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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 comprises the five Founding Members and six other Full Members: Qatar (joined in 1961); Indonesia (1962); SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); and Nigeria (1971). Ecuador joined the Organization in 1973 and left in 1992; Gabon joined in 1975 and left in 1995.

Web site

Visit the OPEC Web site for the latest news and information about the Organization and its Member Countries. The URL is
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This month's cover ...

shows Port Harcourt refinery in Nigeria, where preliminary licences to build private refineries have been granted to a number of companies (see Newsline beginning on page 15).

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Forthcoming events

Amarillo, Tx, USA, **August 26–30, 2002**, *Advanced pressure control.* Details: GSM Training Service, 7201 I–40 West, Suite 308, Amarillo Tx 79106–2634, USA. Tel: +1 806 358 6894; fax: +1 806 358 6800; e-mail: gsmrdg@arn.net; Web site: www.gsm-inc.com.

Johannesburg, South Africa
August 26–September 4, 2002

Johannesburg Summit 2002: World Summit on Sustainable Development

Details: Johannesburg Summit Secretariat
Division for Sustainable Development
UN Dept of Economic and Social Affairs
Two United Nations Plaza, DC2-2220
New York, NY 10017
E-mail: dsd@un.org
www.johannesburgsummit.org

Stavanger, Norway, **August 27–30, 2002**, *ONS 2002: Energizing a new generation.* Details: Offshore Northern Seas, Gunnar Warebergsgt. 13, 4021 Stavanger, PO Box 410, N–4002 Stavanger, Norway. Tel: +47 51 59 81 00; fax: +47 51 55 10 15; e-mail: ons@ons.no; Web site: www.ons.no.

Mumbai, India, **September 9–10, 2002**, *9th India oil & gas review symposium & international exhibition.* Details: Oil Asia Journal, 101, Classic Apartment, B-Wing, Kherwadi CH Society, RTO Lane, 4–Bungalows, Andheri (W), Mumbai 400 053, India. Fax: +91 022 6367676; e-mail: oilasia@vsnl.com; Web site: www.oilasia.com.

Beijing, China, **September 9–13, 2002**, *Chinese petroleum & gas conference.* Details: The Conference Connection Administrators Pte Ltd, 212A Telok Ayer Street, Singapore 06845. Tel: +65 6226 5280; fax: +65 6226 4117; e-mail: info@cconnection.org; Web site: www.cconnection.org.

Amarillo, Tx, USA, **September 9–13, 2002**, *Air & gas drilling.* Details: GSM Training Service, 7201 I–40 West, Suite 308, Amarillo Tx 79106-2634, USA. Tel: +1 806 358 6894; fax: +1 806 358 6800; e-mail: gsmrdg@arn.net; Web site: www.gsm-inc.com.

Houston, Tx, USA, **September 10–12, 2002**; Singapore, **September 19–21, 2002**, *Production sharing contracts & international petroleum fiscal systems.* Details: The Conference Connection Administrators Pte Ltd, 212A Telok Ayer Street, Singapore 06845. Tel: +65 6226 5280; fax: +65 6226 4117; e-mail: info@cconnection.org; www. cconnection.org.

London, UK, **September 11–12, 2002**, *Gas to liquids V conference.* Details: SMi, Bethan Jones. Tel: +44 (0)20 7827 6176; e-mail: bjones@smi-online.co.uk; Web site: www.smi-online.co.uk.

Rio de Janeiro, Brazil
September 1–5, 2002

17th World Petroleum Congress

Details: 17th WPC
Rua Conde de Irajá
260/2° andar,
Botafogo, 22271–020
Rio de Janeiro
Brazil
Tel: +55 21 2539 2706
Fax: +55 21 2527 6297
E-mail:
brasoc@wpc2002.com
Web site:
www.wpc2002.com

Milan, Italy, **September 18–20, 2002**, *Italian energy summit.* Details: IBC Global Conferences, Informa House, 30–32 Mortimer Street, London W1W 7RE, UK. Tel: +44 (0)1932 893 851; fax: +44 (0)1932 893 893; e-mail: cust.serv@informa.com; Web site: www.ibcenergy.com.

Singapore, **September 20–21, 2002**, *Pacific petroleum insiders 2002.* Details: The Conference Connection Administrators Pte Ltd, 212A Telok Ayer Street, Singapore 06845. Tel: +65 6226 5280; fax: +65 6226 4117; e-mail: info@cconnection.org; Web site: www.cconnection.org.

London, UK, **September 23–24, 2002**, *2nd annual Middle East & Central Asia 2002.* Details: Global Pacific & Partners. Tel: +27 11 778 4360; fax: +27 11 880 3391; e-mail: info@glopac.com; Web site: www.petro21.com.

Kuala Lumpur, Malaysia, **September 24–25, 2002**, *Opportunities for business & investment in Saudi Arabia.* Details: Elina Watson, The CWC Group, 3 Tyers Gate, London SE1 3HX, UK. Tel: +44 (0)20 70894187; fax: +44 (0)20 70894201; e-mail: ewatson@thecwcgroup.com.

Yaounde, Cameroon, **September 24–27, 2002**, *6th African oil and gas, trade and finance conference and exhibition.* Details: ITE Group, 105 Salusbury Road, London, NW6 6RG, UK. Tel: +44 (0)20 7596 5223; fax: +44 (0)20 7596 5106; e-mail: oilgas@ite-exhibitions.com; www.ite-exhibitions.com/og.

Madrid, Spain, **September 25–26, 2002**, *LNG 2002.* Details: IBC Global Conferences, Informa House, 30-32 Mortimer Street, London W1W 7RE, UK. Tel: +44 (0)1932 893 851, Fax: +44 (0)1932 893 893; e-mail: cust.serv@informa.com; Web site: www.ibcenergy.com.

Singapore, **September 26–27, 2002** and Dubai, UAE, **October 7–8, 2002**, *Crude oil marketing & valuation.* Details: The Conference Connection Administrators Pte Ltd, 212A Telok Ayer Street, Singapore 06845. Tel: +65 6226 5280; fax: +65 6226 4117; e-mail: info@cconnection.org; Web site: www.cconnection.org.

Osaka, Japan
September 21–23, 2002

8th International Energy Forum

Details: Osaka Host Council for the 8th International Energy Forum
Tel: +81 6 6946 0525
(Mr Seki)
Fax: +81 6 6944 6935
E-mail: SekiM@
mbox.pref.osaka.jp
www.enecho.meti.go.jp

London, UK, **September 30–October 1, 2002**, *North Sea oil and gas.* Details: SMi, Bethan Jones. Tel: +44 (0)20 7827 6176; e-mail: bjones@smi-online.co.uk; Web site: www.smi-online.co.uk.

Almaty, Kazakhstan, **October 1–4, 2002**, *KIOGE 2002, 10th Kazakhstan international oil & gas exhibition & conference.* Details: ITE Group, 105 Salusbury Road, London, NW6 6RG, UK. Tel: +44 (0)20 7596 5223; fax: +44 (0)20 7596 5106; e-mail: oilgas@ite-exhibitions.com; Web site: www.ite-exhibitions.com.

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

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COMMENTARY

An ounce of prevention

The recent decision of the 120th OPEC Conference to maintain production levels will ensure continued market stability

When the OPEC Oil and Energy Ministers met in Vienna at the end of June, they made two key decisions. One was the election of HE Dr Alvaro Silva Calderón of Venezuela to succeed his countryman, HE Dr Alí Rodríguez Araque, as the Organization's new Secretary General. The other key decision taken by the Ministers in Vienna in June was, of course, the agreement to maintain the current oil production levels until the end of September.

In the final months of last year, oil prices began to head downwards as a result of the weakening of the global economy in the wake of September 11. The OPEC Basket, which averaged close to $25/b for the first eight months of 2001, had fallen to well below $18/b by December. The Organization thus moved to reassure the markets, agreeing to reduce output by 1.5 million b/d, provided that non-OPEC nations agreed to play their part and also make substantial cuts. As is now well-known, five non-OPEC nations — Norway, Mexico, Russia, Oman and Angola — demonstrated their commitment to maintaining market stability and contributed cuts totalling 462,500 b/d.

This highly concrete example of co-operation had the desired effect, and the OPEC Basket price witnessed a recovery, first improving from $18.38/b in the fourth quarter of 2001 to $19.83/b for the first quarter of this year, and then registering a much healthier $24.51/b for the second quarter. Thus, the co-operation between OPEC and non-OPEC can be seen to have borne fruit in a clear and demonstrable fashion, restoring stability to the market in a way that would have been significantly more difficult, perhaps even impossible, if OPEC had acted alone.

It is true that even though the Organization has agreed to extend its output curbs until the end of the third quarter, not all of our partners in non-OPEC who pledged co-operation for the first half of this year have done the same. Nonetheless, given the recent restoration of price stability to the market, the Organization is not unduly concerned by this. In fact, we would like to thank all those nations who have been supporting us in our quest for stability. We are continuing to engage in dialogue with these countries and others, and we remain confident that, since they have recognized the importance of co-operation and shown their willingness to take concrete steps to support the market, they would do the same again should it become necessary in the future.

It is clear that the price trends witnessed so far this year demonstrate one thing above all. Simply put, the implementation of the OPEC/non-OPEC agreement to restrain output has restored a significant degree of stability to the oil market. This underscores once again the critical importance of co-operation in the pursuit of a balanced market.

There is an old saying that an ounce of prevention is worth a pound of cure. These words of wisdom have come down to us through the ages because of the simple truth that they encapsulate. In terms of OPEC's pursuit of its aims, this could be applied as follows: it is better to act pre-emptively to prevent a price collapse than to react during or after the event. And for such action to be effective, all parties must work towards the same goal. It is our fervent hope that all those with an interest in price stability will take this on board and act accordingly by continuing to display their commitment to co-operation.

Learning the lessons of collective wisdom and looking forward to fresh challenges

A dinner was given in honour of outgoing OPEC Secretary General, ***HE Dr Alí Rodríguez Araque****,* at the end of June, shortly before his return to his native land to take up the post of President of state oil firm Petróleos de Venezuela. This is his farewell speech.*

I am deeply grateful to you for the generous gesture in organising this farewell dinner for me, at the end of my term of office as OPEC Secretary General. It was totally unexpected and, as such, all the more enjoyable!

It saddens me to be leaving so many friends, colleagues and associates, just at the time I felt I was really getting to know you all well. During my time here — just one and a half years — I have benefited enormously from your wisdom, your support, your advice and, perhaps above all, your comradeship.

There is a certain dynamic, a certain buzz, from functioning in a multicultural environment. As we all know, such a buzz is here in abundance at OPEC. Perhaps it is one of the qualities that makes the Organization tick. It is one of its strengths. It breeds tolerance and the capacity to listen

* *Based on the address given by* ***Dr Rodríguez Araque*** *to his farewell dinner at the Hotel Imperial in Vienna, Austria, on June 26, 2002.*

to and to appreciate the views and the collective wisdom of people from backgrounds which are sometimes vastly different to one's own.

And here I stress the word 'different' — and not 'better' or 'worse'. We all have much to gain from each other at OPEC in basic human qualities — I believe this has been one of the most important lessons I have learned since I have been here.

I have also been privileged to live in a very beautiful part of Europe, a very safe part of Europe, a part of Europe that is rich in culture and history. Sadly, I have not had the time I would have liked to benefit to the full from this. But I now know where to come for my holidays, and what to see when I get here! That is, after first visiting the many friends I have made in the City of Vienna.

I shall miss the challenge of OPEC, the mission I perceived when I joined the Secretariat on January 1, 2001. This mission was to help make the Organization function a little better — both internally and externally. These are two very different types of challenge, but, on the other hand, they are very similar. They both involve improving morale and harmony and people's underlying respect for one another. In doing so, one enhances efficiency and output beyond measure.

Needless to say, I have been overwhelmed by the support I have received in most quarters from the Staff of the Secretariat during my time here. I am pleased to have the opportunity to express this sentiment in front of OPEC's Oil and Energy Ministers, Governors and other high-ranking officials.

This is because this sentiment is deeply felt and, therefore, should be made known to all those committed to the future welfare of the remarkable, unique Organization called OPEC. Never let any one of us ever forget that we should be proud of OPEC and everything OPEC stands for.

Here I refer to the Organization's phenomenal odyssey through the second half of the twentieth century, in a consumer-oriented world dominated by the established interests of the industrialised world. The history is familiar and so I shall not repeat it here. But our Organization has survived almost every kind of challenge that it could possibly expect to face in a world that was not always very friendly towards it.

There have been two principal focal points in this regard, both dating from the early 1970s. One has been the assertion of the rights of OPEC's Member Countries to run their own petroleum industries — an issue which has moved onto a new level in recent years, with the gradual opening-up of upstream sectors to outside investors.

The other has been OPEC's influence on the pricing of oil on world markets. Both have been very controversial over the years. And both have been very successful, when viewed in their proper historical context.

OPEC has grown, it has prospered and it has become acknowledged as a major player on the world's energy stage. OPEC has had remarkable success over the years in meeting its central objective of achieving order and stability in the international oil market, with fair and reasonable prices. All of this constitutes OPEC's achievement and we should be proud of it.

Nonetheless, I believe that, at the same time, we have not lost sight of our roots. I believe that we remain as committed as ever to the plight of the poorer nations and to the need to ensure, at all times, that their interests are properly represented in the debating chambers and legislative assemblies across the world.

This is particularly important in this era of globalisation and the communications revolution, when the pace of developments across the globe is so fast that it is giving a whole new meaning to the phrase 'survival of the fittest'. OPEC and its Member Countries have tried to be particularly assertive in such crucial intergovernmental gatherings as the climate change negotiations and the global trade talks.

It is, however, with these reflections that I must formally — and sadly — bid farewell to you, in my official capacity as OPEC Secretary General.

Once again, I should like to thank all of you for the friendship, the warmth and the support you have shown me since the late 1990s, when I first became closely involved with OPEC, as Minister of Energy and Mines of Venezuela, as well as OPEC President — before being bestowed with the honour of being appointed Secretary General.

Throughout, I have sought to carry out my assigned mission to the very best of my ability, in the interests of Venezuela, OPEC and the world petroleum industry at large.

I now go on to face a new set of challenges, as President of my country's state oil firm, Petróleos de Venezuela. In fact, I began this assignment two months ago — and I can assure you that it promises to be every bit as eventful and as colourful as being Secretary General of OPEC!

Finally, I should like to wish every success and happiness to my successor as OPEC Secretary General, HE Dr Alvaro Silva Calderón, who is currently Minister of Energy and Mines of my own country, Venezuela.

HE Dr Rodríguez Araque, the outgoing Secretary General (l), shares a joke with HE Dr Alvaro Silva Calderón, the incoming Secretary General (r), and HE Dr Chakib Khelil, Algerian Minister of Energy and Mines (c).

Secretary General bids farewell to staff of the OPEC Secretariat

On June 27, 2002, a gathering was held at the OPEC Secretariat to bid farewell to outgoing OPEC Secretary General, HE Dr Alí Rodríguez Araque, and to welcome his successor, HE Dr Alvaro Silva Calderón. Dr Rodríguez Araque's farewell address and some photos of the occasion are reproduced here.

Above: Outgoing Secretary General, HE Dr Alí Rodríguez Araque (centre) addresses the staff of the Secretariat. He is flanked by incoming Secretary General, HE Dr Alvaro Silva Calderón (second left); OPEC Conference President and Nigeria's Presidential Adviser on Petroleum and Energy, HE Dr Rilwanu Lukman (second right); Chairman of the Board of Governors HE Suleiman Jasir Al-Herbish of Saudi Arabia (right); and the Director of OPEC's Research Division, Dr Adnan Shihab-Eldin (left).
Below: Dr Shihab-Eldin presents Dr Rodríguez Araque with a farewell gift and a card signed by the staff of the Secretariat.

After 18 months as Secretary General of OPEC, I can tell you all that I am very proud to have been able to share this extraordinary experience with so many extraordinary people, from whom I have learned so much.

I have learned that, despite our diverse cultures, our diverse origins and our diverse mother tongues, we share the same language of life and the same feelings, just as we face similar problems and enjoy similar hope I have learned from all of you — members of management, officers, dear friends of the support staff — that, no matter where we live, it can be home, if we share a sense of belonging and commitment to the same cause. This is indeed the case at the Secretariat, I am pleased to say. I have also learned here that the spirit of solidarity provides a firm foundation for both the present and the future of our extraordinary Organization.

At this stage, I should like to make a special reference to four very special ladies — my dear Brigitte, my dear Jane, my dear Friedl and my dear Hermine. These charming ladies have all tolerated me and supported me with impressive patience. I must, therefore, express my most profound admiration for their responsibility, discipline, effectiveness, initiative and professionalism.

