in the energy mix in the years ahead, in general "the backbone of our energy supply in the future will come from fossil fuels."

Dr Martin Bartenstein, Minister of Economics and Labour, Austria.

He stated: "So, it is of the utmost of importance to make those fossil fuels more compatible with climate protection and better for the environment.

"There is no doubt that mankind has contributed to the increase in global temperatures over the last century and we have to do everything we can to limit the CO_2 content of our beloved atmosphere."

This will mean having a low-carbon economy, not only in OECD countries, but throughout the world, he said.

"And all this means having concrete measures to protect the climate. We should be aiming for carbon capture and storage (CCS), carbon sequestration, and clean coal technologies.

"There is no silver bullet for it all and we have to make use of all the options available. But with some 80 per cent of our future energy sources being fossil fuel in nature, it means that we have to get those sources more compatible with climate protection."

Bartenstein said the technology for CCS is there and "we have to transfer this technology into real life and make it available, especially to the developing world — countries like China, who will depend heavily on those types of technology."

He said the earlier and more widespread "we can offer those technologies, the better for the sustainable development of this world."

Asked about the success of the IEF, Bartenstein said he hopes to see a more common understanding coming out of the conference.

"We have discussed oil prices, which I say are too high at the moment. But then the dollar is too low, which is causing problems. Part of the global inflationary tendency comes from the higher oil prices and partly from higher food prices.

"It is these challenges that are enhancing the importance of the producer-consumer dialogue, which is more than ever necessary."

Bartenstein said that, apart from the IEF dialogue, "it is also good to promote the dialogue between OPEC and the European Union, which should be further expanded."

Professor Sergio Garribba
Director General of Energy and Mineral Resources, Ministry of Productive Activities, Italy

Asked what he considered were the main challenges facing the oil market, Professor Sergio Garribba, Director General of Energy and Mineral Resources, at Italy's Ministry of Productive Activities, said the main issue today is the level of oil prices, which are exceptionally high and creating concerns for both the consuming and producing countries.

"We have to find ways to stabilize the markets — to see what might happen in the long term with prices and investment and to see this within a stable and clear framework."

He pointed out that the dialogue between national oil companies and international oil companies is extremely important.

"With the meetings that are talking place between

Professor Sergio Garribba, Director General of Energy & Mineral Resources, Ministry of Productive Activities, Italy.

producers and consumers, we can see more interaction about the concerns both sides share, including how to maintain the data and improve transparency, how to avoid speculation and how to interact between energy and the financial markets.

"The image that policymakers have about the oil industry, especially in consuming countries, is not that good. They think that oil companies are making huge profits and that they are taking advantage of the situation.

"So these companies need to present themselves about the true market situation, and this should be made clear to the politicians."

Garribba said the fact that oil and energy ministers are at the IEF might help since they will be able to report clearly on the fundamentals of the market.

"What we really need is long-term policies — we have to decide what to do about the global environment. Governments should harmonize their policies — otherwise those who are producing and those who are investing in the industry simply won't know what is involved.

"One has to understand, for instance, that gas projects have a long lead time before they become operational. It also takes time to recover the capital that has been invested. We have to look at things within that framework."

Asked what he considered has been the big shift in the oil sector over last few years, Garribba said this has to do with technology.

"It is very important to invest in new technologies because these will ensure that the whole oil and gas system remains reliable. There will be new oil and there will be new gas.

"We also understand that all the energy alternatives (to fossil fuels) will face tremendous difficulties coming to the market with the quantities and the quality of resources necessary in the short term. So, we have to find new oil to replace oil," he maintained.

"The perception that fossil fuels will remain (vital) for the foreseeable future should be made known to the public. The public should understand that there are no real alternatives at the moment. We can invest in energy efficiency and reduce consumption, but we have to realize that more and more countries are demanding more and more oil.

"When one thinks of China, India and Brazil, as well as others, it is clear that demand for energy is going to increase. And oil and gas are going to stay."

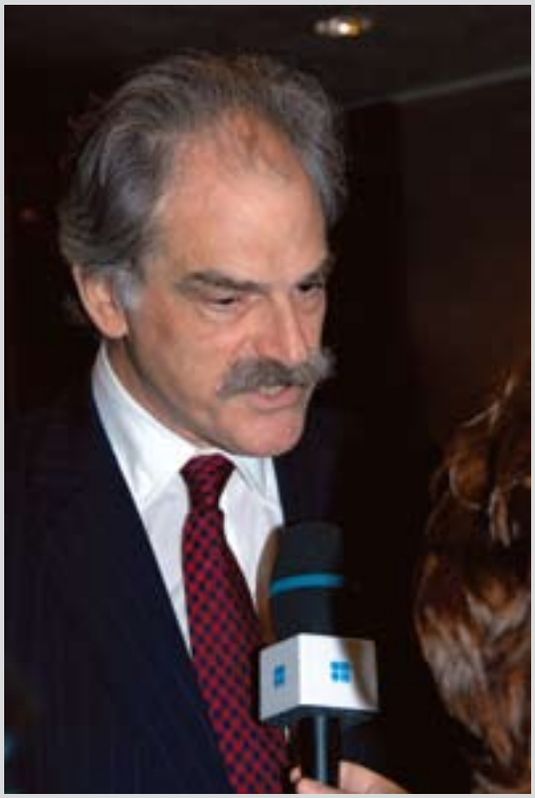
Garribba said the relationship between national oil companies and international oil companies can be improved and, hopefully, interdependence between producers and consumers will get better.

John Lipsky
First Deputy Managing Director, IMF

Questioned about the state of the energy markets, John Lipsky, First Deputy Managing Director of the International Monetary Fund (IMF), said it is a very challenging environment at the moment, adding that after five years of exceptionally good performance by the world economy, problems have surfaced that require immediate attention.

"For one, we can see that the rise in energy prices, and commodity prices in general, especially food prices, coupled with the financial turbulence, are reducing the vitality of the global economy."

He said the rise in energy prices beyond levels previously forecast, implicitly in the futures markets, would by itself probably, if sustained, take one half to one per cent off global growth this year.



John Lipsky, First Deputy Managing Director, IMF.

"So, it is clear there has to be some way to address the medium-term issues of the need for greater investment in energy and greater stability in world markets."

Lipsky noted that despite the slowdown in global growth, energy prices and commodity prices have remained much stronger than might have been anticipated, in part because of the strength in growth of the economies of the emerging markets, who represent a substantial portion of the expansion in demand for energy and commodities.

"Their economies are more intensive in the use of both commodities and energy and this, of course, creates other problems because in some of the poorest countries, even though they are growing, it has created real strains and challenges for the poorest citizens. All of this represents new kinds of challenges for global governments."

Lipsky said there are a number of things that can be done. "We should not ignore the problems that high energy and commodity prices are causing for the poorest countries and the poorest among the poor. That creates a near-term need for humanitarian support — and I think we are going to find solidarity in that.

"In the medium term, care needs to be given to the environment, which is going to elicit more investment, especially considering that the cost of new investment per unit of energy output is continuing to increase.

Lipsky said that, as one of the conference panelists had noted, "the easy energy sources have all been exploited — the new sources to be exploited are more difficult technologically, geologically and, therefore, are more expensive.

"With this greater cost, there needs to be greater security about the long-term environment with regard to markets and taxes and to regulations. To continue to make progress, as we have done in the past, it is actually going to be more difficult and more care has to be given to the economic and legal environment to produce the results we need."

Continuing, Lipsky said he expects to see more dialogue and more conversation coming out of the IEF because none of the issues are simple and they are going to require a lot more mutual confidence about the direction of broad policies.

"If there is anything that comes out of this meeting that is concrete it is the need for more intensified dialogue. Today, we are in a situation which no one would have foreseen five years ago. Who would have imagined oil prices at $115/b?

"And, at the same time, the success of the emerging market economies has outstripped anything people anticipated just a few years ago. It is clear that we need to preserve the progress in economic performance and we need to preserve the economic opportunities for the poorest economies as well.

"Yet, we can see that with such obvious strains in the commodity markets, energy markets and financial markets, it is clear that there has to be more attention paid on a global basis to address global problems in a coherent fashion.

"Both sides — the producers and the consumers — recognize that the current situation has some very serious challenges that must be addressed in a coherent, global way," he concluded.

Nobuo Tanaka

Executive Director, International Energy Agency (IEA)

Questioned about the state of the energy market, Nobuo Tanaka, Executive Director of the International Energy Agency (IEA), said one of the most important things is

Nobuo Tanaka, Executive Director, IEA.

determining how to cooperate — among the producing countries, the consuming states, the national and international oil companies, governments and the private sector — as well as how to identify the major issues and work together in the future.

"One of the concrete issues that I think we can achieve is how to place more emphasis on carbon capture and storage (CCS). This is one of the solutions to CO_2 mitigation. And it is one of the important messages that the energy ministers can send jointly to the negotiators in the climate change convention," he maintained.

"One of the challenges facing the IEA is how it can match security of demand with security of supply, which is seen by many ministers as being issues that are two sides of the same coin.

"Also, we must look at how we can achieve more investment in the future, but at the same time, share the good information on data with the market and so provide more transparency."

Tanaka said climate change issues will form another major challenge for the industry.

"Our cooperation with OPEC is very important. In fact, the first international visit for me since I took office was with the OPEC Secretary General. It is important because, in the case of an emergency, we have to work together — OPEC and the IEA — because otherwise we cannot solve the problems," he said.

Tanaka said he wanted to reconfirm "our very strong commitment to the OPEC Secretariat — that we will work together — and I am really assured that it is a necessary cooperation for both organizations."

Looking at the supply and demand picture, the IEA head said demand projections are now lower because of the economic situation in the United States.

"We are working closely with OPEC to see how we can better forecast the future needs — that is one agenda on which I want to work with the OPEC Secretariat in the years ahead," he added.

Fatih Birol

Chief Economist, Head of the Economic Analysis Division, IEA

Asked for his impressions on the oil market situation, Fatih Birol, Chief Economist and Head of the Economic Analysis Division of the Paris-based International Energy Agency (IEA), said there are a lot of changes occurring in the energy markets.

"On the demand side, you have new actors in the market, like China and India and the Middle East producers themselves. If you look at the numbers of the last two years, more than 80 per cent of the growth in global oil demand has come from China, India and the Middle East," he said.

Birol said that, on the supply side, "we see that strong efforts have been made there ... but there are still some gaps between supply and demand expectations."

He continued: "Now we see the United States and European economies slowing down, but I am skeptical that this downturn will have any effect on global demand because they are not engines of growth any more — it is now China, India and the Middle East.

"We expect the bulk of the oil supply growth in the future to come from the Middle East countries and up to now they have behaved very responsibly. We expect that they will invest more and more in future oil supply. In the meantime, they are also trying to diversify their economies, which is a very good trend."

Birol said a lot of investment efforts are being made, both in OPEC and non-OPEC countries, "but when you look at how much money is being spent and what needs to be spent, there is still a discrepancy."

Dr Fatih Birol, Chief Economist and Head of the Economic Analysis Division, IEA.

He stressed: "We hope that other producers follow the example set by Saudi Arabia and increase their production capacity, perhaps in joint ventures between the national oil companies (NOCs) and the international oil companies (IOCs). This will be key — to have a good relationship between the NOCs and the IOCs."

Birol said that, in the past, the IOCs went through a golden age. They are slowly coming to the end of that period because the reserves they possess are declining.

"They now have difficulties accessing new reserves, especially in the Middle Eastern countries, so from the IOCs' point of view, joint ventures with NOCs will be a must. And from the NOCs' point of view, it will give them the opportunity to have access to technology and know-how.

"In most cases, joint ventures between NOCs and IOCs are win-win situations for both parties."

Looking at the oil market further, Birol said financial activities, or so-called speculation, are playing a significant role in the price levels being seen today.

"But I still believe that the major determinant of the price hike is the tightness in market fundamentals. And speculation over this tightness plays a triggering role in taking prices even higher.

"I am afraid that if we don't see more excess capacity, we will see high and volatile prices continuing."

Birol said OPEC Countries will need to play a key role in the years ahead, what with the decreasing prospects for producers outside the Organization.

"The decisions OPEC takes in the future will be ever more crucial. There is a lot of responsibility on the shoulders of OPEC Countries, But, I am confident that OPEC decision-makers are very aware of this responsibility, just as they were in the past.

"The coming years are likely to be very tight and my fear is that demand will be too much for supply."

Birol said the fact that OPEC Countries are building refineries is a very good thing.

"But, we in the IEA, have already told our members that we cannot expect OPEC to invest in the downstream, as well — we should be doing that."

Referring to the work of the IEF, Birol concluded: "We need this mood of cooperation today between the producers and the consumers, otherwise we are all condemned to fail. We all know that the only way to success in this business is through dialogue and cooperation."

Barry Worthington
Executive Director, US Energy Association

Speaking on the future challenges for the petroleum industry, Barry Worthington, Executive Director of the United States Energy Association, said the key message is that the relationship between international oil companies and national oil companies is changing.

"While we face many of the same issues, it is a changing dynamic that has continued and there is clearly going to be different types of partnership structures than what we have seen in the past.

"The other important thing is the notion that we really have to rely on technology. Whatever the issue of the moment is, whether it is energy supply challenges or environmental issues, like climate change, the three keys to forging a solution collectively will be technology, people and capital," he asserted.

"The heart of the problem, which has been an issue since this industry's inception, is that we have to look at things on a long-term basis, that the capital investments are made on a decade-long horizon.

"Today, whether you look at the financial markets

Barry Worthington, Executive Director, US Energy Association.

or political issues, people are looking for short-term, quick-fix solutions and, in the oil industry, they are just not there.

"There are huge long-term investments and it takes a long time to get the infrastructure in place. And all of that is being complicated now by global commodity prices.

"Everything is costing more than it did a few years ago and we are more and more challenged about having the skilled talent — engineers, managers and craftsmen — to build the whole variety of infrastructure that is needed," he said.