Friends and colleagues, all of us can be very proud of this Organization — the only one of its kind, formed by countries of the so-called Third World, that has survived, despite all the manoeuvrings aimed at its destruction.Let me assure you that there will be no substantial changes to the leadership of the Secretariat, now that my good and long-standing friend, Dr Alvaro Silva Calderón, has been appointed as the new Secretary General. ideas for many years, with regard to energy issues and the general philosophy of life. We have jointly fought for the legitimate defence of the rights of our countries, as owners of exhaustible natural resources — within the Venezuelan Parliament, at the Ministry of Energy and Mines and now from within OPEC.

Dr Silva Calderón is a well-known and experienced lawyer, who worked with one of the founding fathers of OPEC, Juan Pablo Perez Alfonso, during the formative years of our Organization. He has been responsible for drafting the advanced legal framework for hydrocarbons in Venezuela. He is an Emeritus Professor in the most important and prestigious university of my country, Universidad Central de Venezuela.

He has vast experience in the running of institutions. The most recent of these has been the Ministry of Energy and Mines in Venezuela. Therefore, and because of his exceptional personal qualities, I have no doubt whatsoever that he will be able to successfully lead the outstanding team, which consists of all the Staff at the Secretariat. I wish him every success in his new assignment.

Now, as I explained in the letter of farewell I sent to OPEC's Oil Ministers yesterday, our Organization has to face new realities and new challenges. I am sure that, once again, we shall enjoy the success we deserve.

The staff of the Secretariat gather outside the building for a group photograph with the outgoing Secretary General.

120th Conference appoints Dr Alvaro Silva Calderón as new Secretary General of the Organization

The President of the Conference and Nigeria's Presidential Adviser on Petroleum & Energy, HE Dr Rilwanu Lukman (centre), prepares to open the Meeting, watched by outgoing Secretary General, HE Dr Alí Rodríguez Araque (right), and the Chairman of the Board of Governors, HE Suleiman Jasir Al-Herbish (left) of Saudi Arabia.

Iraq's Minister of Oil, HE Dr Amer Mohammed Rasheed, gives an impromptu interview to the press.

Press Release No 6/2002
Vienna, Austria, June 26, 2002

Opening address to the 120th (Extraordinary) Meeting of the OPEC Conference by HE Dr Rilwanu Lukman President of the Conference and Presidential Adviser on Petroleum and Energy, Nigeria

It is a great honour to be able to welcome you, once again, to the OPEC Secretariat in Vienna, for the 120th (Extraordinary) Meeting of the OPEC Conference. As you will recall, the specific purpose of this Meeting — as agreed at our Ordinary Conference on March 15 — is to review the current situation in the international

Outgoing OPEC Secretary General, HE Dr Alí Rodríguez Araque, gives a live TV interview to Bloomberg.

Qatar's Minister of Energy and Industry, HE Abdullah bin Hamad Al Attiyah, is literally surrounded by journalists.

oil market, in the light of OPEC's present agreement to keep a ceiling on output levels, in support of the price structure.

First, however, I should like to turn our attention to the plight of one of our Member Countries, the Islamic Republic of Iran, following the severe earthquake which caused extensive devastation and loss of life in the north of the country on Saturday. We offer our deepest condolences to all those who have suffered in this tragic event, and we fervently hope that the recovery process can proceed as smoothly and as effectively as is possible on such a sad and deeply moving occasion.

Turning to a happier event, I should like to extend our congratulations to His Excellency Dr Chakib Khelil, who was President of the OPEC Conference in 2001, on his reappointment as Minister of Energy and Mines of Algeria, following the country's recent general election.

We now come to a development that we had not expected when we met in March. This is the announcement by His Excellency Dr Alí Rodríguez Araque of his appointment to the position of Head of Venezuela's national oil company, Petroleos de Venezuela, in April. Dr Rodríguez has been Secretary General for only a year and a half. However, during that time, his tireless devotion to duty, his steadfast adherence to a set of well-defined principles, and his warm and approachable manner have won him wide respect and friendship, both within the Secretariat and within the industry at large. I should, therefore, like to express the gratitude of all of us to Dr Rodríguez and to wish him every success and happiness in the future, as he settles into his new, challenging post with PDVSA. We also wish his country well, after the recent troubles, and look forward to Venezuela's full return to peace and prosperity in the near future. In the context of our Meeting today, therefore, one of our tasks will be the selection of a new Secretary General.

Let us now turn our attention to the international oil market. Prices in the second quarter of 2002 have been much healthier than in the two previous quarters, with the average monthly price of OPEC's Reference Basket of seven crudes lying in the range of $23–25 per barrel in April–June. This follows the heavy drop in prices that occurred after September 11, with the

Nigeria's Ambassador to Austria, HE Abdulkadir Bin Rimdap (left) and (next to him) ECB Representative, Mohammed S Barkindo, speak to the press.

Kuwait's Ambassador to Austria and Head of Delegation, HE Nabeela Abdulla Al-Mulla (left) and (next to her) OPEC Governor Ms Siham Abdulrazzak Razzouqi, answer questions from the press.

The SP Libyan AJ's Secretary of the People's Committee of the NOC, HE Dr Abdulhafid Mahmoud Zlitni (centre), speaks to journalists. He is flanked by Libya's Ambassador to Austria, HE Dr Said Abdulaati (left), and OPEC Governor, Hammouda M El-Aswad (right).

Basket price averaging less than $20/b in the six-month period, October 2001 to March 2002. That was directly after the Basket had averaged almost $25/b in each of the first three quarters of 2001. Twenty-five dollars a barrel, of course, is right in the middle of OPEC's price band of $22–28/b.

In other words, prices are now not too far short of their pre-September 11 levels. Much of the credit for this improvement must go to our Organization, whose actions have helped prices return to levels which, in recent years, have won much acceptance among producers and consumers alike. Here I refer to the decision reached by our Organization late last year, to reduce OPEC output by an additional 1.5 million barrels a day, with effect from January 1, 2002 and for a period of six months. Taken together with earlier OPEC agreements, that decision meant an overall agreed reduction of 5m b/d in a period of just 11 months, beginning on February 1, 2001. The purpose of those measures was to prevent a damaging downward spiral in the oil price. We renewed our commitment to our decision at our March Meeting.

Let us not forget, at this point, that OPEC is prepared to act in both directions, in order to stabilise the oil market. In the year 2000, for example, when there was excessive upward pressure on the price, OPEC increased output on four occasions, by a total of 3.7m b/d, to bring prices down to reasonable levels.

However, to be truly effective, our decisions require the support of leading non-OPEC oil producers. When such support was guaranteed for our current decision, through pledges — which were announced prior to our Consultative Meeting in Cairo in December 2001 — for an overall production/export cut of 462,500 b/d by non-OPEC producers, it had an immediate effect on prices; it prevented further falls and provided a base from which prices could strengthen as the

Saudi Arabia's Minister of Petroleum and Mineral Resources, HE Ali I Naimi (seated right), faces the press, together with (next to him) the Saudi Ambassador to Austria, HE Omer Mohammed Kurdi.

Algeria's Minister of Energy & Mines, HE Dr Chakib Khelil, answers journalists' questions.

Venezuela's Minister of Energy and Mines and incoming OPEC Secretary General, HE Dr Alvaro Silva Calderón (right), makes a point to Indonesia's Minister of Energy and Mineral Resources, HE Dr Purnomo Yusgiantoro (left), as outgoing Secretary General, HE Dr Alí Rodríguez Araque (centre), looks on.

Qatar's Minister of Energy and Industry, HE Abdullah bin Hamad Al Attiyah (left) shares a moment of humour with Iran's Minister of Petroleum, HE Bijan Namdar Zangeneh (right).

economic outlook improved. These non-OPEC producers, like our own Member Countries, renewed their commitment to this action after OPEC's March Conference.

OPEC/non-OPEC cooperation goes from strength to strength. Only last week, here in the Secretariat, we held a highly productive one-day meeting of senior experts from OPEC and non-OPEC producing countries, to exchange views on recent developments and the short-term outlook for the oil market, so as to reach a better understanding of the current situation. Ten non-OPEC producing countries participated. These included the five countries that contributed to the output cuts in January — Angola, Mexico, Norway, Oman and the Russian Federation — as well as Egypt, Kazakhstan, Malaysia, Syria and Yemen. These countries, like our own Member Countries, are committed to order and stability in the market, and they know that this is best achieved through a successful, sustained process of dialogue and cooperation.

The above-mentioned meeting was the second informal consultation at the senior expert level. The first was held last October. Such meetings are being organised in conformity with our strategic objective of strengthening dialogue, understanding and cooperation among all major producers/exporters, at all levels and through different modalities. We may take time during our Meeting to discuss ways and means by which we can strengthen dialogue and consultation with non-OPEC producers at the Ministerial level.

Now, as we approach the third quarter of the year — which will be dominated by the summer driving season in the Northern Hemisphere — there is some uncertainty about the near-term outlook. This is not just in the oil market, however. It is also in the world economy, at large. It concerns the true extent of the global economic recovery, particularly in the leading industrialised nations. What is the real state of health of the economies of the United States of America, Japan and such major European nations as Germany and the United Kingdom?

Also, and connected with this, is the strength of the US dollar. After a period of ascendancy stretching back years, it ap-

The United Arab Emirates' Minister of Petroleum and Mineral Resources, HE Obaid bin Saif Al-Nasseri, talks to journalists.

pears that the dollar is finally weakening, vis-à-vis other leading currencies, notably the euro and the yen. This could have repercussions right across the global economy. For oil producers, it could easily mean a reduction in the real value of the revenue they receive from sales of petroleum on world markets.

All in all, therefore, there is plenty for us to discuss at today's Extraordinary Meeting. The decision we reach at the end of it will have the purpose of ensuring order and stability in the international oil market during the long summer months, up to — and beyond — our next Ordinary Conference on September 18.

However, OPEC's mandate extends beyond the immediate affairs of the oil market. We are also concerned with broader-based issues that govern the welfare of mankind — in particular, the dire economic problems, the poverty and the hunger affecting many countries in the developing world. This has been a longstanding concern of ours. As long ago as 1976, we established the OPEC Fund for International Development, with the purpose of assisting the poorer, low-income countries of the South in pursuit of their social and economic advancement. Since then, the OPEC Fund has committed well over $6 billion in assistance to other developing countries across the world. Moreover, OPEC aid extends beyond this, into other global institutions, as well as occurring at an individual Member Country level.

I am saying all of this, because, in the period up to our September Conference, the United Nations World Summit for Sustainable Development will take place in Johannesburg, beginning on August 26. This is expected to be the largest UN conference ever, with 100 heads of state and 60,000 delegates attending. It will rival, in importance, the landmark Earth Summit in Rio de Janeiro, which, in 1992, put environmental issues on the global political agenda. The two events are closely related, with environmental issues being an integral part of sustainable development. But, in addition to this, the Johannesburg Summit's agenda embraces such fundamental issues as poverty, health and inequalities in the global trading system.

OPEC and our Member Countries are eager to ensure that the World Summit proceeds in a fair and balanced manner, which is beneficial to mankind as a whole — and not just a partial, dominant segment of mankind. We recognise the need to ensure that the developing world participates as fully as possible in these crucial talks. This may be the best opportunity they have, for many years to come, to cater for the future welfare of their populations in a meaningful, effective and sustainable manner.

The World Summit — as well as other important topics and challenges, such as the World Trade Organization, the Kyoto Protocol and consumer/producer dialogue — is on the agenda of the OPEC's Third Informal Brainstorming Session. This is an internal meeting which will be held at the Secretariat immediately after this Conference. We are confident that this will be a fruitful exercise and that the deliberations will reveal some valuable insights on major issues of concern to our Organization at the present time.

Let me now conclude these opening remarks, so that we can proceed with today's Meeting.

Press Release No 7/2002
Vienna, Austria, June 26, 2002

120th (Extraordinary) Meeting of the OPEC Conference

The 120th (Extraordinary) Meeting of the Conference of the Organization of the Petroleum Exporting Countries (OPEC) convened in Vienna, Austria, on June 26,

The incoming and outgoing Secretaries General and the Conference President answer questions at the final press conference. Also pictured are the Director of OPEC's Research Division, Dr Adnan Shihab-Eldin (second right), the Head of OPEC's PR & Information Department Farouk U Muhammed mni (right), and the Head of the Secretary General's Office, Karin Chacin (left).

2002, under the Chairmanship of its President, HE Dr Rilwanu Lukman, Presidential Adviser on Petroleum & Energy of Nigeria and Head of its Delegation.

The Conference extended its deepest condolences to the Government and people of the Islamic Republic of Iran for the terrible loss they have suffered as a consequence of the disastrous earthquake that struck the country last week.

The Conference considered the report of the Ministerial Monitoring Sub-Committee, and thanked the Sub-Committee Members for their continuous endeavours on behalf of the Organization.

Having reviewed the oil market situation as well as supply/demand prospects for the second half of the year, the Conference noted that OPEC reduction measures during 2001 and 2002, supported by similar measures from some non-OPEC producers over the first half of the year, had restored relative market balance, but observed that the relative strength in current market prices is partially a reflection of the prevailing political situation rather than solely the consequence of market fundamentals.

In light of the foregoing, and the doubts regarding the strength of the world economic recovery, coupled with uncertainty as to the modest demand growth for the year and the current comfortable stock levels, the Conference decided to maintain the current agreed production levels until the end of September 2002. Market conditions will, however, continue to be carefully monitored and the Conference reiterated its commitment to take any further measures, when deemed necessary, to maintain market stability.

The Conference repeated its call on other oil producers/exporters to continue to co-operate with OPEC in its endeavours to minimize price volatility and maintain market stability in the interests of producers and consumers.

The Conference expressed its satisfaction at the outcome of the Senior Experts' Working Group of OPEC and invited non-OPEC producers, held on June 20, 2002, the second in an ongoing series of experts' meetings aimed at enhancing effective co-operation between OPEC and non-OPEC producing/exporting countries.

The Conference decided to appoint HE Dr Alvaro Silva Calderón of Venezuela as Secretary General of the Organization with effect from July 1, 2002 until December 31, 2003.

The Conference expressed its deepest appreciation of the services rendered to the Organization by the outgoing Secretary General, HE Dr Alí Rodríguez Araque, and wished him well in his new position of President of Petróleos de Venezuela SA.

The Conference confirmed the date of September 18, 2002 for its 121st (Ordinary) Meeting.

The Conference expressed its appreciation to the Government of the Federal Republic of Austria and the authorities of the City of Vienna for their warm hospitality and the excellent arrangements made for the Meeting.

Nigerian government grants preliminary licences to 18 companies to build private oil refineries as part of efforts to liberalize downstream sector

Abuja — The Nigerian government has granted preliminary licences to 18 private companies to build refineries in the country, according to a statement released last month by the office of the Presidential Adviser on Petroleum and Energy, Dr Rilwanu Lukman.

The 18 successful companies were shortlisted out of a total of 31 applications received for preliminary licences to establish the refineries, said the statement.

It quoted the Assistant Director of Press and Public Relations in the office, Sam Dimka, as saying that the successful companies were expected to meet other requirements within the next two years if their licences were to remain valid.

The successful applicants would now have to submit their basic design package prior to the granting of approval for construction and a licence to operate the plant, Dimka noted.

"It is the belief of the government that on completion of these three stages of approval, a number of privately-owned refineries would emerge, thus guaranteeing stable supply of petroleum products in the country, as well as opening up of job opportunities for qualified Nigerians," he said.

Preliminary approval

Nigeria has four government-owned refineries with a combined capacity to process 445,000 barrels/day of crude oil, but poor maintenance has led to them being plagued with operational problems.

The companies that got preliminary approval include Akwa Ibom Refining and Petrochemicals, Badagry Petroleum Refinery, Clean Waters Refinery, Ilaje Refinery and Petrochemicals, Niger Delta Refinery & Petrochemicals Company and NSP Refineries and Oil Services.

The others are Ode-Aye Refinery, Orient Petroleum Resources, Owena Oil and Gas, Rivgas Petroleum and Energy, Sapale Petroleum, Southland Associates, Southwest Refineries and Petrochemicals Company, Starex Petroleum Refinery, the Chasewood Consortium, Tonwei Refinery, Total Support Refineries and Union Atlantic Petroleum.

Dimka said the licences were granted in furtherance of government's effort to liberalize the downstream sector of the Nigerian petroleum industry.

"The commitment of government to the policy of liberalization remained strong since it received the report of the 43-man special committee on the review of petroleum product supply and distribution," he said.

The committee, he added, recommended liberalization as well as the revamping of the existing downstream facilities as solution to the problems of the sector.

Joint venture refinery

In a related development, a meeting was scheduled to be held last month in the Namibian capital Windhoek between officials from Nigeria, Namibia and South Africa, regarding the establishment of a joint venture oil refinery project in Namibia.

According to a Nigerian National Petroleum Corporation (NNPC) source, the participants were expected to discuss how to secure technical partners to participate in the project.

The source noted that the scheme had received the backing of both Nigerian President Olusegun Obasanjo and his Namibian counterpart Sam Nujoma, following a meeting between the two during a two-day state visit to Namibia by Obasanjo last month.

The Nigerian President told the Namibian Chamber of Commerce and Industry in Windhoek that the refinery venture, which would serve the southern African region, was a worldwide concern with private-sector participation.