Worthington said biofuels are going to be part of the solution in the future, but there are going to be many things that are other parts of the solution.

"There is no silver bullet that will do everything — we really need to start with energy efficiency as much as we can because we still do not use our energy supplies as well as we could.

"Beyond that, in the years ahead, we are going to need every single type of supply source that we can muster — traditional and unconventional, oil and gas, coal, nuclear, and all the renewables that we can possible obtain and bring online.

"You cannot grow the world economy without increasing supplies of energy and when you look around and see 1.5 billion people today that do not have access to any commercial energy and another 1.5 billion that do not have adequate access to commercial energy — all these people want to improve their lifestyles, that is human nature.

"Everyone in China wants to have a car — everyone in India wants to have a television, who are we to deny them that opportunity?"

Worthington said that, right now, the big challenge is prices.

"They have been dramatic and the consumer does not understand why the prices are higher than what they were just a short time ago. The public, being frustrated over these prices, brings risks of a short-term political backlash, which is never healthy for solving long-term problems," he added.

Sarthak Behuria
Chairman, the Indian Oil Corporation

Asked about India's domestic oil operations, Sarthak Behuria, Chairman of the Indian Oil Corporation, said the country's gross domestic product is currently growing by about nine per cent.

"We have been continually upgrading our refineries and creating new capacity to comply with the new environmental regulations. The Indian Oil Corporation decided many years ago to be an integrated oil firm and major investment is taking place in petrochemicals and gas," he said.

Asked about the situation with a lack of expertise in the industry, the Minister said getting the human resources needed for the industry has not been such a problem, "but retaining them has proved to be a big challenge."

He stated: 'We are losing a lot of good people that have been leaving us for the private sector."

Regarding the Forum, he said he thought the IEF is good for producers and consumers to be able to get together. "It has some very interesting and thoughtful sessions, dealing with some provocative issues," he added.

Jeroen van der Veer
Chief Executive Officer, Royal Dutch Shell

Asked about the future of the global energy industry, Jeroen van der Veer, Chief Executive Officer of Royal Dutch Shell of the Netherlands, said he thought people

Sarthak Behuria, Chairman, The Indian Oil Corporation.

Jeroen van der Veer, CEO, Royal Dutch Shell.

still underestimate the growth in energy demand in the future.

"The fact is, energy demand between now and 2050 will double. The reason behind this is because we will go from a population of six billion to nine billion and all these people will want to have access to electricity, and would also like to drive."

He said that looking back in hindsight, "we had access to easy oil and easy gas — in the future there will not be enough of that easy oil and easy gas to meet the surge in demand.

"So, it is not a choice as to whether we go for fossil fuels or renewables — we are going to need all of it, conventional oil, unconventional oil, the same for gas, renewables, nuclear."

Van de Veer said another point to consider is that the increase in the use of fossil fuels and coal will drive up the level of CO_2 emissions and "people are already concerned about climate change. So there is a big question mark hanging over this issue in the long term."

He continued: "There are many uncertainties over the future and many impediments. Investments in unconventional oil and gas and renewables will have to be huge. They are a lot more than conventional oil per unit of energy. Will there be enough human resources, will there be enough money?

"The countries and the companies will also have to work together in this new environment where the risks will be very high because the costs per unit of energy will go up.

"The second impediment is that we have seen a lot of inflation in our industry. Basically, between 2004 and the end of 2007, the purchase cost index has gone up from 110 to 200, which makes planning and budgeting for the large projects required very difficult for everyone — the companies and the governments.

"Another impediment is the issue of CO_2 regulation. If we build projects that will last for 30 years, but might be suddenly hit by CO_2 penalties, we would not like to lose our shirt after we have made the investment."

Van de Veer said this will make cooperation between governments and companies imperative "so that we can deal with this issue. If you look back over the last 20 or so years, there were many joint ventures between national oil companies (NOCs) and international oil companies (IOCs).

"Of course, there are now more NOCs and I think they have become more professional. But there is still a logical win-win situation because the NOCs have the excess of oil and gas and the IOCs have the technology and the operational experience to run everything."

Van de Veer concluded by saying that the world expects "that we do everything safer tomorrow than we did today. If we can organize it that way then the IOCs will always be attractive to the NOCs."

Christophe de Margerie
Chief Executive Officer, Total

Questioned about the relationship between national oil companies (NOCs) and international oil companies (IOCs), Christophe de Margerie, Chief Executive Officer of France's Total, said that, in his view, although ties are basically good and long-lasting, today they are not sufficient any more.

"The world has changed, the price of energy is reaching the sky, so we cannot use the same way of developing our relationship. What we have to ask now is how can we make it better? And that is why I am definitely in favour of bringing in some new ideas," he said.

Christophe de Margerie, CEO, Total.

De Margerie said that this should start with more transparency in the market — an issue that is a top priority.

"The first thing is to know what we are talking about — if we are all using different figures, we will never be successful. If some people are cheating on demand, how are we going to work in an efficient manner? So, it is very important that we talk on what the data is," he affirmed.

De Margerie said that in the case of geopolitics, governments have to realize what the results of their decisions will bring.

"We, the people in the industry, have to tell them what the impact will be from any given decision. Our position is not to say whether they are right or wrong — we are not the politicians — our responsibility is to tell them that this decision will have this impact. At the end of the day we have to find ways to reduce the uncertainties."

The Total head said there is always speculation in markets, "but if we reduce the uncertainties, then we will reduce the speculation."

Paolo Scaroni
Chief Executive Officer, ENI

Asked for his impressions about the IEF, Paolo Scaroni, Chief Executive Officer, of Italy's ENI, said it is so important to find an opportunity for all the players in the industry, the CEOs of companies, governments, consuming countries and producers, to get together and discuss the important issues that affect the oil market.

"The (IEF) conference was important in Doha, Qatar, two years ago when prices were at $50/b — it is even more important today when the prices are at $115/b," he said.

Scaroni stressed that the energy sector needs cooperation, in order to be able to decide on the huge investments that the industry requires.

"These investments cannot be made if the environment is not stable. The consuming countries want to be sure that the oil will be there, while the producing countries need to know that the demand will be assured. So, within the cooperation between producers and consumers, lies the key for the investment this industry requires," he said.

Scaroni declared that the environment is the centre of attention of everyone right now, but it is in that

Paolo Scaroni, CEO, ENI.

Fulvio Conti, CEO and General Director, Enel.

position for many reasons "because we cannot jeopardize the future of our planet, just because we want to produce oil and use it in an inefficient way.

"Carbon sequestration is a part of that, so are renewables, and so is energy saving. I think that after this meeting we should have a clearer view as to how we move ahead," he added.

Fulvio Conti

Chief Executive Officer, General Director, Enel

Questioned about the producer-consumer Forum, Fulvio Conti, Chief Executive Officer and General Director of Italy's Enel, said the IEF is of dramatic importance to a chief executive like himself.

"We have the chance to meet the policymakers in the exporting countries and to expose the demand side problems. We can also open our minds to continuing with the dialogue and possibly increasing the downstream intervention by the exporting countries as well, which will make more accountability in the system and more predictability of demand consumption, as well as possibly lowering the volatility seen in prices," he said.

In summing up the 11th IEF ...

Dr Noé van Hulst, IEF Secretary General.

Dr Noé van Hulst

Secretary General, International Energy Forum

Speaking at the end of the Forum's deliberations, Dr Noé van Hulst, Secretary General of the International Energy Forum (IEF), said they had witnessed the largest gathering of energy ministers to attend the dialogue, which was extremely positive. The ministers also held bilateral meetings, which proved to be a good product of the Forum.

"We have seen some concrete results, including transparency on the Joint Oil Data Initiative (JODI). All the organizations involved have agreed to further advance the initiative. We are going to look into extending JODI into gas."

Van Hulst said the next phase for JODI is to make it even better — to turn it into a standard source for the oil industry, so that oil analysts will start using it more and more.

"We hear that it is starting to get momentum in the oil industry, but the next phase is to make it more user-friendly and better for the oil industry as well. We are definitely determined to make that happen over the next two years."

Van Hulst pointed out that there was also a lot of discussion on biofuels.

"We are going to look into that as well. We have been asked to enact a joint assessment of biofuels with OPEC and the IEA — as to what the potential is for them and what the limitations are, since it was felt we need to have more harmonization on where we see biofuels going in the coming years."

Carbon capture and storage (CCS) was another very important highlight of the Forum, said the IEF head.

"I have never heard it discussed so extensively and in so much depth the need for more research and development into the process. We also looked at the need for more CCS demonstration projects and how we can get deployment in developing countries, especially the large emerging powers like China and India, as well as how we can utilize the Clean Development Mechanism (CDM) to make that happen."

Van Hulst said cooperation between the national oil companies and the international oil companies was another highlight of the 11th IEF.

"We can see that it is a topic of the future and the IEF has to be aware of that and start looking into it and be generally aware of the factors. We have been asked at the IEF Secretariat to prepare a report for the 2010 EIF meeting on the uncertainties that hamper investment."

Van Hulst noted that the meeting had a large agenda, but "a very encouraging one" for the dialogue.

"We are not here at the IEF to compete with one another — we are here to provide the value-added. The International Energy Agency is here to represent the consuming countries, and OPEC is here to represent the producing countries — the IEF is there to help build a bridge between the two, where differences exist, this Forum just helps us all move forward," he added.

Bridging the energy divide

New IEF head sees expanding role for "higher conscience" of the global petroleum community

When it comes to the energy divide, he is a man of both worlds — producer and consumer. With his mother from an OPEC Member Country, Ecuador, and his father from an IEA Member Country — the Netherlands — Dr Noe Van Hulst (pictured above), who assumed office as the Secretary General of the International Energy Forum (IEF) in January this year came to the Riyadh-based Secretariat of the IEF with vast experience of the energy sector. As Director General for Energy in the Netherlands government, he presided over the privatization of the power sector, liberalizing the national electricity and gas markets, before moving to the International Energy Agency (IEA) in Paris. He has assumed office at the IEF at a truly challenging time for the global energy industry. In this interview with the OPEC Bulletin's Editor-in-Chief, Omar Farouk Ibrahim, he outlines his priorities as IEF Secretary General and discusses some of the challenges facing the energy industry in the way forward.

Question: Will your commitment to competition and laissez faire policies as exemplified in your previous assignments in the Netherlands and at the IEA reflect on your current work in the IEF?

Answer: Well, a very interesting question. I must, of course, say that I have done a lot since then, and even when I was Director General for Energy in the Netherlands, I was already involved with international energy policy. For instance, I was the first Chairman of the Executive Board of the International Energy Forum (IEF). So when the institution of the IEF Secretariat was created, I was also involved in that. And, as you know, the Netherlands organized and hosted the 9th IEF in Amsterdam in 2004. So, I knew already about the IEF. In addition, my last four years working in Paris at the International Energy Agency (IEA) further broadened my exposure to international energy markets, oil and gas markets in particular, so I bring also some good exposure from my past to my present job.

Are there particular areas in the mandate of the IEF that you would like to give special attention to during your time? What are your priorities as IEF Secretary General?

My first priority is really to enhance and deepen the global energy dialogue. I think nowadays we live in an era of increasing interdependence between oil-producing and oil-consuming countries. Everybody can see with the current trends that producing and consuming countries are increasingly interdependent. So, there is an increasing need also to enhance and deepen the global energy dialogue. I think the important and unique role that the IEF can play is that it engages all the major players — not only from OPEC Countries on the producing side, but also countries like Russia on the producing side, and on the consuming side, not only IEA countries, but also the new economic powerhouses, like China, India, as well as the African and Latin American countries. So we have a unique position, a unique mission, to enhance this global dialogue, to engage many more countries like we will see attending the 11th IEF in Rome. The second priority is to achieve more practical results in this dialogue. One thing is organizing this dialogue, making sure it happens, and that it addresses the key issues which concern these countries, from security of supply for consuming countries to security of demand for the producing countries, and all other issues involved. How can we achieve practical results, for instance, in the area of transparency in the oil markets? As you are aware, we already have this important initiative that was launched a couple of years ago — the Joint Oil Data Initiative (JODI). A lot has been achieved by this initiative, but we need to do more. We need to further improve the completeness, the quality, the timeliness of the oil data. The better information all of us working together can provide to the market, the closer

"There is an increasing need to enhance and deepen the global energy dialogue."

we can stay to the fundamentals, and the less room we will leave for unfounded speculation. So, further improvement, concrete improvement in the transparency of the oil market is a big priority. The third big issue is the area of investment. Everybody agrees, of course, that the area of investment is key for the future and that there are many barriers to investment, both upstream and downstream, and that there are uncertainties which are hampering these investments. How can we identify some of the key factors which now determine this uncertainty and how can we, in a joint consumer-producer approach, help to overcome these? I see an important role for the Forum in this, for instance, in the area of cooperation between international oil companies (IOCs) and national oil companies (NOCs), which is a huge topic for the future, and which cuts across the value chain in the oil sector, and also involves both consuming countries and producing countries. And this is another concrete area where the

Forum can achieve concrete results. This is my mission statement for the future.

Has your perception of OPEC in any way changed in the last four months? Is OPEC misunderstood in the IEA?

Yes, of course, it has been affected by the position that you take and by the role that you start to define for the

Forum. I must say that, looking and analyzing from a perspective of the Forum, at the real, key topics now, which I have tried to indicate, transparency of the oil markets, investments, etc, I have certainly gained more understanding of the problems of producing countries. It is not that I did not understand them before, but discussing this more intensely with representatives from OPEC and from producing countries, seeing and analyzing the issues which are at hand and the role that the Forum can play, I must say that, yes, I have certainly improved my understanding of the issues on the producing side and, at the same time, I have come to see the potential for the Forum as a powerful bridge between the world of producing and consuming countries. I think that we can all, in that sense, utilize the Forum. This is my message both to the IEA and OPEC. Also, from the perspective of the IEF, we are not competing organizations. The IEF is an organization which provides value added, which can provide an additional important vehicle for both, in order to address the issues. Of course, IEA countries worry about security of supply, producing countries about security of demand. Ours is to provide a level playing field, so that the two parties can meet to discuss the issues and hopefully better understand each other, so that they can come to more joint approaches, which can narrow their differences and achieve more convergence of views, which we desperately need.