Nujoma said at the bilateral talks that his government was ready to host the inaugural meeting of the technical committee, adding that the idea should be encouraged.

In an address to the Namibian business community, Obasanjo said that even though his government took private investment very seriously, the establishment of a private-sector-driven and market-oriented economy did not mean that the government would take a totally hands-off approach to running the economy.

"There are still areas of the economy where the government intervenes because the private sector may not distribute wealth evenly, or eradicate poverty, and that is why the government plays a regulatory role for social justice," the Nigerian President pointed out.

Saudi Arabia pushes ahead with expansion of gas supply system

Abu Dhabi — Saudi Arabia is pushing ahead with the expansion of its gas supply system by constructing some 3,000 km of additional pipeline by 2006, a Saudi Aramco official said last month.

"The expansion of the gas system is underway, which will raise gas production from some 4 billion cubic feet/day to 7bn cu ft/d," Operations Engineer at Saudi Aramco, Fawzi Al Qadheeb, told a conference on oil and gas pipelines in the Middle East in Abu Dhabi.

The expansion of the Kingdom's gas system formed part of the Hawiyah and Haradh gas development programme, which entailed the construction of the Hawiyah gas plant, with a capacity of 1.4bn cu ft/d, to meet the central region's gas demand, he said.

Over 350 km of additional pipeline was constructed to transfer gas to Riyadh in the central region. In addition, the Haradh gas plant was currently under construction to meet increasing gas demand in the western region.

As a result of this upgrade, the capacity of the Master Gas System would also be expanded by over 400 km of new pipeline all the way up to Yanbu in the western region, said Al Qadheeb.

"Saudi Aramco's pipeline system will continue to expand for the foreseeable future and the regulatory and physical environment will become more onerous. Adopting technologies that result in small savings is now expected to result in major savings in the future," he added.

Currently, the hydrocarbons transportation network comprised some 17,000 km

of pipeline that transported gas and condensate, crude oil, natural gas liquids, sales gas, and processed hydrocarbon products.

More than 40 per cent of the pipelines handled crude oil, but in the future, more gas and product pipelines would be constructed to support the expansion of the Kingdom's infrastructure, Al Qadheeb noted.

Venezuela's PDVSA posts $4.33 billion in net income for 2001

Caracas — State oil firm Petroleos de Venezuela (PDVSA) posted net income of $4.33 billion for 2001, based on revenues amounting to some $46.20bn from its worldwide operations, the company announced last month.

PDVSA made the announcement following its first annual ordinary shareholders' meeting, which was attended by the firm's recently-appointed President and outgoing OPEC Secretary General, Dr Alí Rodríguez Araque.

The country's former Energy & Mines Minister and new OPEC Secretary General, Dr Alvaro Silva Calderón, also attended the meeting of shareholders.

PDVSA's performance last year "was strongly influenced by a scenario of weakened hydrocarbons demand and low prices, thus reflecting the ongoing worldwide economic recession, which was further deepened and extended after the terrorist attacks of September 11 against the United States," the firm said.

"These factors impacted negatively on the corporation's worldwide revenues, as well as on net income, which were 86 per cent and 60 per cent, respectively, of the total achieved in the year 2000," it added.

PDVSA said the average price for its crude export basket last year was $20.21/barrel, compared with $25.91/b in 2000.

Its fiscal contribution last year amounted to $7.06bn, which included royalties and income tax. Total contribution for the shareholder was $11.84bn, which included the fiscal contribution and $4.77bn in dividends.

The corporation's capital expenditure rose to $3.82bn, an estimated $694 million higher than in 2000. Of this total, 98 per cent was devoted to oil and gas operations, with the remaining two per cent going to petrochemicals and the power plant fuel, Orimulsion. Companies covered by operational agreements invested $1.49bn, PDVSA said.

In the area of operations, PDVSA said all its activities were undertaken with special regard for health, safety and the environment, obtaining significant reductions in respect to the previous year, in terms of accidents and fatalities.

The company's exploration activity was directed to confirming the prospects of areas with accumulations larger than 500m b of light and medium grade crude.

The drilling of 11 wells was initiated during the period, and reserves were found in three of the seven wells completed during the year.

New proven and probable reserves of 439m b of crude and one trillion cubic feet of gas, the highest level achieved over the past five years, were added in 2001.

The country's crude production capacity stood at 3.99m b/d, of which 3.51m b/d corresponded to PDVSA and the operating agreements, and the remaining 488,000 b/d to strategic associations in the Orinoco oil belt.

Crude processing in Venezuela reached 1.02m b/d, with a net margin of $3.14/b for domestic refineries, the highest obtained in the past 10 years.

Company facilities abroad processed 1.03m b/d of Venezuelan crude, the equivalent of 48 per cent of the country's exports and 85 per cent of heavy crudes exported by PDVSA.

The export of crude and products reached 2.76m b/d, which included the 52,000 b/d corresponding to PDVSA's share in the Orinoco oil belt strategic associations. Hydrocarbons supply to the Venezuelan market was 459,000 b/d.

Regarding the Orinoco oil belt associations, Petrozuata exported the first shipment of upgraded crude in the history of the Venezuelan oil industry and Cerro Negro began to manufacture upgraded crude.

Meanwhile, Sincor initiated early production and the export of diluted crude, and completed the construction of its upgrading facility; while Hamaca obtained international financing for $1.1bn, beginning the development, production and undertaking the first shipments of diluted crude.

The volume of natural gas handled was 3.6bn cu ft/d, of which 1.7bn cu ft/d was used in reservoir injection, and 319m cu ft/d was converted into natural gas liquids, which resulted in total production of 173,000 b/d. Of the total, 33 per cent was exported and 67 per cent used in the local market and in oil operations.

Sales of methane gas averaged 2.1bn cu ft/d, with a maximum peak of 2.3bn cu ft/d. Some 99 per cent of this volume went to the domestic market.

Production of petrochemicals last year stood at 3.7m tonnes, about seven per cent below the total for 2000. This lower volume was compensated by an increase in the marketing of products purchased from third parties, which rose from 1.5m t in 2000, to 2.8m t in 2001.

PDVSA noted that if the production of Pequiven joint ventures were added to the above, then total petrochemical production reached 7.4m t for the year, which was in line with the volumes achieved in 2000.

The production of Orimulsion in 2001 totalled 6.23m t, maintaining the same level as the previous year. Exports of the power plant fuel amounted to 6.17m t.

Coal production, through Carbones del Guasare and Carbones de la Guajira, amounted to 7.57m t, the leader being Carbones del Guasare, with a volume of 6.90m t, a historical record for the company and for national coal production.

Coal exports amounted to 7.63m t, mainly to the United States and Canada (44 per cent), Europe (42 per cent), and Latin America (14 per cent).

Minister says Qatar aims to be world's largest LNG supplier by 2008

Doha — Qatar aims to be the world's largest exporter of liquefied natural gas (LNG) by 2008, by boosting its production capacity of the fuel to 31 million tonnes/year, according to the country's Minister of Energy and Industry, Abdullah Bin Hamad Al Attiyah.

The Minister told a seminar in Doha that Qatar's LNG exports currently stood

at about 12m t/y, but with the contracts signed with Japan, Korea, India, Italy and protocols inked with Spain and Taiwan, exports would exceed 31m t/y in a few years.

"We may possibly reach 40m t/y by 2020," Al Attiyah pointed out, adding that the growth in gas supply from Qatar might exceed growth in other regions.

"By 2010, the export of gas from Qatar is likely to be around 12bn cu ft/d, rising to 16bn cu ft/d in 2020," the Minister went on.

"Furthermore, we are pursuing the gas-to-liquids (GTL) option and we are discussing various efforts that could make Qatar the GTL capital of the world with 300,000–400,000 b/d of liquids produced from about 4bn cu ft/d of gas," he said.

Al Attiyah added that the share of gas in primary energy consumption was not compatible with its reserves and resources worldwide.

Growing concern over environmental issues had forced major consumers to review their energy demand patterns, with greater attention being paid to gas, being a cleaner and friendlier source of energy, especially in power generation.

However, the high cost of liquefaction and transportation, in addition to the required investment in receiving or utilizing the gas — especially in the form of LNG — would not provide the incentive to build more grassroots LNG projects.

The problem of cost in LNG projects and political and economic difficulties in building a long, inter-regional pipeline would restrain the pace of growth in the market, said Al Attiyah.

"This is an issue that needs discussing. Nevertheless, great strides have been made in reducing the costs of liquefaction and transportation," he stressed.

Delivering gas to customers, either in containers or through pipelines crossing many countries was highly capital intensive and hence required a price level that was attractive.

The Minister noted that the current price of $3 per million cubic feet of gas was hardly an incentive for building grassroots projects.

That, he said, was why Qatar had been focusing on incremental production through the addition of new trains to existing LNG projects, so as to reduce capital and operating expenditure and be more competitive.

"We consider the optimum utilisation of our huge gas resources in the North field a cornerstone of our social and economic development," he concluded.

Indonesia sees earnings of $6.95 billion from oil and gas next year

Jakarta — Indonesia expects to earn 69 trillion rupiahs ($6.95 billion) from its oil and gas sector next year, the Head of state oil firm Pertamina, Baihaki Hakim, announced last month.

Oil revenue would amount to 44tr rupiahs from an average of 1.3 million barrels/day, while gas earnings would be about 25tr rupiahs, Baihaki was quoted as saying by local media.

Speaking in the House of Representatives, he projected next year's domestic fuel consumption rising to 61.8 million kilolitres and the fuel subsidy to 21.05tr rupiahs.

Fuel consumption for this year was expected to reach 55m–57m kl, higher than the official estimate of 52.77m kl, set under the 2002 state budget, he noted.

Consumption between January and April had reached 18.3m kl, compared with the official estimate of 17.56m kl for the four-month period, noted Pertamina's Downstream Director, Muchsin Bahar.

He noted that the government and Pertamina were still discussing who would cover the cost of the extra fuel, and warned that Pertamina's financial performance would be weakened if it was asked to pay for the fuel.

Muchsin added that Pertamina was allowed to distribute up to 52.77m kl of fuel this year, for which the government had allocated a subsidy of 30.37tr rupiahs.

The state oil firm paid about 1.0tr rupiahs to produce or import 1.0m kl of fuel, but might end up having to pay an extra 4.3tr rupiahs to cover the additional fuel supplies for this year.

Any extra fuel demand would raise the subsidy, which would affect the state budget, unless Pertamina used its own funds, said Muchsin.

Indonesia's fuel consumption reached

In brief

Spanish utility to buy Omani gas

BRUSSELS — Spanish electricity utility Union Fenosa is to buy between $4bn–6bn worth of natural gas from Oman over a 20-year period, according to industry sources. The utility is seeking supplies of natural gas to run its planned gas-fired power stations and also sell on to its electricity customers. Fenosa's Chief Executive Officer, Honorato Lopez Isla, said the company would buy at least 2.2bn cubic metres/year of gas from Oman. The agreement included a commitment that Fenosa would build a gas liquefaction plant in Oman. This was expected to start running in 2006 when the gas purchases would begin, the sources noted. Fenosa expects to have between 10bn–15bn therms of gas to sell to third parties in 2004.

PetroEcuador's output falls short of target

QUITO — State oil company PetroEcuador is to review its production goal for 2002, with current projections falling short of the target for this year, government sources said last month. They noted that Ecuador would not be able to produce the average for 2002 of 263,000 barrels/day of crude oil that was previously calculated. PetroEcuador technicians were currently studying the decline and looking at the resources available. The sources added that the government had proposed a programme to increase oil production, but this required $1.7 million to implement. At the same time, the state oil company was operating on a deficit of $85m. Meanwhile, the Central Bank of Ecuador has announced that the country's oil exports fell by 34.8 per cent in the first three months of this year, compared with the same period of 2001.

API says gasoline stocks adequate

NEW YORK — In a letter addressed to members of the US Congress, the President of the American Petroleum Institute (API), Red Cavaney, has reported adequate gasoline supplies in the country as the driving season starts. "We have an adequate supply of gasoline as we start the summer driving season. Refiners have produced a record amount of gasoline over the past five months and our gasoline inventories stand five per cent higher than last year at this time," the API President said. "During the past six weeks, retail gasoline prices have stabilized and even declined in some areas," he pointed out. According to figures from the US Department of Energy, Cavaney noted, prices in all major regions of the country were down substantially from a year ago, averaging 29 cents per gallon lower for the country as a whole. The steep rise in gasoline prices during March and April reflected higher crude oil prices.

In brief

Norwegian project set to go ahead

BRUSSELS — Norway's $4.5 billion Snoehvit petroleum project, the largest industrial development in the Arctic region, now looks set to go ahead after the government proposed changes to the tax laws for the scheme. According to industry sources, the project was originally to have been subsidised to the tune of $115 million in tax breaks to the companies involved. This, however, sparked off protests in the European Union and from environmental groups, who said the scheme would damage the area's ecosystem. After much opposition, the project was put on hold in March, when the agency that monitors the European Economic Area treaty questioned the subsidies, which are barred under the terms of the treaty. A senior advisor to the Norwegian Finance Ministry said that the proposed tax changes had been sent to the agency and a decision was expected soon.

TotalFinaElf reports drop in 1Q profit

PARIS — TotalFinaElf of France, the world's fourth largest non-state oil firm, said last month that its first-quarter net profit had fallen by 36 per cent to 1.42 billion euros, compared with 2.21bn euros in the same period last year. The group attributed the poorer results to an 18 per cent drop in average crude oil prices, a sharp fall in European refining margins, and a historic low for petrochemical margins. As a result, group sales declined by 13 per cent to 23.78bn euros from 27.32bn in the first quarter of 2001. Investment levels tapered off in the first three months of the year, reaching 2.11bn euros, as against 2.43bn in the same period of 2001. However, the negative elements affecting the group's performance were slightly offset by a five per cent increase in the value of the dollar versus the euro, TotalFinaElf said.

PetroEcuador seeks partner for new field

QUITO — State oil company PetroEcuador has announced that the Ishpingo oil field in the east of the country could contain as much as 23 per cent of the country's crude oil reserves. Recent studies said that the Ishpingo field could generate about 200,000 barrels/day. Oil exploration experts said that the field, if well managed, has the potential of producing oil above PetroEcuador's current output level, which is put at about 220,000 b/d. PetroEcuador is reported to be looking for a partner to invest $3.8 million in the development of the field. A source at the company said that it would be ready to select a partner by October this year, but before that, an investment bank would have to advise on the criteria for the selection of interested foreign companies.

54.6m kl last year, exceeding the official estimate of 52.7m kl, but Pertamina saved on the cost as the government and the House of Representatives agreed to shoulder the additional fuel subsidy.

Pertamina, which has limited domestic refining capacity, imports about 15 per cent of total national demand for oil products.

Legislator M Husni Thamrin told the House that the additional subsidy would only be provided after receiving results of a survey on this year's domestic fuel consumption by state-owned firm Surveyor Indonesia.

Algerian Minister holds oil and energy talks with Head of IEA

Algiers — Algerian Energy and Mines Minister, Dr Chakib Khelil, has held talks in Paris with the Executive Director of the International Energy Agency (IEA), Robert Priddle, it was officially announced last month.

A statement carried by the Algerian Press Service (APS) said that the two officials discussed the setting up of a permanent secretariat for the International Energy Forum, the last session of which was held in Riyadh, Saudi Arabia, in November 2000.

Khelil stressed that his country was in favour of the creation of such an establishment, which Saudi Arabia has offered to host, as it would help to bring together oil producers and consumers.

The Algerian Minister noted that his discussions with IEA officials had covered other energy issues, including the status of long-term gas contracts between Algeria and Europe.

The two sides also spoke about the oil market situation and progress in the planned gas pipeline project that would link Nigeria's gas fields to Algeria. Khelil underlined the importance of this scheme and the positive impact it would have on Africa and Europe.

The Minister also told APS that Algeria was seeking observer status to the Organization for Economic Co-operation and Development (OECD), noting that he had informed OECD Secretary General, Donald Johnson, of his country's wish in a separate meeting in Paris.

The talks took place on the sidelines of a meeting between the steering committee of the New Partnership for African Development (NEPAD) and OECD officials.

As Algeria's representative to the NEPAD delegation, Khelil pointed out that Africa, in deciding to play a more active role in its own development, intended that aid policies would take into account the priorities defined by the NEPAD plan.

He highlighted the needs of the education and health sectors and the struggle against poverty, which were key areas needed to be addressed for the achievement of balanced and sustainable growth.

UAE economy to grow by about 1.4 per cent despite oil output cut

London — The economy of the United Arab Emirates (UAE) is expected to grow in real terms this year, despite lower oil production and a drop in crude export earnings, according to a report by the London-based Economist Intelligence Unit (EIU).

The country's gross domestic product (GDP) recorded real growth of around 2.9 per cent last year and growth for this year is forecast at around 1.4 per cent, according to the EIU report.