Allow me to take you to the background paper of the IEFS for this meeting. In it you have said that there is nothing wrong with increasing interdependence between producing and consuming nations, provided we are able to foster its potential adequately as a cohesive factor, rather than as a source of tension and anxiety. Could you please elaborate on what concrete ways could the IEF could support the opportunities created by this growing interdependence among these nations.

I am very happy that you quoted that sentence because it indeed summarizes what I really see as the mission of the Organization and that starts from the very concept of interdependence. I think there is too much talk and, in the past, anxiety created by the concept of dependence. If you really start to think about how the world economy functions, we are all dependent on so many things and on other countries. This, of itself, should not be seen as a bad thing. On the contrary, the history of economic growth shows that the more countries are dependent on each other, the more they trade, the better the world economy flourishes. We should also try to start using different words and market strongly the concept of interdependence. Your question goes to the heart of all our activities, one of them being here in Rome, where the largest gathering of energy ministers in the world is taking place over the next few days, which is, of itself, a very good factor fostering that interdependence. It is proof that we are not only doing diplomacy through newspapers and sending messages to each other, but are engaged in an honest and frank dialogue, which is one of my other points which I like to stress a lot. Let us have an open and frank dialogue, not only producing countries telling consuming countries what their worries are, putting it on the table, and verse versa, hardly listening to each other. But let us try to listen to each other and have the frankness and openness to adapt and change our views. To make it more concrete, take the example of biofuels. Everybody knows now that there is a lot of talk and publicity about biofuels and this is an extremely important issue. First of all, with biofuels currently contributing to only 1.5 per cent of transport fuel consumption, we see the problems which are caused in the food markets and to increasing food prices, which lead to political unrest in African, Latin American and Asian countries. Are we really serious in projecting to take the contribution of

biofuels in the next ten to 15 years to a percentage of ten, or even more? What would be the impact of that? I think this is one example of the hugely diverging views, as well as energy policies in the world that are creating potential tensions, which we need to address also, hopefully, in the next few days. And my hope is to come to a sort of a consensus that we need a better joint assessment of the contribution of biofuels to the global energy mix in the next decades, because if we don't and we keep these hugely diverging views, first of all, we don't know what is going to happen with all these other markets, like the food market. Secondly, if there is so much uncertainty over the share of biofuels, this creates a huge uncertainty over investment in the oil sector for the next decades. This is one example where really I think that the Forum can help to achieve progress and get the positive factor of interdependence.

There has been heightened concern in recent years from both producing and consuming countries about uncertainties surrounding the future of the global energy market. What is the IEF doing to address some of these uncertainties?

Basically, in all that we do and in all our work we try to address these things. It goes back to our discussion on interdependence. This kind of approach is largely caused by what I call one side of dependency thinking. You get this kind of fear injected into the economy and society. I think we really need to do everything in our power to overcome that and to make the argument that this is not a constructive way to look at it. All the serious analyses show simply that we will see energy demand growing significantly over the next decades. Even with the best energy conservation in the world, energy demand will grow from economic growth in developing countries, population growth etc. So we will have rising energy demand. And fossil fuels — oil, gas, coal, — will continue to dominate the energy mix. Since the reserves of oil and gas are very much concentrated in a limited number of countries and regions of the world, specifically in the Middle East, Central Asia, and the former Soviet Union, there will be this kind of increasing interdependence, there is no denying it. How can we use this interdependence and try to address the heart of these uncertainties? For instance, and again on the issue of biofuels, how do we push for a better assessment of what is realistic? I am not unrealistic to say that we can reach a single figure for 2020, but we cannot have the divergence that there is now between two per cent and 20 per cent. This is too large an uncertainty. This is the kind of thing that we need to address and hopefully discuss with both producing and consuming countries. Domestic policy messages don't exist anymore. We need to start understanding that these kind of schizophrenic messages are no longer valuable in a globalized world. We are a globalized world where information is global. We need to start pushing for the need for consistent messages, both domestically and internationally. I understand the pressure that politicians are under and I think we need to address this major issue. Personally, I think it is a major issue — this difference between having domestic messages which are supposed to satisfy

"All the serious analyses show simply that we will see energy demand growing significantly over the next decades."

the domestic audience and, at the same time, having slightly, or sometimes substantially different, messages in the international arena. This is something that is starting to hamper progress in this area. I need to signal it, although not everybody might like it, but this is the role of the Forum and the role of myself as the head of the Forum, where I see it is necessary to signal it. And it is,

"There is an increasing need for cooperation between the IOCs and the NOCs."

of course, up to the consuming and producing countries to see what they can do and whether they can indeed make progress.

Still on your background paper, you noted that $5.5 trillion in investment is needed for upstream development for further exploration, exploitation and transportation and to ensure deliverability. Where does the IEFS see this staggering amount coming from? What incentives do oil-producing countries have, especially in view of the uncertainties surrounding future oil demand, to make these huge investments?

This amount is indeed very large; the point is how do we create the incentives for this huge investment to be made? And again I think that there is a useful role for the Forum to facilitate this. First is in the area of transparency of the oil market. When we are able to further improve the transparency in the oil market, that will help to ensure that the price signals in the markets are better understood. In this respect, I see a critical role for JODI and improving it further to have a dampening influence on the volatility of the market. The price volatility in the recent past was tremendous and has increased according to our own analysis. And this is one factor I think can contribute to creating a better environment for investment. Because the more volatile the market, the more adverse the impact is on investment, as we have seen in the past. The second area is to look at the investment conditions and prospects, including how large projects can be better managed to reduce costs and risks. One of the issues that might be of importance here is the need for better cooperation between national and international oil companies. We all know that IOCs sit on top of tremendous knowledge and technologies, as well as huge management skills of complex projects. At the same time, the world has changed a lot over the last decades. These companies now have less and less access to reserves of oil. The NOCs have access to the majority of the world's reserves, while many of them also have good technologies. There is an increasing need for cooperation between the two types of companies, the IOCs and the NOCs. This, of course, in practice, is already happening in many places, but in some other places it is not happening. So, the question is how can we maximize the potential of this cooperation and what can the Forum do to facilitate that cooperation? We can perhaps come to the definition of what characterizes a good cooperation between IOCs and NOCs and how could better technology of oil recovery in a number of areas in the world hugely improve the recovery of oil and also help to improve investment conditions in the world.

What is your opinion of JODI so far? Is it on the right track? Are there things that need to be done to attract more members and get parties to be more willing to submit information completely, timely, and transparently? Are you satisfied with what is on the ground now?

I am certainly satisfied with what has been achieved until now, but at the same time, I am signaling that more needs to be done. We have more than 90 countries that are regularly submitting their data, which is definitely good, but we also have this appraisal system on how the performance is, in terms of timeliness, completeness and quality of data. We still need to make a lot of progress, in order to get to the stage where we can say that the top 30 countries for production and consumption are almost entirely excellent performers. To get to that stage, we really need to cooperate with all these organizations in JODI. As you know JODI is coordinated by the IEFS, but we work together with OPEC, the IEA, APEC, the UN, OLADE and the heads of the European Commission. This is the next challenge that we have. It really is in everybody's interest if we jointly improve this data provision to the market, because there

will be less volatility and less room for unfounded speculation. We will all benefit from that.

What, in your opinion, is inhibiting these countries from giving information completely, timely, and transparently?

That is a good question and we need to identify that. In some cases, there might be a lack of staff for statistical agencies, or a lack of information technology, or other causes. And we can help out on that. We are already organizing workshops, for instance, for statisticians, and for oil analysts in different regions of the world (South Africa, Algeria and Iran), in order to further build capacity in these areas. But this is also a subject which we need to address with the heads of the organizations involved.

What is your opinion about alternatives?

There is definitely a future with a larger role for alternatives, for renewable energies, like solar, wind etc. But, and this is a big but, many people are underestimating how difficult it is and how much time it takes in order to develop them. I think that although it is growing, and we should welcome that, at the same time the world energy system will still predominantly be dependant on fossil fuels for many decades and this is again severely underestimated still. World energy demand is still growing significantly and we are forgetting that for the next 20 or 30 years, we will still be over 80 per cent dependent on oil, coal and gas. And having said that, there is no other way, if you want to cope with the environmental impact of CO_2 emissions, which are connected to production and consumption of fossil fuels, than to make the production and consumption of fossil fuels cleaner. This leads us to concrete issues like technologies, such as carbon capture and storage (CCS). I think this is going to get a lot of attention in the next couple of days. It is important and we need to pay more attention to it — develop it and demonstrate to the world that it is feasible and not too costly. We need the world to put the incentives in place, in order to have the technology deployed.

Are you saying that you are going to be focusing on this issue also?

It depends on the signals we are going to receive over the next few days from the ministers. If you ask me now, yes, it is one area where we would have a value added in the discussion, because the whole concept can help enhance oil recovery, and push technology ahead.

What role does the IEF Secretariat play in consensus building? How do you go about ensuring that differences are not highlighted and even if they come up, that consensus is eventually built?

Dialogue is about trying to identify the issues of near consensus. As long as we still can get a joint assessment, or identification, of really important matters, this is more than useful to take forward. And I think there is a growing consensus on this topic that needs to be further explored and pushed forward because of the reasons that we have just discussed.

Four years or eight years from now, what would you like to look back to and say, these were what I set out to do and I believe I achieved them at the IEFS?

What I would like to be able to look back at certainly is, firstly, that the Forum is indeed more visible and better understood; that it is a unique Forum because it brings together producing and consuming countries from so many different parts of the world, covering more than 70 countries, which covers more than 90 per cent of global oil production and consumption. That it is a unique Forum in which to address the global challenges that we talked about. I would like to see that different parts of the world, and particularly those parts that are not covered by the IEA or OPEC, also see it as their Forum. I would like every nation to see the IEF as an organization where they can come up with their concerns and that they are taken seriously and are addressed. That's number one — to make the IEF the real, higher conscience of the global energy community. Secondly, that we achieve, and have achieved in four years from now, some really concrete results in some areas. In a couple of areas, which are considered to be key, one of them, again, transparency in the oil markets. That in four years from now we have made significant progress in JODI — that we are closer to the targets that I have identified being able to have the top 30 producing and consuming nations better covered. And in areas like investments, that we have made significant, recognizable contributions towards improving the situation. IOC and NOC cooperation, and again CCS technology, are areas I would want to see significant contributions and for people to say, yes, the Forum definitely has a role which we cannot do without anymore!

IEF seeks to establish benchmark on energy industry data

Confidentiality now poses less of a problem for JODI — Al-Zayer

Dr Noe Van Hulst (l), Secretary General of the International Energy Forum, welcoming Abdalla Salem El-Badri, OPEC Secretary General.

Fuad Al-Zayer, Head of the Data Services Department, at the OPEC Secretariat.

The issue of confidentiality is no longer such a major obstacle in preventing countries from supplying information on their oil industry operations to the Joint Oil Data Initiative (JODI), which is run by the International Energy Forum Secretariat (IEFS) in Riyadh, Saudi Arabia.

That was the view of Fuad Al-Zayer, Head of the Data Services Department, at the OPEC Secretariat in Vienna, who spoke at a press briefing outlining JODI's progress during the IEF Meeting in Rome.

He said the level of confidentiality prevalent in the marketplace is "no longer there" because of the work of the IEF and the IEFS, coupled with all the political support that surrounds the producer-consumer initiative.

"Member Countries (of JODI) are being encouraged to release the data and the issue of confidentiality is getting less and less. This, in turn, is giving JODI more encouragement to move forward," he said.

The JODI database, which entails the collection and release of monthly oil statistics, was launched in Riyadh, Saudi Arabia by King Abdullah in November 2005. Today, it has data on 95 countries, which covers more than 95 per cent of oil production and oil consumption.

In January 2005, the IEFS became coordinator of JODI and now manages the global database, which covers production, refining, demand and stocks of seven product

Officials at the IEF seen discussing JODI's progress.

categories: crude oil, LPG, gasoline, kerosene, diesel oil, fuel oil and total oil.

JODI was set up by six organizations — OPEC, the International Energy Agency (IEA), the Asia Pacific Economic Cooperation (APEC) grouping, the Latin American Energy Organization (OLADE), the Statistical Office of the European Communities (Eurostat), and the United Nations Statistical Division. The IEFS is now looked upon as being the seventh member.

Al-Zayer pointed out that, over the two days of the 11th IEF, hardly a single speech was made where JODI and the high expectations of the initiative were not mentioned in some way.

"This has really encouraged countries to come forward with the data," he maintained.

Al-Zayer, who was joined at the press conference by representatives of the organizations that set up JODI, stressed that OPEC is privileged to have been a part of "this great global challenge and commitment" from day one.

Transparent market place

"We are extremely pleased at the progress we have made. OPEC gives the initiative strong support at a political level, as well as from the practical level, where a great deal of resources are being devoted to JODI, not only by OPEC as an Organization, but by its Member Countries as well."

Al-Zayer explained that the ultimate goal of the IEF's international cooperation dialogue is to achieve a secure, stable and orderly oil market — a market where supply and demand are balanced and investments, as

Peter Bekx, Director, Business Statistics, Eurostat.

Kathleeen Abdalla, Director, UN Division for Sustainable Development, Department of Economic and Social Affairs.

well as prices, are acceptable to both producers and consumers alike.

"We feel that having a transparent marketplace goes a long way in helping to achieve that goal," he said. We will continue to give JODI the maximum commitment possible."