In an earlier forecast, the EIU had put the country's growth at 1.1 per cent this year, but said it had revised up GDP predictions because of an increase in oil prices and higher public spending.

"We have revised upwards our real economic growth forecast for the UAE in 2002, from 1.1 per cent to 1.4 per cent," said the report on the UAE's economic and financial situation.

"This reflects the fact that higher oil prices will ensure that government spending remains strong throughout the year. Furthermore, the combination of higher oil prices and an improving world economy will boost consumer and investor confidence in the domestic and regional markets on which the UAE depends."

The report added that the UAE's oil production would drop to an average 1.97 million barrels/day in 2002 from 2.15m b/d in 2001, as a result of the most recent OPEC output agreement. The country's crude export revenues would be around $15.4 billion this year, down from $17.9bn in 2001.

However, inflation would remain under control, standing at only 1.4 per cent for the year, due to the country's strong currency, as well as its vast overseas assets.

The report added that forecasts for 2003 showed that the UAE's GDP would grow by 3.1 per cent while the current account surplus would fall slightly to around $6.9bn. Oil output and revenues in 2003 would remain at around 1.9m b/d and $15.4bn, respectively.

Iraq resumes exports of its crude oil after one-month suspension

Baghdad — Iraq announced last month that it was resuming crude oil exports following a one-month suspension, according to the Iraqi News Agency (INA).

The suspension of exports was a protest against Israeli incursions into the occupied West Bank and Gaza Strip, reported INA.

An unidentified Iraqi Oil Ministry official was quoted by INA as saying that foreign oil tankers anchored at the country's ports would be loaded with crude oil for export.

The decision to resume oil exports was taken at an Iraqi cabinet meeting, chaired by President Saddam Hussein.

Iraqi Oil Minister, Dr Amer Mohammed Rasheed, said at a recent press conference that the United States would lose some $2.25 billion as a result of the export halt, while Iraq itself would suffer a loss of some $1bn.

Some 60 per cent of Iraq's oil exports, which stand at around 2 million barrels/day, are destined for the US market.

The UN Office of the Iraq Programme (OIP) said last month that following Iraq's decision to resume oil exports, 6.9m b of oil had been lifted from the country, generating 169m euros in revenue.

Since the beginning of the oil-for-food programme in December 1996, some 3bn b of oil have been exported by Iraq through the UN, generating some 53.7bn euros.

The OIP said the programme continues to face a funding shortfall, with 763 humanitarian supply contracts, already approved and worth close to $2bn, awaiting funding.

The oil proceeds are deposited in a UN escrow account, 72 per cent of which goes to the humanitarian programme and 30 per cent goes to the Geneva-based compensation fund.

Iran signs accord with local firm to upgrade two offshore fields

Tehran — Iran's Petroleum Ministry has signed a deal worth $585 million with local firm Petro-Iran to upgrade the Forouzan and Esfandiar oil fields, it was announced last month.

The contract was signed by Iran's Deputy Petroleum Minister, Mehdi Mir-Moezzi and senior officials from Petro-Iran, in the presence of the Minister, Bijan Namdar Zangeneh.

The project will boost the output capacity from both fields to 109,000 barrels/day from the current level of 40,000 b/d, according to the official Islamic Republic News Agency (IRNA).

Mir-Moezzi, who is also Managing Director of the National Iranian Oil Company, said the renovation work on the two fields, which Iran shared with Saudi Arabia, was being carried out in order to boost production, which had declined in recent years, noted IRNA.

The Esfandiar and Forouzan oil fields straddle Iran's sea boundaries with Saudi Arabia's Lulu and Marjan fields, respectively. Iran expects to extract 260 million barrels of crude oil from the two fields over 25 years.

The deal with Petro-Iran is on a buy-back basis, similar to most of Iran's oil and gas contracts with foreign firms, the IRNA report noted.

Mir-Moezzi said the Petroleum Ministry had undertaken to pay back its commitments over five years through selling 60 per cent of the extra output. The Ministry had taken a 51 per cent stake in

In brief

US oil imports increase again — API

NEW YORK — Total US crude and product imports for April stood at 11.56 million barrels/day, about 1m b/d higher than in March, but still 6.1 per cent less than a year ago, the American Petroleum Institute (API) has reported. The Institute's monthly statistical report noted that an average of 860,000 b/d of gasoline was imported during the month, 11 per cent more than a year ago. New technology had boosted Alaskan crude production again, and for the sixth consecutive month, Alaskan output exceeded 1m b/d, showing a 4.3 per cent growth rate versus April 2001. Oil production in the lower 48 states reached nearly 4.9m b/d, about one per cent higher than a year ago. US April gasoline demand, measured by how much of the product is delivered from refineries, terminals and pipelines, was down about 0.7 per cent from a year ago.

IEA sees slow demand recovery

PARIS — Preliminary estimates indicate that world oil production averaged 74.5 million barrels/day in April, a fall of 1.39m b/d from the revised March level, according to the International Energy Agency (IEA) in its latest monthly report. The bulk of the decline came from Iraq, which halted its exports under the United Nations oil-for-food programme on April 8, but resumed them on May 8. The IEA said that oil market fundamentals, including the loss of 40m–50m barrels of Iraqi crude, pointed to a significant future tightening of the markets. This had, to some extent, already been reflected in crude prices, together with a geopolitical risk premium that waxed and waned along with the Middle East conflict, offsetting weak product demand and comfortable inventories.

Worldwide rig activity down in April

NEW YORK — The worldwide rig count for April was 1,597, down by 211 from the 1,808 counted in March and lower by 568 from the 2,165 counted in April 2001, according to industry analysts Baker Hughes. The international rig count (the world except the United States and Canada) for the month was 726, down by eight from the 734 recorded in March and 16 less than the 742 counted in April last year. The international offshore rig count for April was 225, unchanged from March, but six more than the 219 registered in April 2001. The US rig count for last month stood at 750, down by 13 from the 763 counted the previous month and 456 lower than the 1,206 counted in April 2001. The Canadian rig count for April was 121, 190 lower than the 311 in March and down by 96 from the 217 in April last year.

In brief

Norway slashes dependence on oil

BRUSSELS — Norway, which is western Europe's largest oil producer, has drastically cut its dependence on income from North Sea oil, according to Norwegian reports. Latest figures from the country say that Norway's dependence on North Sea oil income has fallen by around 77 per cent over the past eight years. The reports say that only $182 million of oil-derived revenue was spent in 2001, compared with a spend of $8bn in 1993. The studies say the trend is likely to continue as Norway's parliament, known as the Stortinget, has decided that more oil money should be saved in the country's government petroleum fund. The fund, which was set up in 1990, has two main purposes: to smooth out short-term fluctuations in oil revenue, and to act as a buffer against declining revenues in the future by transferring wealth to future generations, according to the Norwegian government.

NYMEX trading sets new records

NEW YORK — April trading activity set records for overall volume for the second consecutive month on the New York Mercantile Exchange (NYMEX) it was announced last month. Through the end of April, exchange-wide activity was up by 34 per cent, compared with the same period a year ago. Markets showing continued strong increases included natural gas options, up by 206 per cent, natural gas futures (93 per cent), crude oil options (77 per cent), silver options (53 per cent), heating oil futures (17 per cent), and crude oil futures (17 per cent). Exchange-wide futures and options volume of 12,531,079 contracts broke the monthly record of 11,761,963 contracts traded the previous month.

TotalFinaElf takes stake in Russian field

PARIS — French oil major TotalFinaElf has announced that it has purchased a 52 per cent stake in one of the fields operated by independent oil firm Anglo-Siberian, a small UK-based company that has operations in Russia. The French company said the agreement would allow TotalFinaElf access to the Vankor field in Siberia, as well as giving the firm an option on the Vankor North field. In the initial operation, TotalFinaElf has acquired 52 per cent of Anglo-Siberian's 59 per cent holding in Vankor and it will thus become operator on the field. Under the option clause, the French giant could take a 60 per cent interest in the Vankor North field, which is currently fully owned by Anglo-Siberian, at a later date. Vankor is located in the Krasnoyarsk province of northern Siberia and extends over 1,625 sq km.

the venture, with the rest held by Petro-Iran.

The company is committed to completing the project within 36 months, once seismological operations and the drilling of appraisal wells are undertaken.

Iran is intending to increase its crude production capability to about 5.0m b/d by 2005, from the current level of around 4.2m b/d.

The county has attracted some $10bn in foreign investment in buy-back deals so far to develop its oil and gas fields.

France's TotalFinaElf celebrates completion of Nigerian project

Abuja — French oil giant TotalFinaElf has completed the first phase of its $1.3 billion Amenam/Kpono offshore project, it was announced last month.

The scheme, expected to add about 125,000 barrels/day of oil to Nigeria's production in 2003, has two drilling and production platforms and staff quarters with a system of interconnecting bridges on the Atlantic ocean site.

Addressing reporters at an inauguration ceremony in Port Harcourt, Project Manager Musa Kida said that the scheme, which took off nine months ago, had witnessed the completion of two structures, including drilling platforms, with their connecting bridges, and life jackets for the staff living quarters.

"One fascinating aspect of this project is that all its facilities were fabricated in Nigeria by Nigerians for Nigeria," he said.

Kida, who expressed satisfaction with the quality and pace of work on the project, executed by Globestar, said the manpower used was 80 per cent indigenous.

The Globestar yard at Warri comprised 25-30 expatriate staff and about 350 Nigerians. It took nine months to fabricate the structures at an average of 6,000 man-hours, he noted.

In a related development last month, TotalFinaElf also announced that it had made a significant oil discovery on Nigeria's deep-water block OPL 222, which it operates through its subsidiary Elf Petroleum Nigeria.

The discovery, made by the Usan-1 exploration well, took place about 100 km offshore in about 750 metres of water. Usan-1 was drilled to a depth of some 2,725 m and flow rates gave initial output of 5,000 b/d of 34° API crude.

The well is the second on the 1,800 sq km licence and follows the Ukot-1 well, which was drilled four years ago about 10 km south of the current location.

Elf Petroleum Nigeria holds a 20 per cent interest in OPL 222 and is part of a partnership that includes Chevron, Esso and Nexen, which signed a production-sharing agreement with the Nigerian National Petroleum Corporation in 1993.

Venezuela's PDVSA announces appointments to several senior posts

Caracas — The board of directors of state oil firm Petróleos de Venezuela (PDVSA) has announced the appointment of several executives to top posts.

The appointments are in its exploration and production unit, as well as at its subsidiaries Bitor, CIED, Interven, Intevep, Pequiven, PDVSA Gas, PDV UK, and its public affairs division.

PDVSA said Luis Vielma Lobo was named Executive Director at the company's exploration and production unit, replacing Karl Mazeika, who was appointed President of Interven, the PDVSA subsidiary in charge of monitoring the corporation's business abroad.

Additionally, Carlos Machado, Ivan Fuenmayor and Marco Rossi were appointed Associate Directors for production, Luis Matheus as General Manager for western production, Richard Aymard as Managing Director for exploration, Carlos Barbieri as Manager for the Deltana platform project, and Felix Rodriguez as President of Petrozuata, a strategic association operating in the Orinoco oil belt.

PDVSA also said that Ignacio Layrisse was appointed to handle the organizational study project for development at the exploration and production unit.

Vicenzo Paglione was named Managing Director of PDV UK, which is PDVSA's commercial intelligence office in London.

At Bitor, PDVSA's unit responsible for

the production and marketing of power plant fuel Orimulsion, Alfredo Riera was named President of the board, while Mauricio Di Girolamo was appointed Managing Director in charge of manufacturing and commercialization of Orimulsion.

Meanwhile, Fernand Puig and Cesar Jimenez were designated as Presidents of PDVSA Gas and Intevep, respectively, while Argenis Rodriguez was named Director of Pequiven, PDVSA's petrochemical unit.

PDVSA also reported that Alejandro Almaral was named Corporate Manager of its public affairs division, replacing Armando Izquierdo, who was named Director at Pequiven.

"In all cases, they are professionals with an ample background in the Venezuelan petroleum industry," the PDVSA statement said.

Kuwaiti firm discovers more light crude oil offshore Australia

Kuwait — The Kuwait Foreign Petroleum Exploration Company (KUFPEC) announced last month that it had discovered commercial quantities of light crude oil off western Australia.

The state-owned company said that it had made an important oil discovery in concession WA-191-P, naming the experimental well as Exeter 2. It described the newly-found crude as light and of good quality but gave no estimated output figures.

Studies were under way regarding further plans for the development of the well, the official Kuwait News Agency (KUNA) reported the KUFPEC statement as saying.

KUFPEC has 33.4 percent stake in the concession, Australia's Santos also owns 33.4 per cent, Japan's Nippon Oil has 25 per cent and another Australian firm, Woodside, has 8.2 per cent.

A subsidiary of the state-owned Kuwait Petroleum Corporation, KUFPEC is responsible for producing oil abroad. It is involved in the production of oil in Australia, China, Egypt, Indonesia, Malaysia, Pakistan, Sudan, Tunisia and Yemen.

Set up in 1981, KUFPEC made a net profit of $86 million in 2001 and has a production capacity of 32,000 barrels/day of oil and gas.

PGS wins contract to survey two oil fields offshore Saudi Arabia

New York — Houston, Texas-based firm Petroleum Geo-Services (PGS) announced last month that it has been awarded a contract to survey two major producing offshore fields in Saudi Arabia.

The two fields are the Zuluf and Abu Sa'fah fields, said PGS in a statement. The terms of the award included an optional one-year contract extension for additional surveys as well as the provision of seismic data processing services by the firm's data processing division.

The survey would cover over 1,000 sq km, using high-resolution two-component and four-component seafloor technology to better characterize the producing reservoirs and identify potential deeper targets, said PGS.

This contract was the latest in a series of complex surveys over producing fields awarded to PGS, the most recent of which was a 1,500 sq km survey over the Zakum field, offshore the United Arab Emirates.

The President of the seafloor seismic division of PGS, Tim Rigsby, commented, "In addition to meeting the geophysical objectives, the Zakum survey was the latest example of our ability to safely acquire seismic data over producing fields.

"PGS operated without a single incident around 210 wellhead towers, three super complexes, three satellite platforms and hundreds of kilometres of untrenched pipelines. This experience will serve us well in the survey over the Zuluf and Abu Sa'fah fields," he added.

New gas pipeline linking Libya and Tunisia to be operational by 2006-07

Algiers — The planned Libya-Tunisia gas pipeline will be operational by 2006-07, according to official Tunisian sources.

In brief

G8 Ministers discuss energy security

NEW YORK — Energy security was the major topic of discussion in a G8 Energy Ministers' meeting in Detroit, Michigan, last month. According to a statement by the co-chairs of the meeting, Canada and the United States, the nations had discussed the key role that energy played in their economies, and how vital it was to economic and social development around the world. "Access to secure, economical, and reliable supplies of energy is a lynchpin of progress. We believe energy security and flexible emergency response are critically important in today's world and agreed to continue close co-operation in enhancing them," said the statement. The countries also stressed that they supported continued efforts to reduce oil price volatility and enhance energy security.

Statoil to sell Danish oil business

OSLO — The Norwegian energy group, Statoil, has announced that it will sell its Danish oil and gas production business to Denmark's state-run Danish Oil and Natural Gas (DONG) for $120 million. The sale of the fields to DONG is conditional on approval by Denmark's competition authorities and includes a 40 per cent stake in the Siri and Stine fields and an 18.8 per cent share of the Lulita fields, with a combined output of 7,000 barrels/day. The transaction will be effective from July 1, 2002. Statoil said the move was part of its plans to focus on its core international areas, which it defined as the Caspian Sea, West Africa, and OPEC Member Venezuela. The Norwegian firm said that it was also looking at possibilities in Iran, as well as non-OPEC Brazil, Mexico, and Russia.

DCs trading more, earning less – UNCTAD

KUALA LUMPUR — While the share of developing countries in world manufacturing exports has been expanding rapidly, their income earned does not appear to share this dynamism, according to the United Nations Conference on Trade and Development (UNCTAD). In its *Trade and Development Report* for 2002, UNCTAD says policy-makers at both domestic and international levels must face up to this challenge if the multilateral trading system is to become more development-friendly. However, the idea that greater participation by developing countries in the world economy through trade will automatically bring equally large income gains needs to be qualified. Manufacturing value-added has consistently exceeded the value of manufacturing trade in developed countries, but the opposite is true for developing countries, the report observes.

In brief

IEA welcomes fresh US energy policy

PARIS — The International Energy Agency (IEA) has said here that it welcomed the United States' renewed approach to its energy policies. "The new emphasis which the Bush administration has given to energy policy is timely and welcome. There are initiatives proposed in the administration's 2001 national energy policy, which are important, both nationally and internationally. A secure energy supply is essential to underpin economic growth," said the IEA's Executive Director, Robert Priddle, in a statement. In its review of the US energy moves, the IEA said the policy was in transition following the release last may of the national energy policy, which provided a broad programme to increase domestic energy production, improve energy infrastructure, efficiency, and stimulate the use of renewables and the enhancement of international co-operation.

UK North Sea oil output falls again

BRUSSELS — Crude oil production in the United Kingdom sector of the North Sea fell for the second successive month in February this year, to 2.25 million barrels/day, according to the latest report from the Royal Bank of Scotland. The one per cent drop from January's production was in line with the general decline in UK oil output seen since 2000. The bank said that in the 12 months to February 2002, average daily production from the UK North Sea had dropped by 7.8 per cent. However, despite the reduced output, British oil revenue from the North Sea rose in February by over $1.4 million per day to $54.5m, due to higher crude oil prices. The bank dismissed fears voiced by major oil companies that the 10 per cent rise in tax on North Sea profits, which was announced in the recent UK budget, would damage future investment in the industry.

Ecuador calls for oil well bids

QUITO — State oil company PetroEcuador is calling for bids for the rehabilitation of 90 shut-in oil wells located in the Amazon fields of Auca, Sacha, Libertador, Lago Agrio, and Shushufindi, according to government sources in the capital Quito. Some 40 companies comprising 10 consortiums will present their offers for the projects by June 5 this year. One month after that date, Petroproduccion, an affiliate of PetroEcuador, will analyze the offers to decide on the bid winners, as well as legalizing contracts. With this programme, oil wells that have been closed since 1985 will start to produce their first barrels in October or November this year, and will be capable of producing around 22,000 barrels/day of crude.

Tunisian Industry Minister, Moncef Ben Abdellah, told reporters last month that negotiations covering the project had been completed.

Ben Abdellah, who was speaking in the capital Tunis on the sidelines of an conference on oil exploration and production, said the final project agreement would be signed shortly by the two countries.

The scheme, which entailed linking the Libyan city of Melita to Gabes in southern Tunisia, a distance of 275 km, would supply Tunisia with about 2 billion cubic metres/year of gas, noted the Minister.

Indonesian regions urged to resolve oil revenue split issue

Jakarta — Indonesian Finance Minister, Boediono, has warned regional administrations that are dissatisfied with the existing oil and gas revenue split with the central government, not to block ongoing operations in their areas, as such action could hurt their economies.

The Minister was reacting to a threat from the Association of Oil and Gas Producing Regencies to block operations in their respective areas, unless the central government revoked a Finance Ministry decree on this year's oil and gas revenue split.

"The blockade would only scare investors away. We must realize that it is the people of the regions who will suffer most," the Minister was quoted as saying by local media.

Boediono called on the regional rulers and administrations to sit down at the negotiating table and resolve any disagreement.

The Association said that oil and gas producing regions were not satisfied with the revenue split formula set under the Finance Ministry decree and had set a June deadline for a change to be made.

According to the intergovernmental fiscal balance law, the regencies were entitled to 15 per cent of the oil revenue and 30 per cent of the gas revenue, leaving the central government with the remaining 85 per cent and 70 per cent shares.

However, of the 15 per cent oil revenue, the law calls for another split of six per cent going to other non-producing regencies and three per cent to provinces, leaving producing regions with six per cent.

Canadian firm Sheer signs deal with Iran to upgrade oil field

Ahwaz, Iran — Canadian firm Sheer Energy has signed a contract with the National Iranian Oil Company (NIOC) for the upgrading of Iran's Masjed-I-Soleyman oil field.

At the signing ceremony, Iran's Deputy Petroleum Minister and NIOC Managing Director, Mehdi Mir-Moezzi, said that the buy-back accord was the fifteenth of its kind since 1997, according to the official Islamic Republic News Agency.

He added that under buy-back accords, the country had increased its production by 600,000 barrels/day of oil and 220 million cubic metres/day of gas, in addition to attracting some $12bn–14bn in foreign investment.

Some 14 Iranian oil enterprises had undertaken to complete the projects in 31 major oil reserves, which, he said, was unprecedented in the 90 years of activity of the Iranian oil industry.

Under to the latest contract, the wells at Masjed-I-Soleyman will produce 20,000 b/d of oil when inaugurated in four years' time, up from the current 4,500 b/d.

The deal is likely to come under scrutiny from the United States, which has threatened sanctions against any foreign firm investing over $20m in the energy sectors of Iran or Libya. US companies are barred from investing in Iran, leaving the field open for European and Asian firms.

So far, the American sanctions threat has been ineffective, as European oil majors have ignored the US Iran/Libya Sanctions Act and committed total investment of billions of dollars since the law was passed in 1996.

Calgary-based Sheer Energy is the second Canadian oil firm to sign a buy-back contract with Tehran after Bow Valley Energy, which is working on the Balal field with France's TotalFinaElf and Italy's ENI.

May[1]

Crude oil price movements

The monthly price of OPEC's Reference Basket[2] finally retreated during May, after registering a sustained rise since the beginning of the year. The loss was very moderate, not even reaching one per cent, with respect to the April monthly average. On a year-on-date basis, the Basket price stood at $24.76/b in May, far below the $26.25/b of May 2001 and the $26.94/b of May 2000. The year-to-date average reveals a huge drop, when compared with the previous year. According to the latest available data at the time of publishing, the year-to-date average for the present year stood at $21.87/b, which was 12 per cent, below that of 2001 (see **Table A**).

The considerable decline in the value of the Basket, combined with a lower output level, has resulted in a substantial loss of revenue for OPEC Member Countries. The Basket made several turns during May, starting with a fall of 82¢/b to average $24.96/b, but then recovered by 77¢/b during the second week to average $25.73/b. The Basket then suffered a considerable setback during the third week, shedding $1.18/b, or almost five per cent, to average $24.55/b. During the fourth week, it continued to lose value; however, the speed of the fall slowed, with the Basket declining by 75¢/b to finish at $23.80/b. Disaggregating the Basket into its seven components, we find a mixed picture, with three crudes ending in positive territory, while the remaining four finished down.

Crude oil prices started the month on a weaker note, reacting to the unfolding of the complicated political situation in the Middle East. Early in the month, tensions in the Middle East eased and, at the same time, Iraq announced that it would resume its crude shipments as of May 8, putting an end to the one-month self-imposed export halt. These developments took a good deal of the speculation already discounted by the markets — the 'war premium' — out of crude prices. The downward adjustment was capped by bullish stock figures in the USA, where crude oil stocks declined considerably and distillates also ended lower. Across the Atlantic, dated Brent prices firmed, as the combined demand of a European major and a trader snapped 16 cargoes from the May programme. The artificially high Brent prices put pressure on North Sea refining margins, enforcing run cuts and making other North Sea grades find alternative outlets.

During the second week, price direction was dictated by market concern over the escalation of the Middle East crisis, falling crude oil stocks in the US mid-continent and a surge in demand for WTI at the delivery point in Cushing, Oklahoma. There were worries that the benchmark price was being artificially inflated by aggressive buying on the part of a European major, which resulted in an increase of around $1/b in the futures market, with first-month WTI reaching $29/b for the first time since September last year. As could be expected, prices corrected themselves sharply towards the end of the week on profit-taking, shedding around 30 per cent of the previous five days' gains. The price rise undermined already weak refining margins in the USA, as well as in Europe, with a subsequent reduction in refinery runs.

The second half of the month saw crude prices dive; nonetheless, the speed of the fall decelerated toward the month-end. Several factors combined to push prices down. On the one hand, weak gasoline prices, which sank on an unexpected stock rise reported by both the American Petroleum Institute and the US Energy Information Administration, triggered a fall in the entire complex and dragged down crude prices. Lower gasoline demand, which had been anticipated to rise during the Memorial Day weekend, and news that Russia would increase oil production in 3Q of the year by 15 per cent with respect to the level of 2Q, enhanced the price weakness. Dated Brent prices also underwent a steep correction, after a European major's buying spree for May cargoes came to an end. The fall in the benchmark crude price and firmer product prices improved refining margins in Europe, inducing some buying by several companies. The fall in dated Brent narrowed

Table A: Monthly average spot quotations of OPEC Reference Basket and selected crudes including differentials *$/b*

	April 02	May 02	Year-to-date average 2001	Year-to-date average 2002
Reference Basket	**24.88**	**24.76**	**24.80**	**21.87**
Arabian Light	24.98	25.33	24.17	22.34
Dubai	24.54	24.77	24.08	21.93
Bonny Light	25.79	25.10	26.29	22.90
Saharan Blend	25.34	24.77	26.63	22.47
Minas	25.78	25.66	26.22	22.42
Tia Juana Light	23.01	22.87	22.20	19.46
Isthmus	24.72	24.80	23.98	21.59
Other crudes				
Brent	25.75	25.31	26.28	22.87
WTI	26.32	27.13	28.48	23.58
Differentials				
WTI/Brent	0.57	1.82	2.20	0.71
Brent/Dubai	1.21	0.54	2.20	0.94

1. *This section is based on the OPEC Monthly Oil Market Report prepared by the Research Division of the Secretariat — published in mid-month and containing up-to-date analysis, additional information, graphs and tables. Researchers and other readers may download the publication in PDF format from our Web site (www.opec.org), provided OPEC is credited as source for any usage.*
2. *An average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.*

considerably the Brent/Dubai spread towards the end of the month, prompting a flow of Brent-linked crudes eastward.

The Basket continued to slide during the first week of June, losing 44¢/b, or two per cent, with respect to the previous week. The price weakness could be attributed to a combination of several factors: an announcement by Russia that it would abandon its agreement with OPEC on export restraint beyond June and evidence that output had begun to increase; a surprising hefty rise in US crude stocks; and reports that OPEC production had increased in May, setting OPEC-10 combined production above the 21.7m b/d agreed output level. The Basket fell by another 2.2 per cent in the second week of June, bringing its average to $22.83/b, a level not seen since mid-March.

US and European markets

Atlantic Basin benchmark crude prices started the month on a weak note, as the Middle East situation appeared to ease. The trend was reversed mid-month, with the front-month WTI futures contract gaining more than $1/b. The rise was, in part, due to heavy WTI buying by a European major at the mid-continent, where supplies were tight and delivery took place. The benchmark rise eroded refining margins, inducing some refiners to reduce runs further. US refinery capacity utilization fell from 93.2 per cent during the first week, according to the API, to 92.5 per cent in the second and just 91.4 per cent in the third. Likewise, refining margins in Europe were undermined by the strength of Brent prices, underpinned by a buying spree for May physical Brent by a major; this major accumulated around 16 cargoes to fill up four VLCCs, with the crude expected to be delivered to the US Strategic Petroleum Reserve. Later in the month, dated Brent prices plummeted, recovering only slightly, as the major's buying spree came to an end.

Far Eastern markets

Sentiment for heavy low-sulphur crudes was firm, on the back of the strength in demand for fuel oil and the absence of Iraq's Kirkuk; however, the narrowing of the Brent/Dubai differential encouraged the flow of West African grades to the region. Light sweet grades weakened, in line with softer naphtha prices. Sentiment for sweet crudes dampened in the second part of the month, on dwindling demand by regional key buyers.

Indonesia's spot purchase of only 600,000 barrels of sweet crude for July delivery was significantly less than the 5.1m b purchased in June, due to the turnaround of its two major refineries. Sentiment for the medium-sour benchmark crude Oman firmed, on expectations of stronger demand, especially by China. Spot-buying by other end-users was expected to materialize, as refinery turnaround programmes neared completion.

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

		March 02	April 02	May 02	Change May/Apr
US Gulf					
Regular gasoline	*(unleaded)*	29.99	33.01[R]	31.37	–1.64
Gasoil	*(0.2%S)*	25.65	27.16[R]	27.05	–0.11
Fuel oil	*(3.0%S)*	18.99	21.93[R]	21.94	+0.01
Rotterdam					
Premium gasoline	*(unleaded)*	25.74	30.14[R]	29.36	–0.78
Gasoil	*(0.2%S)*	25.30	26.53[R]	26.56	+0.03
Fuel oil	*(3.5%S)*	17.92[R]	20.01[R]	21.04	+1.03
Singapore					
Premium gasoline	*(unleaded)*	27.88	30.11[R]	29.73	–0.38
Gasoil	*(0.5%S)*	24.83	27.62[R]	27.83	+0.21
Fuel oil	*(380 cst)*	19.41[R]	21.75[R]	22.99	+1.24

Table C: Refinery operations in selected OECD countries

	Refinery throughput *(m b/d)*			Refinery utilization *(%)*[1]		
	March 02	April 02	May 02	March 02	April 02	May 02
USA	14.34	15.31	15.39	86.6	92.4	92.9
France	1.48[R]	1.53	16.48	78.2[R]	80.8	86.9
Germany	2.25[R]	2.14[R]	2.07	99.6[R]	94.8[R]	91.7
Italy	1.52[R]	1.68[R]	1.60	66.6[R]	73.6[R]	70.1
UK	1.66[R]	1.56[R]	1.52	92.9[R]	87.3[R]	85.1
Eur-16[2]	11.60[R]	11.45[R]	11.45	85.0[R]	83.9[R]	83.8
Japan	4.13	3.91	*na*	86.3	81.6	*na*

1. Refinery capacities used are in barrels per calendar day. *na Not available.*
2. European Union plus Norway. R *Revised since last issue.*
Sources: OPEC Statistics, Argus, Euroilstock Inventory Report/IEA.

Product markets and refinery operations

Although the US driving season started in May, a combination of abundant supply and slow demand caused falling gasoline prices, both domestically and in the rest of the world's markets. As a result, refining margins in the US Gulf lost their edge and turned negative, similar to other centres, thus paving the way for probable discretionary US refinery run cuts (see **Table B**).

US Gulf market

Product prices followed divergent trends in May. Unlike other products, gasoline defied the exceptional strength of WTI's price and declined by a sharp $1.64/b, under pressure from abundant supply. This was linked to healthy pre-summer refinery production, with a couple of refineries fully back on-stream, including the 167,000 b/d Citgo refinery at Lemont in the isolated mid-continent region after a prolonged shut-

down. The other element, which contributed to ample supply, was the prevailing steady import flow. Both segments of supply surged to meet the anticipated rising demand which is usually witnessed during the driving season, with its official start being the long weekend of Memorial Day at the end of May. This expected demand, however, failed to materialize during May, when it even displayed a slightly lower level of 0.23 per cent than in the previous month, according to preliminary moving weekly data from the US Department of Energy. This, coupled with a sustainable, comfortable level of gasoline stocks, put pressure on the price and caused poor refining margins, which in turn, are expected to spur another wave of discretionary refinery run cuts in June — the Valero Company, for instance, announced that it would reduce refinery runs of its 1.5m b/d crude capacity by 23 per cent, slashing gasoline production by 125,000 b/d. A continued fall in distillate demand led to a slight drop in the gasoil price of 11¢/b, with further losses being capped by the rising marker crude price — which also supported the high sulphur fuel oil (HSFO) price, amid a balanced-to-fairly-tightly-supplied market, as a healthy refinery intake for cheaper alternative feedstock, instead of crude oil, helped absorb available supply (see **Table B**).

After a short period of good earnings between March and early April, refining margins extended their losses in May that had begun in the second half of the preceding month. The twin woes of a tumbling gasoline price and a considerable increase in WTI's price constituted the main reasons for refinery profits falling below break-even point.

US refinery throughput crept 80,000 b/d higher to 15.39m b/d in May. The corresponding refinery utilization rate was close to 93 per cent, which was 2.9 percentage points below the previous year's level and was the lowest level witnessed in US refinery runs for seven years, for that period of the year (see **Table C**).

Rotterdam market

In Rotterdam, gasoline and gasoil markets continued to suffer from the prevailing weak European demand, while the fuel oil price surged, largely on persistently tight supply, healthy bunker and refinery intake demand and the continued heavy export programme to the Asian market in May. Gasoline was affected, to a large extent, by the slow-down in transatlantic exports early in the month and the firm closure of the arbitrage window as the month progressed, in tandem with the weak US gasoline market. At the same time, the number of unplanned key refinery outages, including BP's 400,000 b/d Nerefco refinery and Shell's 375,000 b/d Pernis refinery, on top of the planned maintenance of the UK's 205,000 b/d Grangemouth refinery, resulted in tightened regional gasoline supply, and thus prevented the sharp fall in the gasoline price, which was limited to only 78¢/b. Gasoil was marginally up from the previous month's level. HSFO was exceptionally strong, rising by $1.03/b, reflecting a number of supporting factors; one was tight supply, linked to less availability of heavy sour crude, in the wake of OPEC's restrained production and prevailing refinery run-cuts. Another factor was robust bunker demand in North-West Europe and the Mediterranean (see **Table B**).

A slight increase in the price of gasoil, Europe's main refined product, combined with the relative weakness of the Brent price, failed to move Brent's profit margins into positive territory, although it continued to recover for the second consecutive month.

Compared with last month's level, refinery throughput in the Eur-16 countries remained almost steady at 11.45m b/d. The equivalent utilization rate was 83.8 per cent, which was 3.6 percentage points lower than the year-earlier level (see **Table C**).