However, Jean-Yves Garnier, Head, Energy Statistics Division at the IEA, said, in his opinion, confidentiality is still an issue that needs to be addressed by the IEF.

"We still need to go around the countries affected. But it is not an easy subject to tackle," he said.

He noted that, in Rome, at their first ever meeting on JODI, the heads of the organizations behind the initiative, discussed the issue of confidentiality.

"For me, before we make a benchmark for our data, we need to overcome this obstacle. Some countries have the mentality that they want to keep the data to themselves," Garnier maintained.

Looking back to the reason why JODI was set up, he said that at the end of the 1990s, there was a lot of volatility in the oil markets and one of the fingers of blame was pointed at the statisticians and the poor data available.

The six organizations involved then came together and looked at what they could do to improve things.

"Increasing transparency is not easy. One hears ministers and heads of oil companies saying that we need to be more transparent, and to have better data — but it is one thing to say it … it is another thing to actually have the data.

Far from perfect

"What we have had to do over the last few years is to work together to have a database that is available to all analysts, journalists, and all policymakers in terms of the oil market," he said.

"It is far from being perfect, we know that, and we still have some problems, but we are addressing these issues," said Garnier.

He said that at the meeting of the heads of the seven organizations (the seventh being the IEFS), the officials looked at a series of actions that need to be taken in the future to improve the quality of the data.

From l–r: Jean-Yves Garnier, Head, Energy Statistics Division, IEA; Shigeru Kimura, Senior Research Fellow, APEC; and Bruno Castellano, Energy Analyst (JODI), IEF Energy Division.

"What we want — all seven organizations — is to give to the world the best figures and the most timely figures available on the oil market."

He reiterated that before JODI was set up in its present form, many people blamed the volatility of the international oil market on the poor data available.

"Now there is still volatility, but no one talks so much about there being a lack of information. So, if there is one successful outcome for us statisticians it is that we have been able to give to the world the proper data to monitor the oil market."

Garnier said that each organization now operates a monitoring system of 'smiley faces', which grades and assesses the performance of member countries.

"We do this for completeness of data, timeliness, and for sustainability. It means that the countries that are performing well get sweet, smiley faces, whereas the countries that are not so good have less of a smiley face and so on, to those that don't have a smiley face at all.

"Obviously, we are looking towards a day when we can grade all countries with smiley faces."

Kathleeen Abdalla, Director, UN Division for Sustainable Development, Department of Economic and Social Affairs, told the briefing that her organization considered JODI to be a very good mechanism that was created very quickly and is providing timely information in response to a critical need.

"What the UN brings to the table in this effort is a long history of collecting energy data going back to the 1970s and establishing international statistical standards to guarantee reliable and comparability of information.

"All JODI parties are involved in that process for defining international statistical standards through the UN Statistical Commission. We appreciate all of the efforts by the JODI parties to improve data quality and we will continue to work on this initiative, in our attempts to increase the number of countries participating and to provide further substantive support for the development of JODI," she said.

Peter Bekx, Director, Business Statistics at Eurostat, said the main concern of the European Community in the JODI function is improving data quality and timeliness.

Continued on page 55.

JODI... from an OPEC perspective

In an interview in Rome with the OPEC Webcast, OPEC Data Services Department Head, Fuad Al-Zayer** (pictured), **gave a brief overview of JODI and how he perceives its effectiveness and future performance.

JODI is both a product and a process. It is a process that started several years ago when the whole idea of a producer-consumer dialogue took place and they devised a data initiative that would actually do something concrete in the marketplace. It has been very successful and we in OPEC are very pleased with the progress that has been made. But it is an ongoing process and improvements will be made as we go on.

Market volatility today is being affected by speculation. Speculation feeds ambiguity and if you provide clarity and transparency in the marketplace, there will be less room for speculation — people will know exactly who is producing what, what the stocks are and what the demand of each country is.

That is the idea of JODI and it can go a long way. It is also why the ministers present in Rome all spoke about the need for JODI to progress. This has given it a great political platform for things to go forward.

We are very proud of the progress we have made and OPEC's response figures within JODI are among the best. The Secretariat works very hard with OPEC Member Countries — we make several visits a year, we speak with the data people and impress upon them how important the information is. We then have annual meetings to assess the progress being made.

We hope that all other contributors to JODI will do the same. JODI's aim is to remove the uncertainty that is prevalent in the oil market. Analysts and oil traders use the data, companies and ministers refer to it, but it takes commitment both by the organizations that set it up and by countries. OPEC is doing its bit to get Member Countries to provide the data and we will try and get other organizations to do the same.

JODI also gives a great historical perspective of the oil industry. It goes back over the past five years and shows data for different countries, it shows the level of stocks, refinery throughput and, unlike other services, JODI is free of charge — you just visit the website and the data is there for you.

A few years ago OPEC decided to put a lot of emphasis on data transparency, not only through JODI, but on its own website where we have our reserve figures, our planned investment figures and what the upstream and downstream projects are.

JODI is made up of six organizations. The IEA and OPEC are the pillars of the initiative. Then you have APEC, the UN Statistical Division, OLADE and Eurostat. These six members work together, but also individually with their own members. Then, when the IEF came on board, they became the overall coordinators. So, really, it is seven international organizations working together to make this happen.

High-level represenatives and delegates after the JODI deliberations.

"The quality of the new (EU) member states' data is good and there are only a few members where some problems exist. We are very happy that we will be able to address them since this year we have adopted a new energy regulation that is highly applicable to all new member states and which includes all of the data that is part of the JODI database," he explained.

JODI gas — a possibility

Shigeru Kimura, Senior Research Fellow at APEC, said the submission and timeliness of data from his region is good, but some economies are not performing so well with the completeness of information. "We are looking to make improvements," he added.

He stated that the APEC region consists of 21 economies, including Russia, China and seven OECD economies and, so far, 14 of those economies are regularly supplying data to JODI.

Bruno Castellano, Energy Analyst (JODI) in the Energy Division of the IEF, said that due to the success of JODI oil, "we are looking to expand our questionnaire to include other energy sources and we are studying the possibility of having a JODI gas initiative."

He stated that the IEFS is aware of the weaknesses that still exist in the initiative and knows the developments that have to be made.

"We are providing training workshops for JODI members — we have the next one planned for this summer in the Caspian region. We also have internships at the IEFS and all member countries visit the Secretariat on a regular basis to see what can be improved.

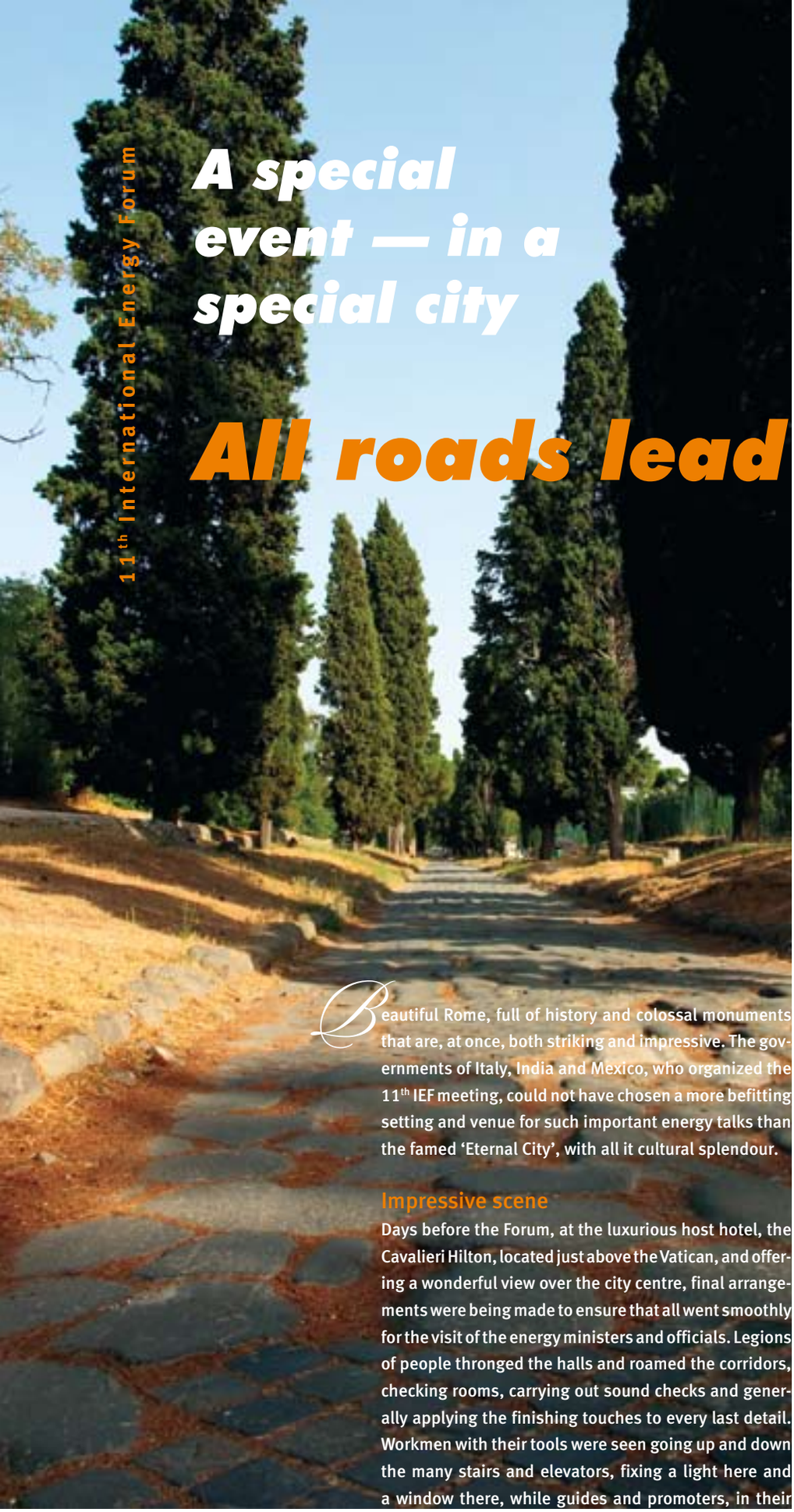
"A lot of things have been achieved over the past few years, but it is a long process and more will be achieved in the future," he added.

Asked whether a user survey of the database had been conducted recently, he said the last survey was carried out in November 2006 and the profile of users at that time varied.

"Through our discussions, we have learned that more and more people connected to the industry are using the JODI database and are actually waiting each month for new data to be released," he said.

In answer to another question, Castellano said that JODI is not attempting to replace other energy data sources. "It just wants to be one of the benchmarks and to be as transparent as possible. We are also working on the quality of the data."

NB: OLADE was not represented at the press conference.



A special event — in a special city

All roads lead to Rome ...

While the familiar themes of oil prices, future investment, market volatility and speculation might have occupied the agenda of the 11th International Energy Forum (IEF), which took place on April 20–22, in Rome, Senior Public Relations Coordinator, Zoreli Figueroa, who was at the meeting, took time out to look behind the scenes and see just what made the gathering such an unforgettable event.

Beautiful Rome, full of history and colossal monuments that are, at once, both striking and impressive. The governments of Italy, India and Mexico, who organized the 11th IEF meeting, could not have chosen a more befitting setting and venue for such important energy talks than the famed 'Eternal City', with all it cultural splendour.

Impressive scene

Days before the Forum, at the luxurious host hotel, the Cavalieri Hilton, located just above the Vatican, and offering a wonderful view over the city centre, final arrangements were being made to ensure that all went smoothly for the visit of the energy ministers and officials. Legions of people thronged the halls and roamed the corridors, checking rooms, carrying out sound checks and generally applying the finishing touches to every last detail. Workmen with their tools were seen going up and down the many stairs and elevators, fixing a light here and a window there, while guides and promoters, in their resplendent uniforms, went through their paces in full dress rehearsal for the big event.

It was clear from the start that something special was happening. One early clue came in the form of a note sent to all the rooms. It read: "We regret to inform our guests that the pool will be closed on Monday and Tuesday, due to an important meeting. We apologize for any inconvenience caused." Uninformed guests, oblivious to the meeting, were both surprised and mystified as to why there was such a large police presence outside the establishment.

Then there was the familiar hustle and bustle of the members of the Press, armed with their tripods, notebooks and mobile phones. Journalists and newsmen from around the world — estimated by organizers at numbering more than 150 — began arriving early to set up their equipment, then proceeded to mill around in the hotel lobby, or in front of the main entrance, in the hope of getting those first exclusive comments from a minister, a

Pictured here is the ancient roman road — the Via Appia. Photo: Shutterstock.

company executive, the head of an international organization, or even an influential Italian politician.

Some ministers, well used to the trials and tribulations associated with the media circus, preferred to stay at other hotels to avoid the crowd and the constant siege of reporters.

Apart from the oil and energy ministers, many other high-level dignitaries attended the event. The Italian Prime Minister, Romano Prodi, was there, as was his Minister of Economic Development, Pier Luigi Bersani. Others included Austrian Federal Minister for Economic Affairs and Labour, Martin Bartenstein, and Japan's Minister of Economy, Trade and Industry, Akira Amari. The Forum also saw the heads of leading organizations, like Abdalla Salem El-Badri, Secretary General of the Organization of the Petroleum Exporting Countries (OPEC), and Nobuo Tanaka, Executive Director of the International Energy Agency (IEA), in attendance.

The Meeting

On the eve of the two-day Forum, high-level energy experts participated in the *Third International Energy Business Forum (IEBF),* which focused on topics such as energy investments, reducing market uncertainties, technology and the shortage of human resources in the oil sector.

The IEF meeting itself was held behind closed doors, giving much-needed space and isolation for the heads of delegation, officials and representatives to talk freely and openly about their heart-felt convictions and aspirations about energy's future direction.