Singapore market

In Singapore, except for gasoline, product markets were generally shaped by tight supply, particularly of fuel oil and, to a lesser extent, distillates. This reflected continued lower Asian refinery output, due to discretionary run cuts in response to poor margins. The average gasoline price ended 38¢/b lower, undermined by sagging regional demand, together with the fading US West Coast market, which dissipated hope for shipping cargoes there. After its considerable gain last month, backed by the resurgence of regional demand, gasoil rose by only 21¢/b, amid tight supply, but increasing arrivals of cargoes from the Middle East capped upward pressure on the gasoil price. HSFO surged further, by $1.24/b, to reach an 18-month high, on persistently tight supply facing steadily growing demand from China (see **Table B**).

Refining margins fluctuated around break-even point throughout May, but ended in negative territory on a monthly basis. After its peak in February, refinery throughput in Japan declined by 290,000 b/d and a further 220,000 b/d in March and April, respectively, amid slack product demand, with the latter month marking the start of seasonal refinery maintenance (see **Table C**).

The oil futures market

As the month commenced, a high level of crude imports, of 10m b/d, into the USA caused a build of 7.6m b in crude oil stocks, thereby exerting pressure on prices. This pressure increased, as reports of a rise in Russian oil production surfaced and as the ease of tensions in the Middle East was combined with Iraq's announcement of a full return to the market.

However, the trend changed into a fully fledged rally, that started in the second week. This began with the June/July spread showing a noticeable increase, in reaction to dwindling crude stocks in the mid-continent (the delivery point of the Nymex WTI contract). Stocks reached a low of 64m b in PADD 2, after national US crude oil inventories showed a decline of 4.6m b. The price of the front-month (WTI-quoted prices) kept moving in tandem with the June/July spread, rising with the widening of the spread. The reflected tightness in supplies caused prices to move still higher, as oil companies were willing to pay more for nearby shipments, in order to satisfy strong refining runs. Funds and locals decided to ride the wave and push upwards, despite bearish comments from the International Energy Agency's monthly report, which stated that stocks were comfortable and demand weak, resulting in the steepest quarterly drop in OECD consumption in 12 years. WTI reached its peak of $29.36/b in mid-month, a level not seen since September, as the market noted that stocks in the mid-continent had lost 7.5m b in the past month.

The rally lost steam, when sources pointed out that the deep backwardation had been caused by BP. Prices moved $1.21/b lower in one day, especially as

product stocks showed comfortable levels and demand remained underwhelming. The June/July spread was very volatile (75¢–$1.03/b), amid liquid trading, causing outright prices to move with it. Ironically, although Russia announced that it would abandon its export curbs, which caused prices to dip, dip-buying quickly restored prices. Backwardation widened further to $1.13/b, pulling the WTI front-month up with it, since there was tightness in the contract ahead of its expiry, and also due to bullish technical indicators. In the last day of its trading, the June contract lost $1/b, on concern that Venezuela might increase production by 150,000 b/d to alleviate cash problems.

When the front-month changed to July, the backwardation disappeared and was replaced by a contango, under the influence of weak product fundamentals. Gasoline and distillate stocks were both up on last year's levels, by 12.4m b and 21.8m b, respectively. Faced with this outlook, funds started liquidating their long positions. July WTI kept moving lower for the rest of the month, on bearish supply/demand prospects. Russia's plan to boost exports by 15 per cent in 3Q, the likelihood of Norway raising output and the uncertainty regarding increasing Iraqi exports were set against lower demand figures for this time of the year in the USA and confirmed by a build in gasoline stocks. As May ended, Nymex WTI was $24.67/b, about $2/b lower than at the beginning of the month.

The tanker market

OPEC area spot-chartering regained the previous month's losses in May, rising by 2.66m b/d to a monthly average of 13.24m b/d, owing mainly to the return of Iraq's crude oil to the market, although the current level of OPEC's fixtures remained at a deficit of 710,000 b/d, compared with the corresponding period last year. Meanwhile, non-OPEC spot-chartering declined by a further 480,000 b/d to a monthly average of 10.23m b/d, reducing its market share to 43.60 per cent. Therefore, global spot fixtures improved by 2.18m b/d to 23.47m b/d and remained at a surplus of 580,000 b/d, compared with the same month in 2001. The OPEC area's share of global spot-chartering increased remarkably, by 6.71 percentage points to 56.40 per cent, although this level was 4.53 percentage points below the previous year's level. Spot fixtures from the Middle East on the eastbound and westbound long-haul routes edged higher, by 760,000 b/d to 4.74m b/d and by 1.18m b/d to 2.37m b/d, respectively. Consequently, OPEC's Middle East westbound share of total fixtures improved considerably, by 6.67 percentage points to 17.93 per cent, while the share of eastbound chartering worsened by 1.86 percentage points to 35.79 per cent; together, they accounted for 53.73 per cent of total chartering in the OPEC area, which was 4.81 percentage points above the previous month's level. According to preliminary estimates, sailings from the OPEC area declined by 8.28m b/d to a monthly average of 20.49m b/d. Sailings from the Middle East also declined, by 5.65m b/d to a monthly average of 13.45m b/d, and remained at about 66 per cent of total OPEC sailings. However, according to preliminary estimates, arrivals in the US Gulf Coast, the East Coast and the Caribbean continued to increase, rising by 860,000 b/d to a monthly average of 9.28m b/d. Similarly, arrivals in North-West Europe and Euromed increased by 100,000 b/d to 6.32m b/d and by 390,000 b/d to 5.47m b/d, respectively. The estimated oil-at-sea on May 20 was 462m b, which was 43m b above the level observed at the end of last month.

The VLCC market in the Middle East improved remarkably during May, amid sustained fixtures and tighter modern tonnage resulting from the steady scrapping of old tonnage. The market was also supported by the resumption of Iraq's crude oil exports, after a month of suspension, out of the Mina Al-Bakr port in the Middle East and from the Ceyhan port in the Mediterranean. However, the squeeze was related more to tight supply than a surge in demand. VLCC freight rates, therefore, rose steadily during the month, averaging monthly increments of 23 points to Worldscale 53 on the Middle East eastbound route and 16 points to W45 westbound. Meanwhile, on the routes across the Atlantic, despite a significant reduction of the VLCC competition in the region, the Suezmax market slowed down, due to fewer enquiries. The monthly average freight rates for Suezmax cargoes from West Africa and North-West Europe to US destinations declined by six points to W66 and by five points to W67, respectively. Further upward progress was made by Aframax tankers trading along the short-haul routes, as they enjoyed a steady and active market, with new enquiries coming into the market. Hence, freight rates on the route across the Mediterranean rose by nine points to W156, while, from the Mediterranean to North-West Europe, they improved by a further six points to W146. Rates also rose on the route from the Caribbean to the US Gulf Coast, edging three points higher to W157. Freight rates for 70–100,000 dwt tankers on the route from Indonesia to the US West Coast started to recover, increasing by nine points to W91.

Steady activity for larger clean product tankers of 30–50,000 dwt in the Middle East kept the market firm and assisted freight rates along the Middle East Far East route, as they gained four points to register W154. However, along the short-haul route from Singapore to Japan, rates declined by five points to W164, under pressure from excess regional tanker supply. Meanwhile, freight rates for smaller clean tankers heading to the USA moved in the opposite direction; they improved by eight points to W200 along the Caribbean/US Gulf Coast route, while they were depressed by eight points to W199 on the route from North-West Europe to the US East Coast, undermined by weakened arbitrage opportunities. In the Mediterranean, the clean tanker market continued to enjoy the biggest freight rate improvements, as rates surged by 32 points to W212 on the route across the Mediterranean and rose by a further 18 points to W222 on the route from the Mediterranean to North-West Europe, on higher fixtures in both regions.

World oil demand

Estimate for 2001

World

Minor upward revisions have been applied to all quarterly estimates. Consumption for 2001 is now estimated to average 75.94m b/d, marginally higher than the 75.85m b/d reported in the previous report and incorporating a rise of as little as 122,000 b/d, compared with that of 2000. On a

regional basis, demand is estimated to have decreased by 115,000 b/d in the OECD. However, the developing countries and former CPEs ('other regions') have experienced increases in consumption of 66,000 b/d and 171,000 b/d, respectively.

On a quarterly basis, compared with the year-earlier figure, world 1Q demand grew by 1.03 per cent, or 783,000 b/d, to average 76.69m b/d. 2Q demand also rose, by 0.99 per cent, or 735,000 b/d, to average 74.79m b/d. Due to recession, economic slowdown and significant drops in aviation fuel consumption in several countries, however, 3Q and 4Q witnessed substantial declines. 3Q01 demand is now estimated at 75.72m b/d, about 456,000 b/d, or 0.60 per cent, less than that of 3Q00. Likewise, 4Q demand is estimated at 76.55m b/d, nearly 553,000 b/d, or 0.72 per cent, less than that of 2000.

OECD

OECD product deliveries posted a decline of 115,000 b/d, or 0.24 per cent, to average 47.73m b/d in 2001, in contrast to a 0.3 per cent rise in the year 2000. This overall drop was the result of a 189,000 b/d decline, 155,000 b/d rise and a 82,000 b/d decline in North America, Western Europe and OECD Pacific, respectively. The considerable declines in 3Q and, especially, 4Q surpassed the substantial rise in 1Q and were responsible for the drop in average 2001 demand in the OECD. In addition to the economic slowdown in the OECD Pacific, reduced aviation fuel consumption, especially in the USA, contributed to the overall lower demand in the region.

Developing countries

Developing countries' demand experienced a minor rise of 66,000 b/d, or 0.35 per cent, to average 18.86m b/d for the year. Of the four regions within the group, only Latin American demand demonstrated a significant decline, of 109,000 b/d, or 2.31 per cent. This was totally offset by a similar rise in Middle East consumption. Minor increases in consumption in Asia and Africa, therefore, contributed to the overall demand rise in the group.

Other regions

In the former CPEs, minor changes in consumption in opposite directions in China and 'other Europe' offset each other. However, an exceptionally high rise of 171,000 b/d, or 4.53 per cent, in the FSU's apparent demand contributed solely to the significant regional demand growth of 1.86 per cent in 2001. In the FSU, all four quarters saw healthy growth. 1Q demand grew by 7.01 per cent, or 259,000 b/d, compared with the year-earlier figure. There was a rise of 2.92 per cent, or 107,000 b/d, in 2Q. Estimates also indicate a significant increase of 5.60 per cent, or 197,000 b/d, in apparent consumption in 3Q, coupled with another considerable rise of 2.86 per cent, or 120,000 b/d, in 4Q. It is important to note that oil production grew steadily at a much higher rate, 620,000 b/d compared with 171,000 b/d, throughout 2001. As a result, net exports in 2001 spiked at 449,000 b/d, or 10.84 per cent. According to the latest assessments, a substantial rise in 2Q Chinese apparent consumption was mostly offset by declines in all other quarters, resulting in a mere 18,000 b/d, or 0.39 per cent, rise in the annual average.

Forecast for 2002

All four quarterly averages have been adjusted since the last report, with 1Q figure undergoing a minor downward revision and that of 4Q being revised up significantly; this has resulted in the average 2002 world demand forecast at 76.34m b/d, compared with the previous figure of 76.24m b/d. The average yearly increment has also been revised up slightly and now stands at 401,000 b/d, or 0.53 per cent, compared with the 390,000 b/d, equivalent to 0.51 per cent, mentioned in the previous report.

All three regions are expected to register demand growth in 2002. That of the OECD — 95,000 b/d, or 0.20 per cent — is the smallest, in both volume and percentage terms. Demand in the developing countries is forecast to rise by the highest volume, 182,000 b/d, or 0.96 per cent. The former CPEs are expected to experience the highest percentage growth, 1.33 per cent, equivalent to 125,000 b/d.

The figures indicate that there has been a 546,000 b/d drop in 1Q. Based on preliminary estimates of actual 1Q consumption, the OECD was solely responsible, with a substantial 963,000 b/d decline, partly offset by rises of 100,000 b/d and 317,000 b/d for the developing countries and former CPEs. However, a mild recovery of 171,000 b/d is expected in 2Q. Growth is forecast to continue at a much higher and increasing pace in 3Q and 4Q, when world demand is forecast to rise by 725,000 b/d, or 0.96 per cent, and 1.232m b/d, or 1.61 per cent, respectively.

World oil supply

Non-OPEC

Figures for 2001

The 2001 non-OPEC supply figure has been revised up by 40,000 b/d to 46.54m b/d, and the quarterly distribution figures by 20,000 b/d to 46.20m b/d, by 40,000 b/d to 46.00m b/d, by 20,000 b/d to 46.58m b/d and by 80,000 b/d to 47.39m b/d, respectively, compared with the last report's figures. The yearly average increase is estimated at 800,000 b/d, compared with the upward revised 2000 figure.

Expectations for 2002

Our 2002 non-OPEC supply forecast has been revised down by around 10,000 b/d since the last report; it now shows an increase of around 1.28m b/d, compared with the estimated figure for 2001. The 2002 quarterly distribution is estimated at 47.65m b/d, 47.64m b/d, 47.65m b/d and 48.35m b/d, respectively, resulting in a yearly average of around 47.82m b/d.

The FSU's net oil export estimates for 2000 and 2001 remain unchanged at 4.14m b/d and 4.59m b/d, respectively, compared with the last report. The forecast for 2002 has been revised up by 90,000 b/d to 5.29m b/d (see **Table D**).

OPEC natural gas liquids

The OPEC NGL figures for 1998–2000 remain unchanged at 3.01m b/d, 3.07m b/d and 3.23m b/d, respectively, compared with the last report's figures. However, the 2001 figure has been revised up by 130,000 b/d to 3.37m b/d, according to recent data received from some Member Countries. The forecast for 2002 has also been revised up by the same amount, to 3.39m b/d.

OPEC NGL production — 1998–2002

	m b/d
1998	**3.01**
1999	**3.07**
2000	**3.23**

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

	1Q	2Q	3Q	4Q	Year
1998	2.77	3.02	3.18	3.20	3.04
1999	3.12	3.62	3.52	3.49	3.44
2000	3.97	4.13	4.47	4.01	4.14
2001[1]	4.30	4.71	4.89	4.47	4.59
2002[2]	5.00	5.44	5.47	5.24	5.29

1. Estimate.
2. Forecast.

1Q01	3.37
2Q01	3.37
3Q01	3.37
4Q01	3.37
2001	**3.37**
Change 2001/2000	0.14
2002	**3.39**
Change 2002/2001	0.02

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

	2000	4Q01	2001	1Q02	Apr 02*	May 02*	May 02/ Apr 02
Algeria	808	810	820	794	802	829	28
Indonesia	1,278	1,175	1,214	1,138	1,151	1,130	–21
IR Iran	3,671	3,481	3,665	3,352	3,359	3,353	–6
Iraq	2,552	2,556	2,383	2,386	1,193	1,718	525
Kuwait	2,101	1,949	2,032	1,848	1,862	1,878	16
SP Libyan AJ	1,405	1,308	1,361	1,274	1,296	1,310	14
Nigeria	2,031	2,113	2,097	1,963	1,951	1,917	–34
Qatar	698	634	683	605	619	638	19
Saudi Arabia	8,273	7,571	7,946	7,230	7,378	7,398	20
UAE	2,251	2,034	2,163	1,967	1,972	1,954	–17
Venezuela	2,897	2,703	2,831	2,564	2,466	2,670	205
Total OPEC	**27,965**	**26,334**	**27,194**	**25,122**	**24,048**	**24,796**	**748**

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

OPEC crude oil production

Available secondary sources indicate that, in May, OPEC output was 24.80m b/d, which was 750,000 b/d higher than the revised April level of 24.05m b/d. **Table E** shows OPEC production, as reported by selected secondary sources.

Rig count

Non-OPEC

May witnessed an increase in rig activity. In North America, the major contributor, the number of rigs rose by 69, compared with the April figure. In the USA, the rig count increased by 76 to reach 826, compared with 750 in April. Meanwhile, Canada witnessed another drop, of seven rigs to 114, compared with 121 last month.

OPEC

OPEC's rig count increased by two to 231 in May, compared with the April figure. No major changes occurred in OPEC's rig activity, compared with last month's figures.

Stock movements

USA

US commercial onland oil stocks displayed a further moderate seasonal build in May, increasing by 18.1m b, or a rate of 650,000 b/d, to 1,024.8m b. Most of the build occurred with 'other oils', which rose by 8.1m b to 190.1m b, followed by distillates, which increased by 6.0m b to 127.5m b, or about 20m b above the year-ago level. Lower demand, together with higher output, continued to drive distillates further up. Crude oil also contributed to this build, rising by 4.9m b to 324.9m b, due mainly to cut-backs in refinery runs, because of poor profit margins.

Additional marginal builds came from gasoline and jet kerosene, which moved up by 1.8m b to 215.9m b and by 700,000 b to 41.0m b, respectively. Stagnant demand and a relative increase in imports, particularly gasoline, were behind this build. The exception was fuel oil, which declined marginally, by 300,000 b to 35.0m b, on the back of higher demand, as arbitrage opportunities to the Far East market emerged, combined with relatively tight supply. Total oil stocks were about two per cent higher than the year-earlier level.