Interestingly, the officials met at a large table manufactured especially for the event, complete with audio and video facilities. Technical advisors worked for many hours in the background to enable this to happen.

The central theme of the 11th IEF was *'Energy dialogue to respond to global challenges'*. In their discussions, participants initially put aside the issue of price and addressed the general problems of the energy sector in the long term, especially concerning investment. Before, between and after the formal sessions, a series of invaluable bilateral meetings took place.

Everything proceeded as planned and the whole gathering ended after three days of intense discussion, concluding with a declaration seeking a common approach to addressing the challenges of the oil price hike and issues of energy security, the environment and sustainable development.

With the meeting over, it took just a few minutes for the scene to be dismantled. The same workers who had been there earlier, reappeared, tools at the ready, to disassemble and remove furniture and disconnect the many metres of extra wiring and additional lighting that had been necessary.

The relative calm of the hotel was once more restored. Security staff were able to relax, while most of the dignitaries departed the building — moving on to their next port of call via Leonardo da Vinci international airport, one of the most active in Europe.

For others, who still had time to spare, it was an opportunity to stroll round the 'Eternal City' and behold its unique architecture, reminiscent of the Renaissance period, a time that saw the resurgence of Italian art, technology and learning.

As for the Forum, it was mission accomplished — for now. But it will all undoubtedly happen again in Mexico in 2010 when the 12th IEF is due to roll into town. *Hasta la vista!*

In the course of his official duties, OPEC Secretary General, Abdalla Salem El-Badri, meets with numerous dignitaries. Some of his most recent visits are covered here.

In May, the new Nigerian Ambassador to Austria, Dr Jerry Sonny Ugokwe (l), visited OPEC Secretary General, Abdalla Salem El-Badri.

In April, an Australian Parliamentary delegation visited the OPEC Secretariat. Standing (l–r): Mohamed Hamel, Head of OPEC's Energy Studies Department; Abdullah Al-Shameri, Head of the Office of the OPEC Secretary General; Glenn Sterle, Senator for Western Australia; Dr Omar Farouk Ibrahim, Head of OPEC's PR & Information Department; Kelvin Thomson MP, Member for Wills (Victoria); Hedley Grant Pearson Chapman, Senator for South Australia; Peter Shannon, Australian Ambassador, Austria; Petro Georgiou MP, Member for Kooyong (Victoria); Dr Hasan M Qabazard, Director of OPEC's Research Division. Seated (l–r): Ruth Stephanie Webber, Senator for Western Australia; the Honorable Alan Baird Ferguson, Senator for South Australia; Abdalla Salem El-Badri, OPEC Secretary General; Senator Anne McEwen, Senator for South Australia.

Left: In May, the Indonesian Ambassador to Austria, Triyono Wibowo (l), visited the OPEC Secretariat and met with Secretary General, Abdalla Salem El-Badri.

Right: In April, Dr Carlos Arturo Florez Piedrahita (c), Executive Secretary of the Latin American Energy Organization (OLADE), held talks with the OPEC Secretary General, Abdalla Salem El-Badri (r). Dr Florez was accompanied by Dr Nestor Luna Gonzalez, Director of Planning and Projects at OLADE.

Left: Abdalla Salem El-Badri (r), OPEC Secretary General, in a meeting with the Australian delegation, here pictured with the Honorable Alan Baird Ferguson, Senator for South Australia.

The OPEC Award for Journalism

Objective of the award

The OPEC Award for Journalism honours journalists and analysts that have devoted their careers to objective and balanced reporting on — and analysis of — the oil market. The winner's work will have contributed to a greater understanding of the workings of the global oil market over a significant period of time.

Eligibility

The competition is open to all journalists and analysts that have reported on — and analyzed — the oil market for a minimum of 20 years.

Nominations

Completed nomination forms — along with samples of previously published work — should be e-mailed to prid@opec.org or posted to:

The Chairman
OPEC Award for Journalism
Organization of the Petroleum Exporting Countries
Obere Donaustrasse 93
A-1020 Vienna
Austria

Nomination forms are available on the OPEC website — www.opec.org. All materials should be received by August 30, 2008. Those eligible may self-nominate, but the nomination of third parties is also permitted.

Selection panel

All entries will be judged by a panel of academics, journalists and oil industry experts.

Date of award

The award will be presented at the close of OPEC's Fourth International Seminar, March 18–19, 2009, to be held in Vienna, Austria.

The OPEC Award for Journalism — Nomination Form

Name of nominee: _____

Position: _____

Company/organization: _____

Street address: _____

City: _____ Country: _____

Telephone: _____ E-mail: _____

Name of sponsor: _____

Company/organization (sponsor): _____

The OPEC Award for Journalism honours journalists/analysts that have devoted a minimum of 20 years to reporting on and analyzing the workings of the global oil market. Please attach up to five samples of previously published work.

Please send completed nomination forms and writing samples via e-mail to prid@opec.org, or post items to:

The Chairman
OPEC Award for Journalism
Organization of the Petroleum Exporting Countries
Obere Donaustrasse 93
A-1020 Vienna
Austria

All materials should be received by August 30, 2008.

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

Crude oil price movements

The OPEC Reference Basket[1] averaged the month of March at $99.03/b for a gain of $8.39/b, or over nine per cent, over the previous month. In the first half of April, the Basket remained volatile due to the weakening economic outlook and the fluctuating value of the US dollar. On April 14, the Basket reached a record high of $104.02/b. In March, the weakening US dollar encouraged investment in energy markets, although softer economic data and tumbling equity markets implied lower oil demand growth.

The Basket closed the first week up by $2.55/b, or 2.7 per cent, to settle at $97.29/b, while, in the second week, further declines in the US dollar against major currencies dominated the market. With a late winter in North America adding to the bullish market sentiment, the Basket closed the second week with a gain of $4.05/b, or 4.2 per cent, to settle at a record of $101.34/b after peaking to an all-time high of $102.88/b. In the third week of March, the Basket averaged $99.40/b, a decline of nearly two per cent or $1.91/b following a single day plunge of nearly four per cent and in the fourth week the Basket averaged $98.24/b, $1.16/b, or 1.2 per cent, lower.

The OPEC report stated: "The weak US dollar encouraged investment in commodities in general and petroleum in particular, setting record-high prices. Concerns over economic growth were seen denting oil demand, while refining margins were not sufficient to encourage refiners to increase run rates. Geopolitical tensions in the Middle East added to the market bullishness, while weak economic indicators capped further price rises."

On the US market, benchmark WTI crude averaged over $10/b, or 10.6 per cent higher, in the month to reach a record of $105.40/b after peaking at over $110/b.

In the North Sea market, Brent crude averaged $8.60/b, or nine per cent higher, to reach a record of $103.60/b after peaking at $109/b.

In the Mediterranean market, Russia's Urals crude averaged $99/b in March, representing a gain of $7.90/b, or 8.7 per cent, over the previous month.

In the Middle Eastern market, Dubai crude averaged $7.32/b, or over eight per cent higher, in March over the previous month.

Concerning trends in selected commodity markets, the OPEC report said that the first quarter of 2008 was characterized by strong price volatility.

"Following the remarkable price rally in February, commodity markets softened in March with the exception of the energy market," it observed.

The commodity price index continued to grow at about six per cent month-on-month in March, the same as in February.

"The increase was entirely driven by a seven per cent rally in energy prices, as non-fuel prices growth was only 3.2 per cent in March, compared with seven per cent the previous month," added the report. Crude oil prices jumped by nine per cent and natural gas by ten per cent.

The report said that the impact of the US economic slowdown on Europe led to a considerable outflow of speculative funds across many commodities in March relative to February, notably crude oil, as well as some agricultural commodities. Less affected were precious metals and especially gold. The exception was natural gas which reported a net inflow of non-commercial positions.

World oil demand

In its review of the market for 2008, the OPEC report said that world oil demand is forecast to grow by 1.2 million b/d in 2008 to average 86.97m b/d, unchanged from last month's assessment.

"The slowing world economy and a mild

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

winter in some OECD regions are seen as the main reasons behind weak demand for winter products," it stated.

Non-OECD oil demand – mainly from China, the Middle East, India, and Latin America – is forecast to be strong, offsetting weak OECD oil demand this year.

Due to typically low seasonal consumption, total world oil demand in the second quarter of 2008 is forecast to grow by only 1.0m b/d year-on-year, with the total increase expected to come from non-OECD countries.

The report said that demand for OPEC crude in 2008 is expected to average 31.75m b/d, a decline of 171,000 b/d compared with the previous year. On a quarterly basis, demand for OPEC crude is expected to average 32.36m b/d, 31.00m b/d, 31.58m b/d and 32.06m b/d, respectively.

In the US, a mild winter has caused North American oil demand to decline beyond all expectations. As a result, North America's oil demand was revised down by 200,000 b/d y-o-y in the first quarter. As in both January and February, US oil demand declined strongly in March by one per cent y-o-y.

As a result of decreasing US oil demand, oil demand in North America was revised down by 60,000 b/d to show growth of 100,000 b/d y-o-y in 2008.

Lower transport fuel demand in Europe, which was also seen last year, suppressed total oil consumption in the region. As a result of hiking demand in winter products, OECD Europe oil demand is forecast to have grown by 130,000 b/d y-o-y in the first quarter to average 15.32m b/d.

In the OECD Pacific, first-quarter oil demand growth is forecast to have been 150,000 b/d to average 8.98m b/d.

In the developing countries, oil demand growth for 2008 is forecast at 610,000 b/d y-o-y to average 24.78m b/d, while oil demand in the other Asia grouping is expected to grow by 160,000 b/d to average 9.25m b/d in 2008. Middle East oil demand is forecast to grow by 280,000 b/d y-o-y to average 6.77m b/d in 2008.

Of note, China's apparent oil demand for 2008 is forecast to grow by 400,000 b/d y-o-y to average 7.99m b/d. The Chinese government plans to reduce energy intensity by four per cent in 2008. Should the government plan not materialize, then total oil demand will slightly exceed the OPEC forecast.

"As expected, transport, agriculture, and industry are the main drivers behind the strong Chinese oil demand this year. Transport fuel will be the dominant sector, exceeding 31 per cent of total oil consumed in China. New vehicle registrations are expected to be as strong as last year, exceeding 28 per cent," said the report.

World oil supply

Preliminary figures for March indicate that world oil supply averaged 87.02m b/d, representing a gain of 160,000 b/d over the previous month, with OPEC's crude share at around 36.8 per cent. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Non-OPEC supply is expected to average 50.28m b/d in 2008, an increase of 840,000 b/d over the previous year and a downward revision of 83,000 b/d from last month's OPEC report. On a quarterly basis, non-OPEC supply is expected to average 50.01m b/d, 49.86m b/d, 50.03m b/d and 51.22m b/d, respectively.

Total OECD oil supply in 2008 is forecast to reach 19.95m b/d, a drop of 210,000 b/d from the previous year. On a quarterly basis, OECD oil supply is expected to average 20.16m b/d, 19.72m b/d, 19.56m b/d and 20.38m b/d, respectively. Preliminary data for the first quarter put average total OECD supply at 20.15m b/d.

Oil supply in the US this year is expected to reach 7.60m b/d, representing growth of 105,000 b/d over 2007 and a downward revision of 42,000 b/d from the last OPEC assessment. The latest estimate for US production in the first quarter of 2008 was put at 7.57m b/d.

Canadian oil supply in 2008 is forecast to average 3.40m b/d, representing growth of 63,000 b/d over the previous year and an upward revision of 44,000 b/d from last month's OPEC assessment. The preliminary supply average for the first quarter was put at 3.44m b/d.

Mexico's oil supply has been revised down for 2008 and now stands at 3.26m b/d, representing a significant decline of 230,000 b/d compared with the previous year. The preliminary estimate for first-quarter supply was listed at 3.32m b/d.

In Western Europe, oil supply is expected to reach 4.94m b/d in 2008, a decline of 304,000 b/d from the previous year and an increase of 83,000 b/d over last month's OPEC assessment. The upward revisions contributed by the United Kingdom (98,000 b/d) and other countries (8,000 b/d) were partially offset by a downward revision of 23,000 b/d for Norway.

On a quarterly basis, Western Europe's oil supply is expected to come in at 5.20m b/d, 4.99m b/d, 4.65m b/d and 4.93m b/d, respectively. The preliminary figure for the first quarter average oil supply was put at 5.20m b/d.

Norway's supply for 2008 is estimated at 2.44m b/d, representing a decline of 120,000 b/d from the previous year and a 23,000 b/d downward revision from OPEC's last assessment. The preliminary supply figure for the first quarter was put at 2.53m b/d.

Supply from the UK is expected at 1.51m b/d, a decline of 173,000 b/d from the previous year and an upward revision of 98,000 b/d from last month's OPEC assessment. The preliminary supply figure for the first quarter was put at 1.67m b/d.

In the Asia Pacific, supply in 2008 is forecast to average 760,000 b/d, 154,000 b/d over the 2007 figure and down by 11,000 b/d from the previous month's OPEC assessment. On a quarterly basis, Asia Pacific oil supply is expected to average 650,000 b/d, 690,000 b/d, 810,000 b/d and 880,000 b/d, respectively.

Australia's oil supply is forecast to average 620,000 b/d in 2008, which represents growth of around 94,000 b/d over last year's figure and a downward revision of 11,000 b/d compared with last month's OPEC assessment. The preliminary supply figure for the first quarter was put at 560,000 b/d.

New Zealand's oil supply is expected to increase by 60,000 b/d over the 2007 figure to reach 140,000 b/d in 2008. The preliminary first quarter supply estimate was put at 110,000 b/d.

In the developing countries, oil supply this year is expected to reach 11.46m b/d. representing growth of 539,000 b/d over last year's figure and a downward revision of 135,000 b/d from the previous OPEC assessment. On a quarterly basis, oil supply from this grouping is expected to average 11.23m b/d, 11.36m b/d, 11.56m b/d and 11.69m b/d, respectively.

Brazil, other Asia and Africa are the main contributors to growth in the developing countries category this year. The preliminary first quarter average for the grouping was estimated at 11.09m b/d.

Other Asia supply is expected to reach 2.85m b/d in 2008, representing growth of 137,000 b/d over the previous year and a slight downward revision from last month's assessment. On a quarterly basis, other Asia supply is expected to average 2.77m b/d, 2.78m b/d, 2.87m b/d and 2.95m b/d, respectively. India, Malaysia and Vietnam are the main contributors to the growth.

Latin American oil supply is forecast to supply 4.17m b/d of crude in 2008, representing significant growth of 293,000 b/d over the previous year and a downward revision of 62,000 b/d from OPEC's assessment last month. The quarterly distribution stands at 4.03m b/d, 4.13m b/d, 4.25m b/d and 4.28m b/d, respectively.

Brazil is the major contributor to this growth with extra supply of 272,000 b/d. The preliminary average figure for the first quarter for Latin America was put at 2.23m b/d.

Africa is forecast to see average supply of 2.80m b/d in 2008, representing growth of 120,000 b/d over 2007 and a slight downward revision over the previous OPEC assessment. On a quarterly basis, African supply is expected to average 2.80m b/d, 2.81m b/d, 2.80m b/d and 2.80m b/d, respectively. The preliminary average figure for the first quarter puts total oil supply at 2.75m b/d.

The Middle East is the only region that is expected to see almost flat supply compared with 2007. Supply is forecast to average 1.64m b/d with a quarterly distribution of 1.63m b/d, 1.64m b/d, 1.64m b/d and 1.65m b/d, respectively.

Oil supply in the former Soviet Union is expected to average 12.90m b/d in 2008, representing growth of 380,000 b/d over 2007 and a downward revision of 19,000 b/d from the last OPEC assessment.

Other Europe supply is expected to stay flat at around 150,000 b/d, compared with the previous year.

Russian oil supply is forecast to reach 9.93m b/d this year, representing growth of 62,000 b/d over 2007 and a downward revision of 52,000 b/d compared with the previous OPEC assessment. Preliminary average oil supply for the first quarter was put at 9.78m b/d.

In the Caspian, oil supply in Kazakhstan is expected to grow by 93,000 b/d this year over 2007 to 1.44m b/d, unchanged from last month's OPEC assessment. The preliminary average figure for the first quarter is 1.41m b/d.

Oil supply in Azerbaijan is forecast to grow by 200,000 b/d in 2008 over the previous year to reach 1.06m b/d, unchanged from last month's OPEC assessment.

Oil supply in China is expected to average 3.88m b/d this year, representing growth of 112,000 b/d over 2007 and unchanged from last month's OPEC assessment. The preliminary supply figure for the first quarter was put at 3.81m b/d.

OPEC oil production

Total OPEC crude oil production averaged 32.01m b/d in March, a decline of 141,000 b/d from the previous month, according to secondary sources. OPEC production (not including Iraq) averaged 29.56m b/d, down 174,000 b/d from the previous month. Production in Indonesia, Iraq and Iran witnessed some gains, while all other Members saw declines. In the first quarter, OPEC production is said to have averaged 32.06m b/d.

OPEC output of NGLs and non-conventional oils are forecast to reach 4.93m b/d in 2008, an increase of 540,000 b/d over last year.

Alternative fuels

Commenting on alternative fuels, the OPEC report said that, as agreed among European Union members, Germany is already working on a plan to increase the ethanol blend in gasoline to ten per cent from five per cent, which will commence next year.

"The EU plans to adopt a similar policy by 2020. Critics charge that this will not only further increase food prices, but also cause food shortages, as well as massive deforestation," commented the OPEC report. It noted that sugar prices have increased by 50 per cent since the beginning of 2008, due to high demand for sugar cane from the biofuel industry.

"The push for biofuels is also coming at a hefty financial cost to OECD countries. US biofuel subsidies alone exceeded $7 billion a year," it observed.

The report noted that United Nations pressure on various countries to halt biofuel operations for five years to restore food prices and reduce massive deforestation has been resisted especially by European nations.

"However, the UK has begun to re-evaluate the impact of the biofuel industry on both the economy and the environment."

It is anticipated that low corn production in the US will aggravate food prices this year which have already been on the increase due mainly to the biofuel demand for corn. A US government regulation to increase ethanol biofuel production is seen as the main reason behind the abrupt food price hikes over the past two years.

"Some studies suggest that the amount of biofuels needed to fill a SUV could feed a person for a whole year," observed the OPEC report.

Downstream activity

Looking downstream, the OPEC report said product stock-draws over the last few weeks,

along with refinery snags in the West and discretionary throughput cuts by refiners, supported product markets and lifted product prices.

"However, crude oil prices outstripped product prices, undermining refinery margins in the Atlantic Basin. The current sentiment of the product market may strengthen, with the approach of the driving season, supporting crude oil prices."

However, due to relatively comfortable gasoline stocks, particularly in the US, product developments are not expected to boost prices sharply, or assume leadership of the market, it affirmed.

Similarly, the ongoing mismatch between refinery output and middle distillate demand may ease in the near future as refineries return from maintenance, resulting in a surge in throughput levels.

Refining margins for WTI crude on the US Gulf Coast fell by $1.36/b to $4.69/b in March from $6.05/b in February.

In Europe, the market followed suit with margins for Brent crude at Rotterdam declining by 93¢/b, compared with the previous month, to $2.62/b in March.

In Asia, market circumstances were different with higher regional demand for the entire petroleum complex. This resulted in a better performance of the product market and improved refining margins.

Refining margins for Dubai crude in Singapore soared to $5.71/b in March from $5.04/b the previous month.

The OPEC report said that seasonal maintenance schedules, along with discretionary cuts, further trimmed refinery operations around the globe, particularly in the Atlantic Basin.

The refinery utilization rate in the US declined by 0.5 per cent compared with the previous month to reach 85.1 per cent in March from 85.6 per cent in February.

In Europe, the refinery utilization rate followed the same trend decreasing by 0.5 per cent to 83.2 per cent in March from 83.7 per cent the previous month.

In Asia, especially Japan, the situation was slightly different. In Japan, the refinery utilization rate edged up to 92.7 per cent from 92 per cent in February.

Looking ahead, amid increasing seasonal maintenance in Europe and Asia, refinery utilization rates are expected to drop further in both areas next month. With regard to the US, seasonal maintenance may be completed in April, but due to low margins, refiners may not increase their operational levels in the near future.

Oil trade

Regarding oil trade, according to preliminary data, US crude oil imports declined for the second consecutive month in March – by 173,000 b/d, or two per cent, compared with the previous month to average 9.66m b/d. The refinery utilization rate dropped once again in March – by 1.6 per cent, contrary to crude oil stocks, which increased slightly over the same period.

"With the summer driving season getting closer, the declines in both crude oil imports and gasoline stocks in March reflected a slowing US economy and declining gasoline consumption, due to soaring gasoline prices," said the OPEC report.

On an annual basis, US crude oil imports in March displayed a seven per cent decline, while falling by four per cent compared with the monthly average for last year.

Similarly, US product imports declined by 188,000 b/d in March, compared with the previous month.

Imports of residual fuel oil and kerosene-type jet fuel increased by 34 per cent and 52 per cent, respectively. These increases were more than offset by declines in the import of gasoline, distillate fuel oil and other oils over the same period by 14 per cent, six per cent and 13 per cent, respectively. This reduced total product imports by six per cent, compared with the previous month.

On a y-o-y basis, product imports declined by nine per cent in March and six per cent, compared with the monthly average for last year.

On the export side, US product exports in March were 51,000 b/d, or four per cent, lower compared with the previous month, but were up by three per cent over last year.

As a result, US total net oil imports dropped by 310,000 b/d, or by three per cent, in March compared with the previous month. The drop was due to declines in both net crude oil imports of 173,000 b/d and net product imports of 137,000 b/d.

On an annual basis, US total net imports declined by eight per cent in March, but fell by four per cent when compared with the monthly average of 2007.

In Japan, again according to preliminary data, the country's crude oil imports decreased by two per cent in March, compared with the previous month.

March crude imports of 4.3m b/d were 11 per cent above the year-ago level and eight per cent higher than the monthly average of 2007.

Japan's March product imports increased by 28,000 b/d, or by five per cent, compared with the previous month, as gasoline stock-builds continued with the approach of the peak driving season in the country.

With 568,000 b/d, total product imports in March were seven per cent lower than a year ago. Accordingly, total oil imports in March averaged 4.9m b/d, one per cent over the previous month, but some seven per cent above the 4.57m b/d monthly average recorded in 2007.

On the export side, Japan's product exports dropped by three per cent compared with the previous month. February product export levels were the highest since November 2007 as refiners were disposing of high winter product stocks. Compared with last year's monthly average, March product exports were six per cent higher, but increased by eight per cent compared with last year.

Accordingly, Japan's total net oil imports in March were 4.4m b/d, less than one per cent below the previous month, yet eight per cent above their level a year earlier. Steady net oil imports in March were the result of lower net crude imports and higher net product exports.

In the FSU, net oil exports are forecast

to reach 8.87m b/d in 2008, an increase of 320,000 b/d over the estimated 2007 figure.

Stock movements

Concerning stock movements, US commercial oil stocks dropped by a further 7.2m b in March to just below 970m b, but remained a comfortable 18m b above the five-year average for the corresponding month.

The draw was attributed to product inventories, while crude oil stocks continued their upward trend.

Supported by very low refinery runs, commercial crude oil inventories increased for the third consecutive month, rising by 11m b to end the month at 317.4m b, slightly above the five-year average.

However, in terms of forward demand cover, due to weaker demand US crude oil stocks stood at more than 22 days at the end of the month, which corresponds to one day above the average. This represents the highest difference with the five-year average since the end of September 2007.

Product stocks fell by more than 18m b, with gasoline and distillates accounting for around 10m b each. In contrast to crude oil, product stocks fell for the second consecutive month, but remained comfortable at the upper end of the five-year range and close to the level seen in the corresponding month of last year.

Gasoline stocks, which recently hit a 15-year high, reversed the upward trend of the previous four months, dropping by 9.6m b. Despite the draw, gasoline stocks remained healthy and well above the upper end of the five-year range.

In terms of forward cover, this level translated into one-and-a-half days above the five-year average.

"In contrast to last year, when gasoline stock levels stood at the five-year average in this period of time, this year the situation appears better prepared to cope with seasonal demand, particularly taking into consideration the expected increase in refinery runs and the higher production of ethanol," said the OPEC report.

Distillate stocks followed their seasonal trend, dropping for the fourth consecutive month to stand at 107.6m b. With a draw of nearly 10m b, distillate inventories fell for the first time this year below the five-year average. The drop was attributed to lower production from refineries, lower imports and heating oil demand supported by cold weather.

Forward demand cover also dropped below the five-year average, but the tightness is expected to ease with the end of the winter season and the recovery of refining rates. Residual fuel oil stocks jumped by 3m b to hit the highest level since last summer, while jet fuel inventories fell a further 1m b to 38.3m b.

Total US commercial oil stocks witnessed a contra-seasonal build of more than 5m b during the first quarter of this year, compared with the same period in the previous five years, when they dropped by 43m b (2007), 8m b (2006), 11m b (2004) and 74m b (2003), respectively and increased by just 3m b in 2005.

As planned, the Strategic Petroleum Reserve (SPR) was increased for the eighth consecutive month, with 1.4m b, or 45,000 b/d, of crude being added in March to go beyond the 700m b mark and just below the record of 700.7m b seen in August 2005 prior to hurricanes Katrina and Rita.

"Despite criticism, the Department of Energy has no intention of halting plans to reach the full capacity of 727m b over the next year, as required by the 2005 Energy Policy Act and it reiterated its plan of exchanging up to 13m b of royalty in kind into SPR," commented the OPEC report.

Recent data shows that US commercial stocks fell by 8.6m b in the week ending April 4, the highest weekly drop in 2008, to stand at 966.2m b, which corresponds to 16m b below the level seen a year ago, but 17m b above the average of the previous five years.

The draw was shared by crude oil, gasoline and distillates. However, both crude oil and gasoline stocks remained comfortable, while distillate inventories, particularly heating oil, were still tight. The overall drop was attributed to lower production from refineries and a sharp decline in imports essentially due to fog delays in the Houston Ship Channel.

In Western Europe, EU-16 (EU-15 plus Norway) total oil stocks rose by 9.4m b in March, offsetting an equivalent draw in the previous month. Driven essentially by crude oil, the rise left inventories at a comfortable level of nearly 1.129m b, implying a 21m b overhang with the five-year average.

During the first quarter of the year, EU-16 total oil stocks witnessed a build of around 14m b, as against a decline of 22m b in the same quarter last year.

Crude oil stocks made up for last month's draw, increasing by 7.3m b to stand at 478m b to remain in line with the five-year average, but 3m b below the level seen the previous year. The stock-build was due to a combination of a drop in refinery throughput and an increase in production in the region.

Product inventories continued their upward trend, albeit at a slow rate, increasing by 2m b to stand slightly above 650m b at the end of March, the highest level in the last six months and more than 20m b over the five-year average.

The upward trend in EU-16 stocks resulted in a build of 7m b during the first quarter of 2008, compared with a draw of 21m b in the corresponding quarters of the previous two years.

By product, distillate inventories increased by a further 2.9m b to stand at the upper end of the five year range and at nearly 379m b, the highest level since last September. This build, which came despite a cut in refinery runs, was supported by strong imports.

In contrast, low refinery runs and sluggish refining margins saw gasoline stocks fall by 2.1m b to 127.3m b, remaining well below the lower end of the five-year range.

Residual fuel and naphtha stocks increased by 500,000 b and 900,000 b, respectively, to stand broadly in line with their respective year-ago levels.