During the first week, which ended on June 7, oil stocks in the USA continued to show a further rise, mainly due to a persistent build in distillates, on slower demand, and the low natural gas price, which encouraged industrial consumers to switch away from diesel fuel.

The 'royalty-in-kind' programme remained the main factor behind the continued increase in the US Strategic Petroleum Reserve (SPR), which rose by a further 3.9m b to 570.7m b at the end of May (see **Table F**).

Western Europe

Commercial onland oil stocks in Eur-16 remained almost unchanged during May. They moved down by a marginal 200,000 b, or a rate of 10,000 b/d, to stand at 1,076.2m b. A draw of 6.2m b to 437.5m b on crude oil, due to increasing exports to the US market, was mostly balanced by a build of 6.0m b to 638.7m b in total major products, where middle distillates led the build, rising by 4.8m b to 345.8m b, on the back of higher Russian gasoil exports.

Gasoline rose by 2.1m b to 157.2m b, due to weaker demand and despite lower refinery runs. Fuel oil moved up slightly, by 1.3m b to 112.5m b, on flows of Russian cargoes. Naphtha, however, behaved in a contrasting way to the other major products, decreasing by 2.2m b to 23.3m b. Total oil stocks were 13.9m b, or about one per cent, higher than the year-ago level (see **Table G**).

Japan

In April, commercial onland oil stocks stayed nearly at the previous month's level, showing a minor rise of 100,000 b to 171.0m b. Crude oil declined marginally, by 600,000 b to 106.2m b, due to a slight increase in refinery runs, because of the improved margins.

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

	Mar 29, 02	May 3, 02	May 31, 02	May/Apr	Change May 31, 01	June 7, 02[2]
Crude oil (excl SPR)	**325.1**	**320.0**	**324.9**	**4.9**	**325.6**	**323.5**
Gasoline	211.5	214.1	215.9	1.8	211.9	214.4
Distillate fuel	119.7	121.5	127.5	6.0	107.4	129.2
Residual fuel oil	34.6	35.3	35.0	–0.3	42.3	35.2
Jet fuel	41.0	40.3	41.0	0.7	42.2	40.7
Unfinished oils	93.6	93.5	90.4	–3.1	96.5	90.9
Other oils	171.1	182.0	190.1	8.1	182.3	192.7
Total	**996.6**	**1,006.7**	**1,024.8**	**18.1**	**1,008.2**	**1,026.6**
SPR	560.9	566.8	570.7	3.9	543.2	571.9

1. At end of month, unless otherwise stated. 2. Latest available data at time of publication. Source: US/DoE-EIA.

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

	Dec 01	Mar 02	Apr 02	May 02	Change May/Apr	May 01
Crude oil	**436.0**	**440.9**	**443.7**	**437.5**	**–6.2**	**439.6**
Mogas	151.8	156.5	155.0	157.2	2.1	143.7
Naphtha	26.4	24.2	25.5	23.3	–2.2	24.6
Middle distillates	331.2	340.9	341.0	345.8	4.8	329.1
Fuel oils	119.1	111.7	111.2	112.5	1.3	125.2
Total products	**628.5**	**633.3**	**632.7**	**638.7**	**6.0**	**622.7**
Overall total	**1,064.5**	**1,074.2**	**1,076.4**	**1,076.2**	**–0.2**	**1,062.3**

1. At end of month, and includes Eur-16. Source: Argus Euroilstocks.

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

	Sep 01	Dec 01	Mar 02	Apr 02	Change Apr/Mar	Apr 01
Crude oil	**118.0**	**113.4**	**106.8**	**106.2**	**–0.6**	**118.5**
Gasoline	13.8	12.3	15.8	15.3	–0.5	15.1
Middle distillates	45.7	37.8	29.5	29.6	0.1	34.0
Residual fuel oil	19.9	18.5	18.7	20.0	1.3	21.1
Total products	**79.5**	**68.6**	**64.0**	**64.9**	**0.9**	**70.2**
Overall total[2]	**197.5**	**182.0**	**170.9**	**171.0**	**0.1**	**188.7**

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

Gasoline also displayed a marginal draw, of 500,000 b to 15.3m b, due to relatively healthy demand, combined with reduced output. Residual fuel rose by 1.3m b to 20.0m b, keeping total oil stocks almost unchanged, compared with the previous month. Year-to-year figures worsened by another one per cent, to stay nine per cent below last year's figure (see **Table H**).

Balance of supply/demand

For 2001, both world oil demand and non-OPEC oil supply have been revised up, by 80,000 b/d to 75.94m b/d and by 170,000 b/d to 49.92m b/d, respectively, compared with the last report's figures. The yearly average difference now stands at 26.02m b/d, with quarterly distributions of 27.13m b/d, 25.42m b/d, 25.77m b/d and 25.79m b/d, respectively.

The quarterly distribution for the balance has been revised up by 90,000 b/d to 970,000 b/d, by 100,000 b/d to 1.69, by 80,000 b/d to 1.48m b/d and by 50,000 b/d to 550,000 b/d, respectively, leaving an annual average balance estimated at 1.17m b/d, which is 80,000 b/d higher than last month. The 2000 balance remains unchanged at 1.11m b/d. Note that the non-OPEC supply figure for 2001 includes the 130,000 b/d upward revision to OPEC NGLs.

For 2002, **Table I** shows an upward revision to the world oil demand forecast of 100,000 b/d to 76.34m b/d. Total non-OPEC supply has been revised up by 120,000 b/d to 51.21m b/d, resulting in an expected annual difference of around 25.12m b/d, down by 30,000 b/d, compared with last month's figure, with a quarterly distribution of 25.11m b/d, 23.93m b/d, 25.41m b/d and 26.04m b/d, respectively. The balance estimated for 1Q has been revised up by 80,000 b/d to 10,000 b/d. Note that the non-OPEC supply figure for 2002 also includes a 130,000 b/d upward revision to OPEC NGLs.

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

	1998	1999	2000	1Q01	2Q01	3Q01	4Q01	2001	1Q02	2Q02	3Q02	4Q02	2002
World demand													
OECD	46.8	47.7	47.8	48.9	46.5	47.5	48.0	47.7	47.9	46.6	47.9	48.8	47.8
North America	23.1	23.8	24.1	24.2	23.8	24.0	23.7	23.9	23.6	24.1	24.4	24.1	24.0
Western Europe	15.3	15.2	15.1	15.2	14.8	15.5	15.5	15.2	15.2	14.6	15.3	15.7	15.2
Pacific	8.4	8.7	8.7	9.4	8.0	8.1	8.8	8.6	9.1	7.9	8.2	9.0	8.6
Developing countries	18.2	18.6	18.8	18.7	18.8	19.1	18.9	18.9	18.8	18.9	19.2	19.2	19.0
FSU	4.3	4.0	3.8	4.0	3.8	3.7	4.3	3.9	3.9	3.6	3.8	4.2	3.9
Other Europe	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7
China	3.8	4.2	4.7	4.4	5.0	4.7	4.6	4.7	4.8	5.1	4.8	4.7	4.8
(a) Total world demand	**73.8**	**75.2**	**75.8**	**76.7**	**74.8**	**75.7**	**76.5**	**75.9**	**76.1**	**75.0**	**76.4**	**77.8**	**76.3**
Non-OPEC supply													
OECD	21.8	21.3	21.8	21.8	21.6	21.8	22.3	21.9	22.1	21.9	21.7	22.0	21.9
North America	14.5	14.1	14.2	14.2	14.3	14.5	14.6	14.4	14.6	14.5	14.5	14.5	14.5
Western Europe	6.6	6.6	6.7	6.8	6.5	6.6	6.9	6.7	6.7	6.7	6.5	6.8	6.7
Pacific	0.7	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.7	0.7	0.7	0.7
Developing countries	10.5	10.8	11.0	11.0	10.8	11.0	11.1	11.0	11.4	11.4	11.4	11.5	11.4
FSU	7.3	7.5	7.9	8.3	8.5	8.6	8.8	8.5	8.9	9.1	9.3	9.5	9.2
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.2	3.2	3.3	3.3	3.3	3.3	3.3	3.4	3.4	3.4	3.5	3.4
Processing gains	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Total non-OPEC supply	44.5	44.6	45.7	46.2	46.0	46.6	47.4	46.5	47.7	47.6	47.6	48.4	47.8
OPEC NGLs	3.0	3.1	3.2	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
(b) Total non-OPEC supply and OPEC NGLs	**47.5**	**47.6**	**49.0**	**49.6**	**49.4**	**49.9**	**50.8**	**49.9**	**51.0**	**51.0**	**51.0**	**51.7**	**51.2**
OPEC crude oil production[1]	27.8	26.5	28.0	28.1	27.1	27.3	26.3	27.2	25.1				
Total supply	75.3	74.2	76.9	77.7	76.5	77.2	77.1	77.1	76.2				
Balance[2]	1.5	–1.1	1.1	1.0	1.7	1.5	0.5	1.2	0.0				
Closing stock level (outside FCPEs) *m b*													
OECD onland commercial	2698	2446	2529	2522	2595	2660	2628	2628	2600				
OECD SPR	1249	1228	1210	1210	1207	1205	1222	1222	1237				
OECD total	3947	3674	3740	3732	3802	3865	3850	3850	3838				
Other onland	1056	983	1000	998	1017	1034	1030	1030	1026				
Oil on water	859	808	876	913	833	868	844	844	837				
Total stock	5861	5465	5616	5643	5652	5767	5723	5723	5701				
Days of forward consumption in OECD													
Commercial onland stocks	57	51	53	54	55	55	55	55	56				
SPR	26	26	25	26	25	25	25	26	27				
Total	83	77	78	80	80	81	80	81	82				
Memo items													
FSU net exports	3.0	3.4	4.1	4.3	4.7	4.9	4.5	4.6	5.0	5.4	5.5	5.2	5.3
[(a) — (b)]	26.3	27.6	26.8	27.1	25.4	25.8	25.8	26.0	25.1	23.9	25.4	26.0	25.1

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

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

Table I *above, prepared by the Secretariat's Energy Studies Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables One*** *and* ***Two*** *on page 33, while* ***Graphs One and Two*** *(on pages 32 and 34) show the evolution on a weekly basis.* ***Tables Three to Eight,*** *and the corresponding graphs on pages 35–40, show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*

Graph 1:
Evolution of spot prices for selected OPEC crudes
February to May 2002

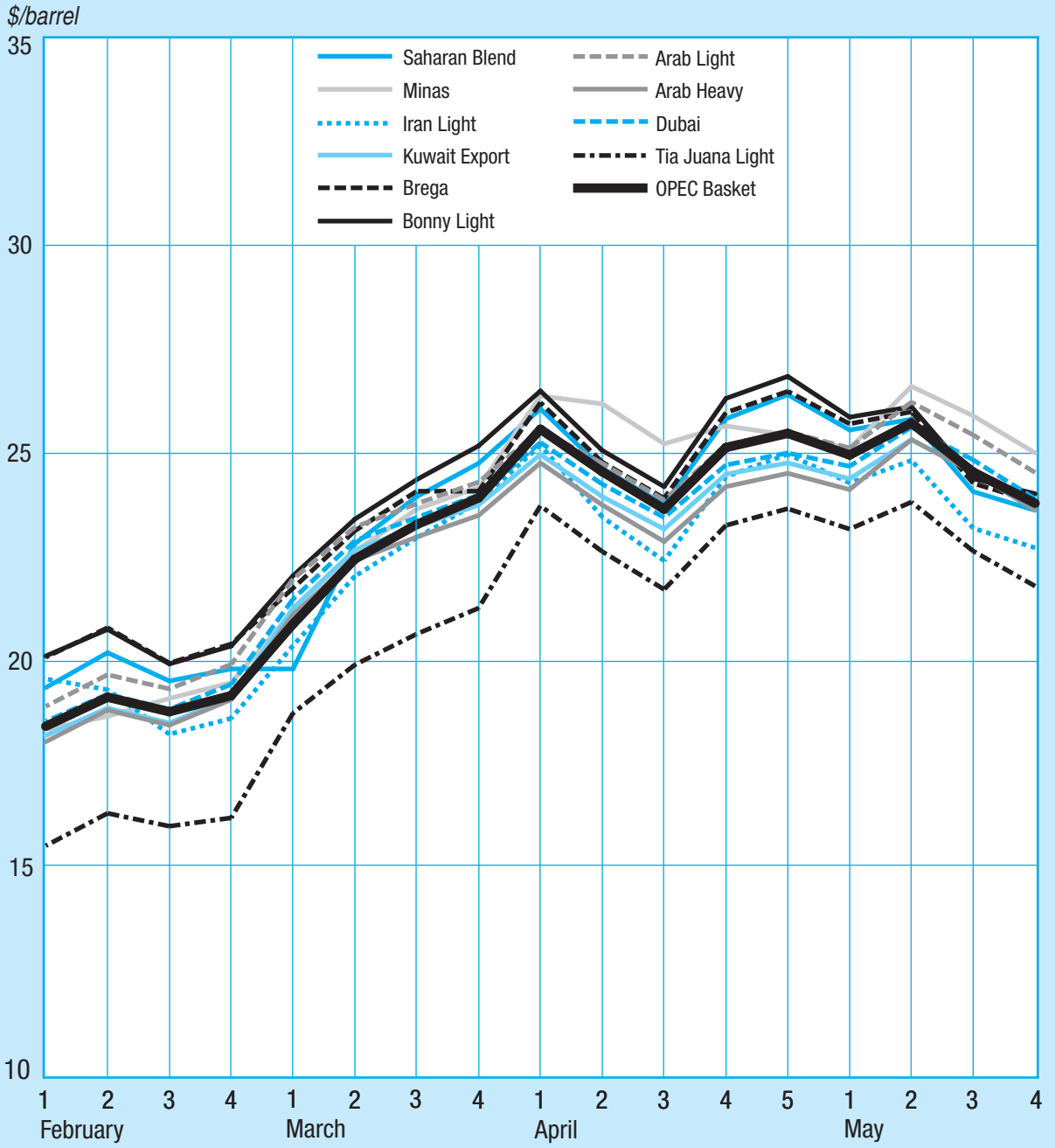


Table 1: OPEC spot crude oil prices, 2001–2002

($/b)

Member Country/ type of crude *(API°)*	2001 May 5Wav	June 4Wav	July 5Wav	Aug 4Wav	Sept 4Wav	Oct 5Wav	Nov 4Wav	Dec 4Wav	2002 Jan 5Wav	Feb 4Wav	Mar 4Wav	Apr 5Wav	1W	2W	May 3W	4W	4Wav
Algeria																	
Saharan Blend *(44.1)*	28.47	28.16	24.82	25.96	26.13	20.65	19.00	19.08	19.64	19.73	22.84	25.34	25.56	25.82	24.08	23.63	24.77
Indonesia																	
Minas *(33.9)*	28.21	27.86	25.32	24.82	24.59	19.53	18.29	17.64	18.88	18.91	22.92	25.78	25.12	26.61	25.90	25.01	25.66
IR Iran																	
Light *(33.9)*	25.58	25.80	23.78	24.68	24.54	20.04	17.64	17.69	18.95	18.95	22.31	24.10	24.29	24.83	23.20	22.73	23.76
Iraq																	
Kirkuk *(36.1)*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kuwait																	
Export *(31.4)*	24.03	24.25	22.47	23.13	22.99	18.49	16.09	16.14	18.11	18.69	22.74	24.28	24.39	25.33	24.54	23.64	24.48
SP Libyan AJ																	
Brega *(40.4)*	28.85	28.18	24.96	25.73	25.91	20.62	19.00	18.81	19.71	20.32	23.00	25.48	25.71	26.00	24.28	23.83	24.96
Nigeria																	
Bonny Light *(36.7)*	28.51	28.06	24.81	25.41	25.98	20.60	18.92	18.78	19.65	20.30	23.76	25.79	25.87	26.12	24.39	24.03	25.10
Saudi Arabia																	
Light *(34.2)*	25.77	26.17	24.03	24.92	24.73	20.16	17.82	17.99	18.83	19.47	23.33	24.98	25.13	26.23	25.44	24.54	25.33
Heavy *(28.0)*	24.60	24.88	22.61	23.77	23.63	19.36	17.00	17.21	18.00	18.61	22.51	24.02	24.13	25.33	24.54	23.64	24.41
UAE																	
Dubai *(32.5)*	25.40	25.86	23.45	24.70	24.37	19.93	17.62	17.60	18.54	19.02	22.97	24.54	24.69	25.63	24.84	23.91	24.77
Venezuela																	
Tia Juana Light[1] *(32.4)*	22.77	22.30	20.55	21.54	20.72	17.66	15.28	14.89	15.37	16.05	20.15	23.01	23.18	23.83	22.65	21.81	22.87
OPEC Basket[2]	**26.25**	**26.10**	**23.73**	**24.46**	**24.29**	**19.64**	**17.65**	**17.53**	**18.33**	**18.89**	**22.64**	**24.88**	**24.96**	**25.73**	**24.55**	**23.80**	**24.76**