In Japan, according to preliminary data, total commercial oil stocks fell slightly in March with crude oil losing less than 1m b and products around 1m b. Again the draw was driven by distillates, while gasoline showed some recovery.

Table A: World crude oil demand/supply balance														*m b/d*
World demand	**2003**	**2004**	**2005**	**2006**	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**2007**	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**2008**
OECD	48.6	49.4	49.7	49.3	49.7	48.2	48.7	49.9	49.1	49.9	48.1	48.6	50.3	49.2
North America	24.5	25.4	25.5	25.3	25.7	25.4	25.5	25.6	25.5	25.6	25.5	25.6	25.9	25.6
Western Europe	15.4	15.5	15.6	15.6	15.2	14.9	15.4	15.6	15.3	15.3	14.9	15.3	15.7	15.3
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.8	8.6	8.3	9.0	7.7	7.7	8.7	8.3
Developing countries	20.6	21.8	22.6	23.3	23.8	24.2	24.2	24.5	24.2	24.5	24.7	24.8	25.1	24.8
FSU	3.7	3.8	3.9	3.9	3.9	3.7	4.0	4.3	4.0	3.9	3.8	4.1	4.4	4.0
Other Europe	0.8	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0
China	5.6	6.5	6.7	7.2	7.5	7.8	7.7	7.4	7.6	7.8	8.1	8.2	7.8	8.0
(a) Total world demand	79.3	82.4	83.7	84.6	85.8	84.7	85.6	86.9	85.8	87.1	85.7	86.6	88.4	87.0
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.5	20.2	19.8	20.2	20.2	20.2	19.7	19.6	20.4	20.0
North America	14.6	14.6	14.1	14.2	14.4	14.4	14.2	14.3	14.3	14.3	14.0	14.1	14.6	14.3
Western Europe	6.4	6.2	5.8	5.4	5.5	5.2	5.0	5.3	5.2	5.2	5.0	4.7	4.9	4.9
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.8	0.9	0.8
Developing countries	10.3	10.5	10.8	10.9	11.0	10.9	10.8	11.0	10.9	11.2	11.4	11.6	11.7	11.5
FSU	10.3	11.1	11.5	12.0	12.5	12.4	12.5	12.6	12.5	12.7	12.8	12.9	13.2	12.9
Other Europe	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.7	3.8	3.8	3.7	3.7	3.8	3.8	3.9	3.9	3.9	3.9
Processing gains	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9
Total non-OPEC supply	47.7	48.5	48.5	48.9	49.8	49.5	49.0	49.6	49.4	50.0	49.9	50.0	51.2	50.3
OPEC NGLS and non-conventionals	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.9	5.0	5.2	4.9
(b) Total non-OPEC supply and OPEC NGLS	51.4	52.5	52.6	53.0	54.0	53.8	53.4	54.2	53.8	54.7	54.7	55.0	56.4	55.2
OPEC crude supply and balance														
OPEC crude oil production[1]	28.3	30.6	31.6	31.4	30.5	30.6	31.0	31.7	31.0	32.1				
Total supply	79.6	83.1	84.2	84.4	84.5	84.4	84.4	85.9	84.8	86.8				
Balance[2]	0.3	0.7	0.5	-0.2	-1.3	-0.3	-1.2	-1.0	-1.0	-0.3				
Stocks														
OECD closing stock level *m b*														
Commercial	2517	2547	2597	2680	2602	2668	2673	2579						
SPR	1411	1450	1487	1499	1507	1509	1523	1526						
Total	3928	3998	4083	4179	4109	4177	4195	4105						
Oil-on-water	882	905	958	910	913	909	929	946						
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	55	54	55	54	52						
SPR	29	29	30	31	31	31	31	31						
Total	80	80	83	85	85	86	84	82						
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.7	8.5	8.3	8.5	8.8	9.0	8.9	8.8	8.9
[(a) – (b)]	27.9	29.8	31.1	31.6	31.8	30.9	32.2	32.8	31.9	32.4	31.0	31.6	32.1	31.8

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

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

Table A *above, prepared by the Secretariat's Petroleum Market Analysis Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables One and Two*** *on page 68 while* ***Graphs One and Two*** *(on page 69 show the evolution on a weekly basis.* ***Tables Three to Eight****, and the corresponding graphs on pages 70–71 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).*

Table 1: OPEC Reference Basket crude oil prices, 2007–2008 $/b

Crude/Member Country	2007 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008 Jan	Feb	Mar	Weeks 9–13 (week ending) Feb 29	Mar 7	Mar 14	Mar 21	Mar28
Arab Light – Saudi Arabia	58.08	62.83	64.15	65.92	71.05	68.76	74.28	79.31	89.02	86.29	88.75	91.26	99.23	95.35	97.42	101.20	99.92	98.69
Basrah Light – Iraq	55.99	59.74	61.79	64.09	70.53	66.83	72.14	77.47	86.26	82.79	85.21	88.80	97.19	93.23	95.45	100.15	97.22	96.28
BCF-17 – Venezuela	50.27	54.93	56.06	60.68	65.79	62.78	66.35	72.20	81.87	79.79	80.59	80.36	89.12	83.97	87.67	91.23	89.63	87.95
Bonny Light – Nigeria	64.60	70.01	70.03	74.45	79.21	73.34	79.87	85.60	95.32	93.55	94.85	96.98	106.68	101.10	105.07	110.83	105.94	104.91
Es Sider – SP Libyan AJ	60.60	66.06	66.03	70.25	75.81	69.84	76.07	81.80	91.92	90.75	91.40	94.28	103.03	98.40	101.42	107.18	102.29	101.26
Girassol – Angola	60.77	66.44	66.52	69.00	74.42	69.81	75.48	80.23	90.21	88.98	88.68	92.13	101.46	96.88	99.65	104.29	100.75	100.90
Iran Heavy – IR Iran	56.39	61.41	62.72	64.77	69.65	66.60	72.63	77.30	87.17	86.31	86.36	88.51	96.68	92.37	94.87	98.37	97.24	96.35
Kuwait Export – Kuwait	56.22	61.07	62.06	63.61	67.73	65.91	71.94	76.33	86.23	84.37	85.63	87.77	95.58	91.45	93.84	96.98	96.58	95.15
Marine – Qatar	59.39	64.79	65.34	66.15	70.20	69.43	73.78	78.68	87.94	87.54	88.35	90.12	97.67	94.06	95.80	98.57	98.91	97.48
Minas – Indonesia	62.83	68.74	68.12	68.41	76.88	73.67	76.98	84.96	93.64	94.53	95.33	95.55	104.62	99.28	103.22	107.06	105.60	102.90
Murban – UAE	63.19	68.39	69.21	70.74	74.40	71.80	77.16	81.98	90.95	90.72	92.04	94.25	102.15	98.70	100.32	103.21	103.33	101.76
Oriente – Ecuador	52.88	55.58	55.58	59.81	65.36	59.29	65.90	71.77	80.01	78.40	79.38	80.80	90.27	86.04	87.99	93.94	89.84	89.82
Saharan Blend – Algeria	64.30	69.71	70.13	74.05	78.21	73.44	78.60	84.45	94.57	93.15	93.60	96.73	105.68	100.85	104.07	109.83	104.94	103.91
OPEC Reference Basket	**58.59**	**63.55**	**64.48**	**66.89**	**71.89**	**68.71**	**74.18**	**79.32**	**88.84**	**87.05**	**88.35**	**90.64**	**99.03**	**94.74**	**97.29**	**101.34**	**99.40**	**98.24**

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2007–2008 $/b

Crude/country	2007 Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2008 Jan	Feb	Mar	Weeks 9–13 (week ending) Feb 29	Mar 7	Mar 14	Mar 21	Mar28
Arab Heavy – Saudi Arabia	54.40	59.16	60.07	61.44	64.99	63.55	69.86	73.99	83.96	82.51	82.85	84.96	92.67	88.40	90.99	93.73	93.89	92.30
Brega – SP Libyan AJ	62.30	67.71	67.73	71.90	77.36	71.29	77.42	83.10	93.22	91.85	92.50	95.48	104.23	99.60	102.62	108.38	103.49	102.46
Brent – North Sea	62.15	67.51	67.38	71.55	77.01	70.74	76.87	82.50	92.62	91.25	92.00	94.98	103.58	99.10	101.97	107.73	102.84	101.81
Dubai – UAE	58.80	63.97	64.59	65.79	69.49	67.36	73.36	77.12	86.96	85.79	87.35	89.40	96.72	93.09	95.07	97.87	97.78	96.23
Ekofisk – North Sea	62.84	67.73	68.36	72.09	77.76	72.00	78.08	83.38	93.24	92.12	93.51	96.38	105.48	100.81	103.49	108.84	104.73	104.59
Iran Light – IR Iran	57.92	63.87	64.05	67.99	73.70	69.34	74.88	79.74	89.92	89.12	89.21	91.76	99.35	96.36	98.16	101.94	98.34	98.61
Isthmus – Mexico	56.79	60.60	60.60	65.40	71.11	66.60	72.65	78.79	88.59	87.53	88.07	90.28	99.79	95.64	98.14	103.83	98.96	98.63
Oman -Oman	59.19	64.45	65.04	66.08	70.09	68.34	73.56	77.55	87.16	86.82	88.54	90.12	97.82	93.30	96.10	98.78	99.19	97.57
Suez Mix – Egypt	56.16	61.27	61.34	65.42	71.44	66.94	71.41	76.90	87.60	85.80	86.38	88.49	95.81	92.79	94.72	99.46	93.75	94.71
Tia Juana Light[1] – Venez.	54.92	58.60	58.54	63.31	68.98	64.93	70.69	76.90	86.55	84.73	85.52	87.93	96.80	93.15	95.20	100.71	95.99	95.67
Urals – Russia	58.81	63.92	64.29	67.83	73.90	69.25	73.78	79.52	90.24	89.02	89.22	91.14	98.95	95.34	97.34	102.17	97.56	98.29
WTI – North America	60.63	63.85	63.46	67.44	73.98	72.37	79.69	85.87	94.91	91.69	92.87	95.32	105.41	100.84	103.38	109.37	105.48	104.21

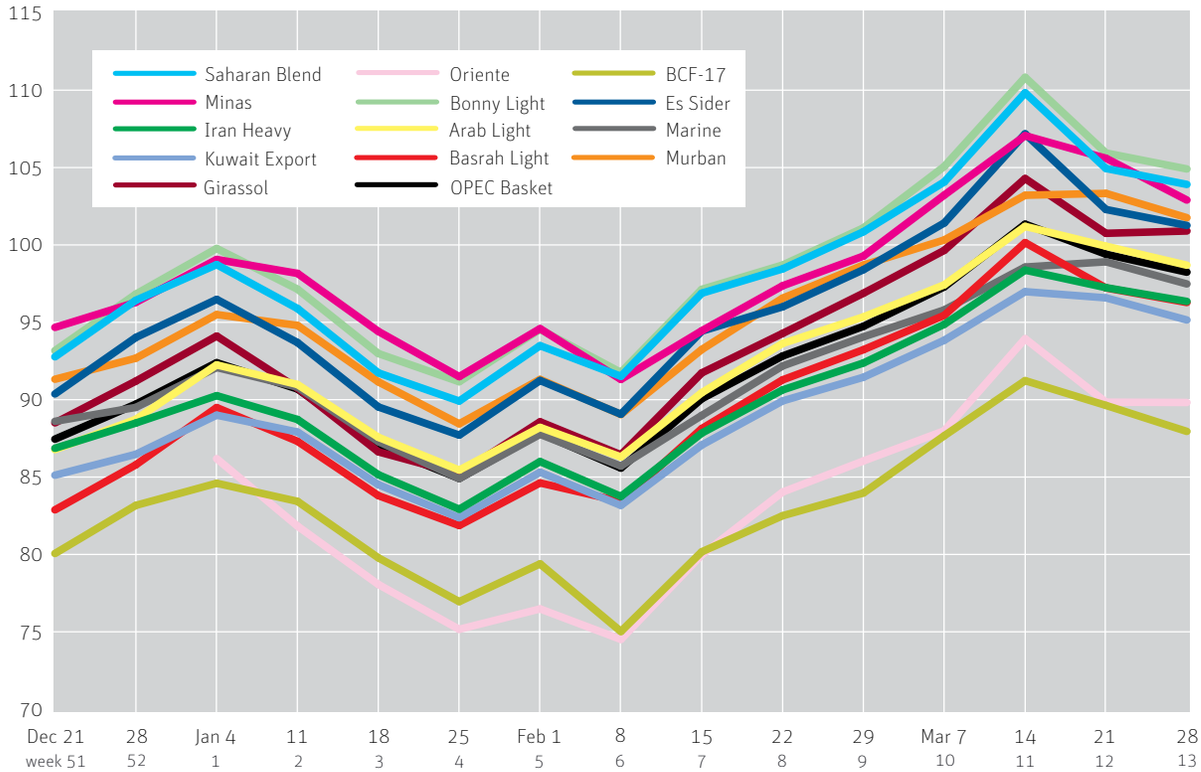
Note: As per the decision of the 109th ECB (held in February 2008), the basket has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.

1. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.

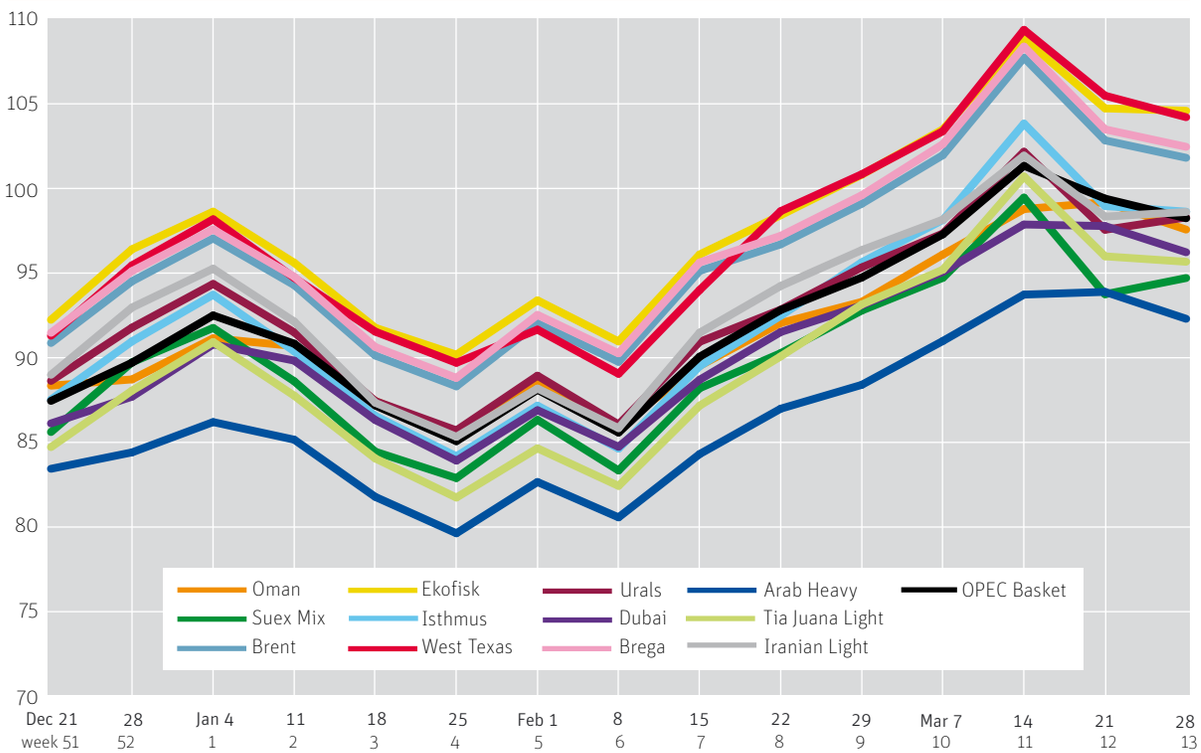
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

Sources: The netback values for TJL price calculations are taken from RVM; Platt's; Reuters; Secretariat's assessments.

Graph 1: Evolution of the OPEC Reference Basket crudes, December 2007 to March 2008 *$/b*



Graph 2: Evolution of spot prices for selected non-OPEC crudes, December 2007 to March 2008 *$/b*



Note: As per the decision of the 109th ECB (held in February 2008), the basket has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the OPEC Reference Basket has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference.

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

$/b

		naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2007	March	79.22	73.41	82.57	76.23	76.82	39.24	40.35
	April	86.19	83.57	93.90	81.65	82.71	42.91	46.46
	May	90.03	89.81	100.00	81.72	83.79	45.66	47.33
	June	87.58	85.13	97.59	85.50	87.00	46.72	48.83
	July	89.84	84.15	96.78	89.12	90.01	52.66	54.01
	August	84.70	78.85	90.16	86.40	87.03	54.39	52.23
	September	91.24	84.36	94.47	94.83	93.42	54.49	55.65
	October	97.94	86.55	97.25	99.44	100.40	64.34	62.26
	November	108.46	97.79	109.03	118.34	115.45	72.16	70.61
	December	110.06	94.04	105.68	109.94	111.11	75.17	66.06
2008	January	108.66	93.74	95.82	108.70	109.32	74.81	65.73
	February	109.36	98.52	100.30	115.98	116.97	73.26	64.89
	March	113.53	104.51	108.91	133.01	134.00	77.69	70.28

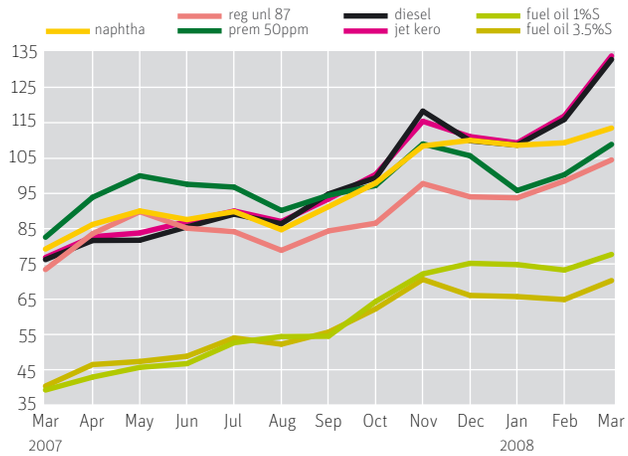


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2007	March	65.29	82.23	74.98	41.45	40.93
	April	71.19	93.67	81.44	47.01	46.53
	May	74.42	101.00	82.85	49.97	46.49
	June	72.68	97.63	85.44	52.59	48.68
	July	75.51	96.51	89.63	58.29	53.68
	August	71.54	89.06	87.56	55.92	52.70
	September	77.52	93.63	95.31	58.59	56.10
	October	82.97	96.73	99.29	64.04	62.37
	November	90.71	109.76	117.22	74.37	70.01
	December	92.01	106.35	111.52	73.12	65.28
2008	January	91.81	107.01	109.47	73.04	63.97
	February	92.56	110.83	117.20	72.13	64.09
	March	95.98	117.31	134.27	77.08	70.84

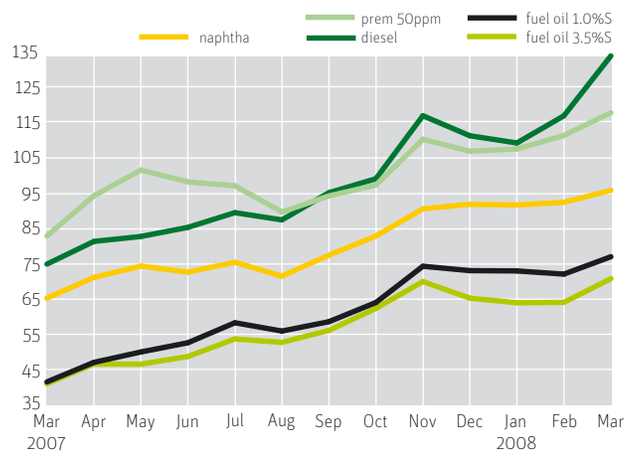
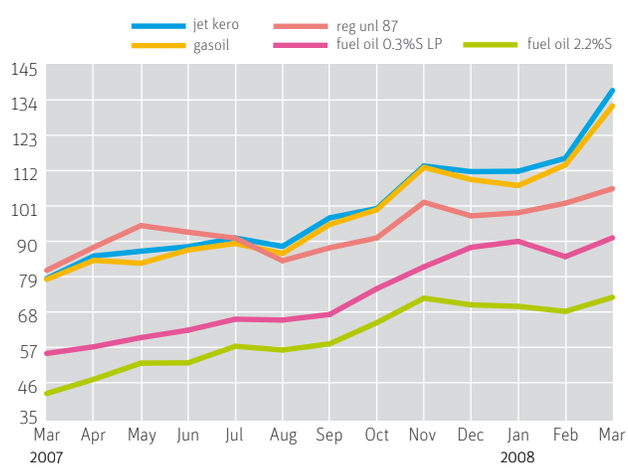


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2007	March	80.96	78.14	78.39	55.10	42.63
	April	88.17	84.08	85.43	57.18	47.06
	May	94.90	83.17	86.92	60.03	52.09
	June	92.84	87.29	88.32	62.34	52.18
	July	91.00	89.34	91.03	65.76	57.33
	August	83.95	86.19	88.42	65.49	56.16
	September	87.97	95.23	97.29	67.22	58.08
	October	91.05	99.82	100.20	75.24	64.66
	November	102.14	113.00	113.45	82.05	72.30
	December	97.92	109.23	111.68	88.12	70.22
2008	January	98.88	107.35	111.81	89.99	69.75
	February	101.85	113.77	115.85	85.22	68.18
	March	106.38	132.13	136.96	91.08	72.57



Source: Platts. Prices are average of available days.

Table and Graph 6: Caribbean market – spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2007	March	75.60	72.12	78.27	38.63	38.22
	April	88.22	77.36	86.11	43.06	42.90
	May	81.49	81.02	87.42	48.09	48.03
	June	78.14	83.37	88.28	48.18	53.28
	July	77.87	86.29	90.57	53.33	53.28
	August	83.03	83.03	88.49	52.16	52.11
	September	84.08	91.46	96.31	54.06	54.03
	October	85.92	95.79	100.35	60.66	60.61
	November	95.46	108.38	112.97	68.30	68.09
	December	90.75	106.60	110.05	65.77	65.05
2008	January	94.38	110.58	110.12	65.23	65.00
	February	94.51	115.08	115.52	63.63	63.88
	March	104.32	128.77	131.98	68.09	68.51

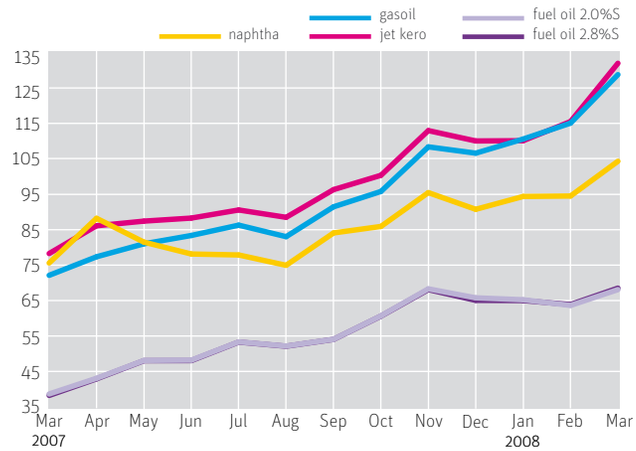


Table and Graph 7: Singapore market – spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2007	March	70.56	76.62	75.52	75.94	75.02	46.26	45.48
	April	74.22	83.49	82.69	83.18	80.91	51.24	50.87
	May	76.73	88.77	87.96	84.47	82.14	51.34	50.82
	June	73.12	84.79	83.82	85.67	87.16	53.37	53.03
	July	75.10	85.35	84.36	89.57	87.16	57.53	57.39
	August	71.34	77.15	76.05	86.33	84.28	56.34	55.71
	September	75.28	82.51	81.35	93.78	90.44	58.90	58.15
	October	81.18	88.71	87.46	98.11	96.62	65.70	65.67
	November	91.38	100.29	98.94	112.26	112.77	74.21	73.95
	December	92.24	98.38	97.09	111.33	108.31	70.37	70.89
2008	January	93.12	100.49	99.56	108.94	106.17	70.04	70.56
	February	94.99	104.97	104.04	114.97	111.03	70.00	70.26
	March	97.54	109.66	109.12	130.49	125.31	74.58	73.86

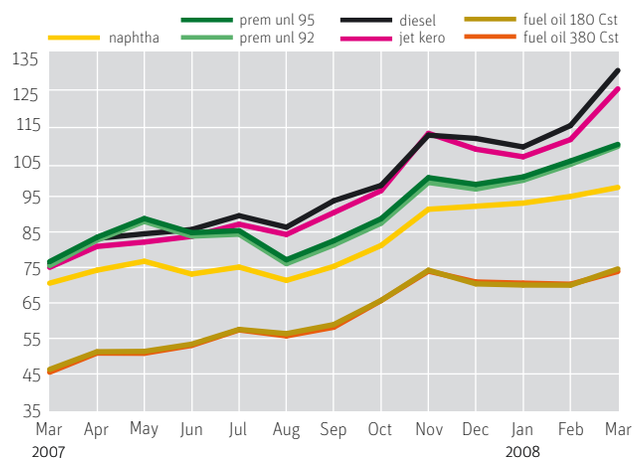
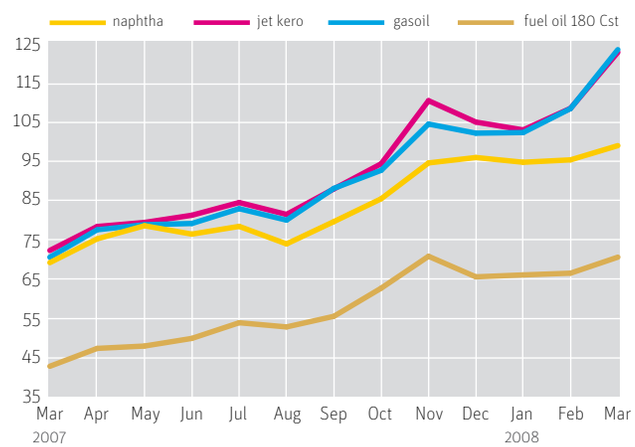


Table and Graph 8: Middle East Gulf market – spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2007	March	69.14	70.52	72.24	42.77
	April	75.19	77.50	78.33	47.32
	May	78.52	78.79	79.36	47.92
	June	76.39	79.09	81.19	49.86
	July	78.36	82.85	84.43	53.85
	August	73.90	79.95	81.40	52.78
	September	79.57	88.02	87.89	55.48
	October	85.38	92.62	94.29	62.64
	November	94.50	104.39	110.34	70.75
	December	95.88	102.07	104.89	65.52
2008	January	94.67	102.23	102.90	66.01
	February	95.28	108.33	108.39	66.45
	March	98.90	123.32	122.63	70.53



Source: Platts. Prices are average of available days.

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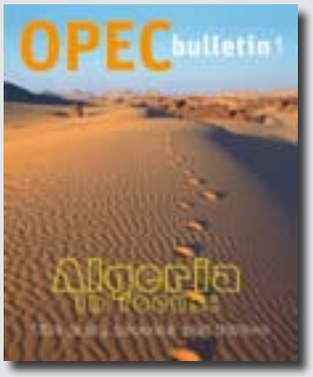

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