Table 2: Selected non-OPEC spot crude oil prices, 2001–2002

($/b)

Country/ type of crude *(API°)*	2001 May 5Wav	June 4Wav	July 5Wav	Aug 4Wav	Sept 4Wav	Oct 5Wav	Nov 4Wav	Dec 4Wav	2002 Jan 5Wav	Feb 4Wav	Mar 4Wav	April 5Wav	1W	2W	May 3W	4W	4Wav
Gulf Area																	
Oman Blend *(34.0)*	25.55	25.53	23.61	24.44	24.49	19.93	17.67	17.87	18.54	19.06	23.02	24.62	24.78	25.72	24.93	24.06	24.87
Mediterranean																	
Suez Mix *(Egypt, 33.0)*	24.56	23.83	21.37	22.48	23.11	17.75	16.09	16.68	16.74	17.11	20.38	23.26	23.27	23.59	21.96	21.45	22.57
North Sea																	
Brent *(UK, 38.0)*	28.35	27.96	24.66	25.78	25.84	20.54	18.80	18.58	19.48	20.22	23.73	25.75	26.06	26.35	24.63	24.18	25.31
Ekofisk *(Norway, 43.0)*	28.45	27.59	24.55	25.70	25.73	20.35	18.70	18.51	19.35	19.88	23.35	25.07	25.35	25.92	24.29	23.91	24.87
Latin America																	
Isthmus *(Mexico, 32.8)*	24.62	24.25	22.67	23.86	23.49	18.94	16.61	16.73	17.42	18.74	22.54	24.72	25.14	25.85	24.57	23.65	24.80
North America																	
WTI *(US, 40.0)*	28.60	27.67	26.53	27.41	26.40	22.20	19.49	19.40	19.71	20.67	24.35	26.32	27.01	28.46	27.40	25.63	27.13
Others																	
Urals *(Russia, 36.1)*	26.46	25.60	23.08	24.46	25.05	19.80	17.83	18.37	18.58	18.95	22.47	24.12	24.57	25.06	23.36	22.91	23.98

1. *Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*
2. ***OPEC Basket**: an average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.*

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

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

Graph 2:
Evolution of spot prices for selected non-OPEC crudes
February to May 2002

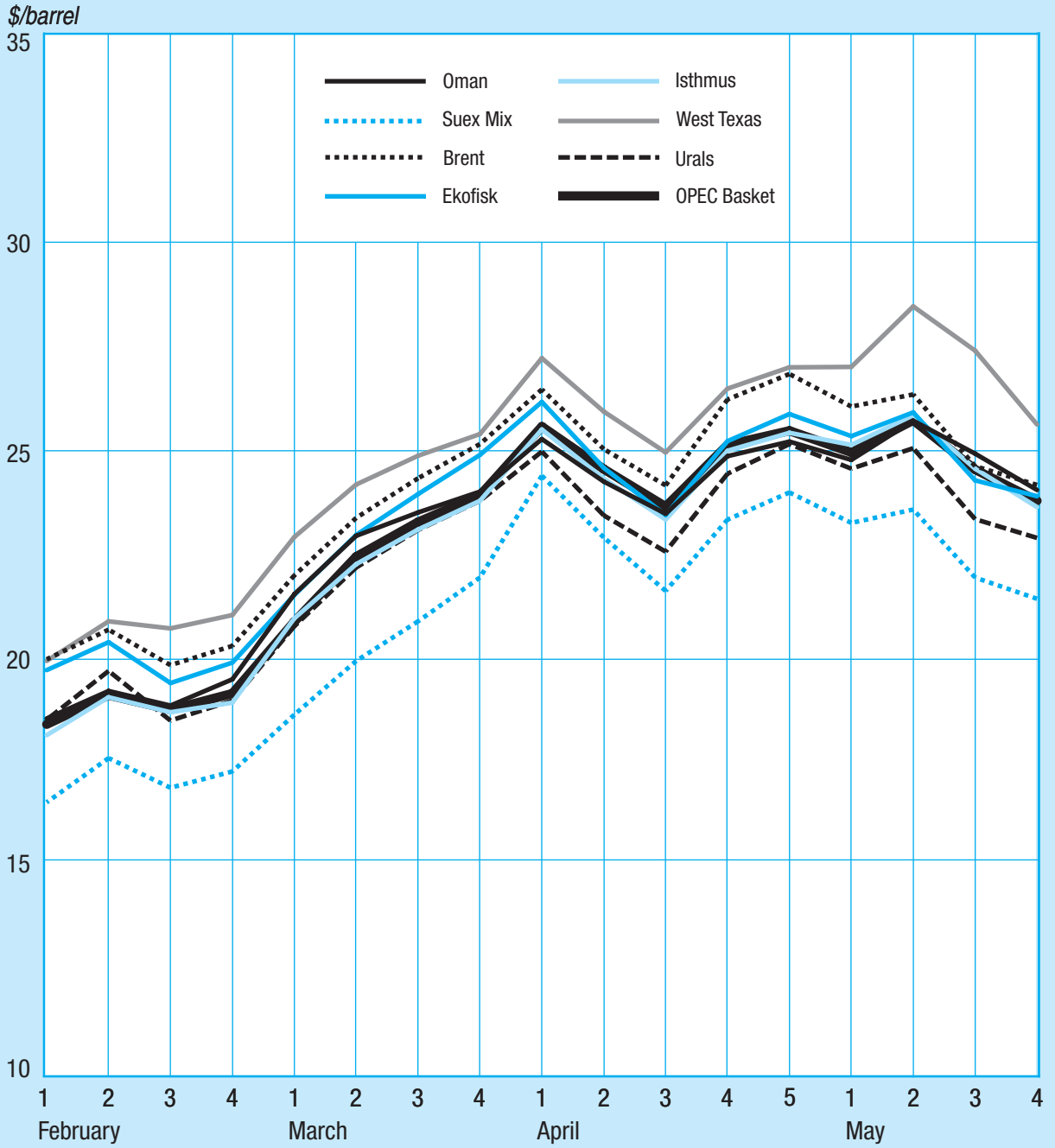


Table 3: North European market — bulk barges, fob Rotterdam *($/b)*

2000	naphtha	regular gas unleaded 87	premium gas unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
May	28.39	37.01	38.99	29.87	32.07	20.02	18.70
June	30.41	40.57	44.28	31.40	34.40	23.79	21.23
July	29.89	36.51	37.67	33.02	36.07	24.13	19.79
August	29.79	34.82	36.20	36.46	38.69	21.47	19.69
September	33.28	36.87	37.70	42.09	43.84	24.29	23.04
October	33.15	34.72	35.28	40.06	43.64	27.06	23.82
November	32.51	32.72	33.46	40.68	43.61	25.61	22.18
December	29.27	27.77	28.05	34.25	37.50	23.24	18.31
2001							
January	27.36	29.44	29.85	30.15	32.03	20.54	15.48
February	29.23	32.11	32.49	30.88	33.41	20.48	18.21
March	27.19	30.69	31.52	29.38	31.72	20.56	17.58
April	27.86	36.47	37.57	30.37	32.45	20.49	17.05
May	29.71	37.93	39.09	31.18	34.17	20.48	18.21
June	27.21	30.27	31.73	31.06	33.69	19.23	17.97
July	22.28	27.06	27.82	29.33	31.55	17.97	17.19
August	22.51	27.93	29.36	30.18	31.58	18.18	18.40
September	23.19	28.49	29.88	30.87	32.18	19.84	19.23
October	19.72	22.36	23.27	27.41	28.53	16.50	16.07
November	16.88	19.27	20.20	23.03	24.38	15.49	14.68
December	17.48	18.41	19.16	21.35	23.11	14.98	14.95
2002							
January	21.42	20.87	20.93	21.55	23.46	16.20	15.25
February	23.77	20.12	21.17	21.69	23.43	14.70	15.52
March	28.27	24.68	25.74	25.05	26.73	17.25	17.86
April	29.29	29.77	29.94	26.53	28.01	19.51	19.93
May	27.68	29.14	28.33	26.54	28.99	19.93	21.02

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

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

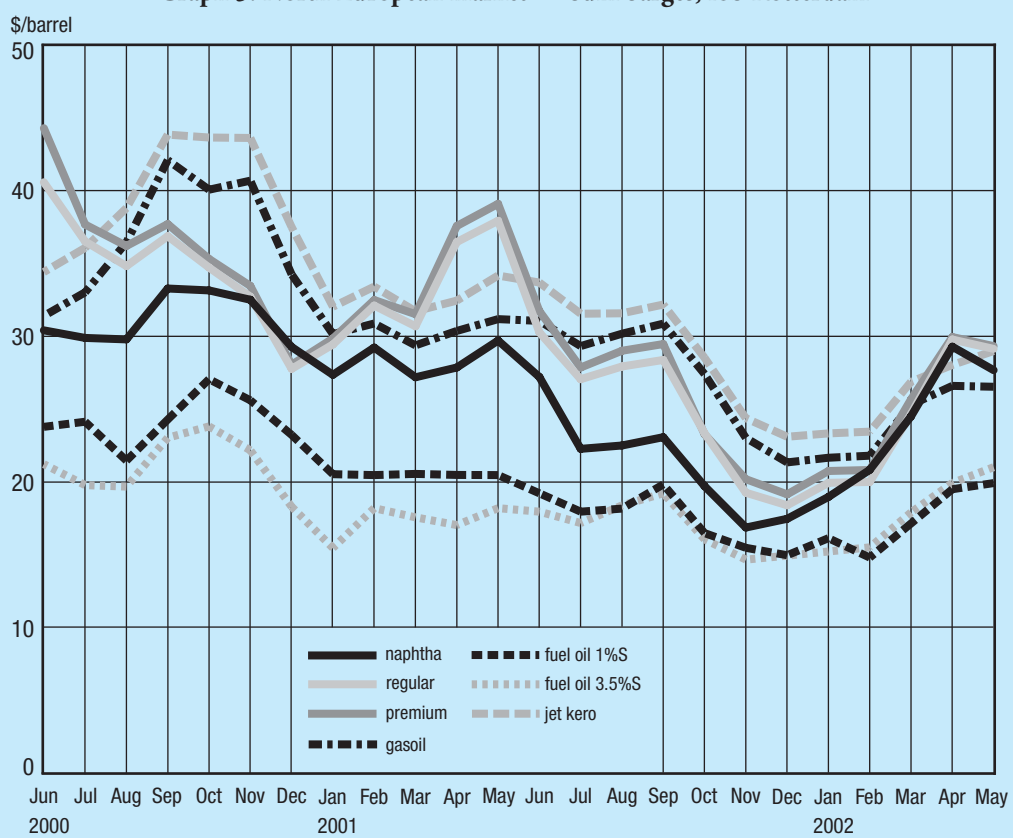


Table 4: South European market — bulk cargoes, fob Italy *($/b)*

2000	naphtha	gasoline premium unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
May	27.01	38.38	29.15	29.67	20.52	16.51
June	28.93	44.06	30.14	31.99	24.50	19.95
July	28.26	38.25	32.92	34.18	23.20	18.76
August	28.14	36.67	36.09	36.60	20.85	17.85
September	31.58	37.87	41.97	41.89	25.00	21.49
October	32.48	37.20	41.53	41.85	27.16	23.58
November	32.47	33.57	40.44	40.33	24.71	19.47
December	27.74	27.79	34.92	35.99	23.46	17.96
2001						
January	26.35	28.76	27.32	28.73	20.13	14.35
February	26.04	31.89	31.32	29.11	18.80	16.86
March	24.13	30.53	27.55	27.89	18.39	16.28
April	27.07	36.43	29.00	28.28	19.23	14.96
May	29.54	39.45	29.37	29.72	19.39	15.84
June	27.15	32.21	30.98	29.40	17.71	15.89
July	21.95	25.55	27.77	27.15	17.73	15.59
August	22.26	26.60	*na*	27.74	18.20	16.93
September	23.46	29.93	*na*	29.36	18.99	17.44
October	19.14	23.55	*na*	23.61	15.61	15.07
November	16.22	19.41	*na*	20.54	13.61	12.48
December	16.91	19.11	*na*	19.16	15.15	13.15
2002						
January	17.55	19.89	22.37	21.50	17.26	14.18
February	19.42	20.06	21.29	21.88	15.37	14.77
March	23.43	24.07	24.15	25.07	17.99	16.33
April	24.48	28.27	25.51	26.22	20.31	18.39
May	22.88	27.80	25.48	26.29	20.01	19.18

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days. na not available

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

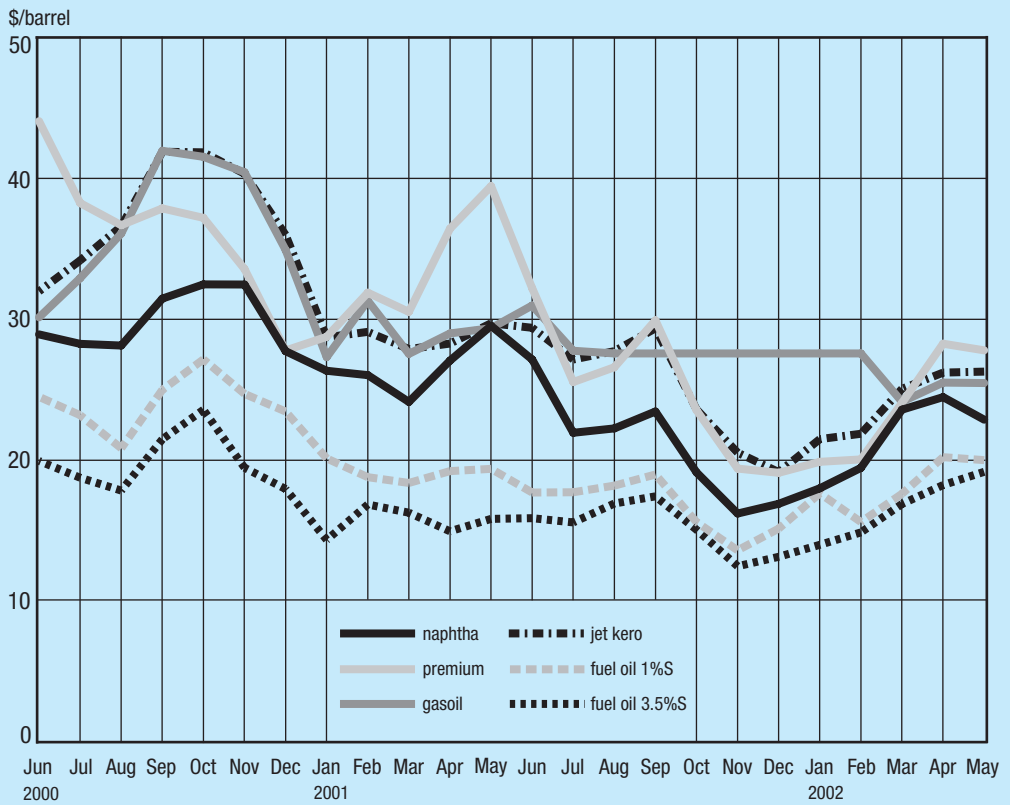


Table 5: US East Coast market — New York *($/b, duties and fees included)*

2000	gasoline regular unleaded 87	gasoil	jet kero	fuel oil 0.3%S LP	fuel oil 1%S	fuel oil 2.2%S
May	37.17	31.39	33.26	28.66	24.59	21.86
June	40.12	32.62	33.69	30.69	27.11	23.20
July	36.04	32.53	34.42	29.28	24.44	22.20
August	36.33	37.17	38.59	29.48	24.50	21.57
September	39.90	41.25	43.80	37.21	29.42	25.39
October	39.83	41.04	42.86	36.86	29.51	25.96
November	39.56	43.46	45.52	35.43	28.66	25.26
December	30.96	39.52	40.97	34.59	25.63	22.04
2001						
January	34.81	35.51	36.03	33.09	25.40	22.34
February	34.68	32.99	34.90	31.51	23.38	19.73
March	32.96	31.12	32.91	27.61	23.31	20.30
April	39.78	32.83	33.92	27.82	22.80	17.47
May	39.06	32.48	35.60	27.84	23.09	18.58
June	30.07	31.74	32.92	24.89	20.22	17.64
July	28.69	29.31	30.10	23.71	19.33	16.72
August	32.56	30.80	32.88	23.69	20.14	18.23
September	31.61	30.71	31.77	24.02	20.24	19.80
October	25.15	26.40	26.84	20.70	17.91	16.97
November	21.68	22.97	23.63	20.28	15.98	14.97
December	21.73	21.90	22.52	20.01	16.52	15.28
2002						
January	22.53	22.23	23.35	19.23	16.08	15.30
February	23.01	22.51	23.96	18.09	14.83	14.42
March	28.94	26.48	27.00	21.79	19.43	19.05
April	31.00	27.78	28.61	25.24	22.24	21.59
May	29.18	27.70	28.70	25.62	23.37	21.73

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 5: US East Coast market — New York

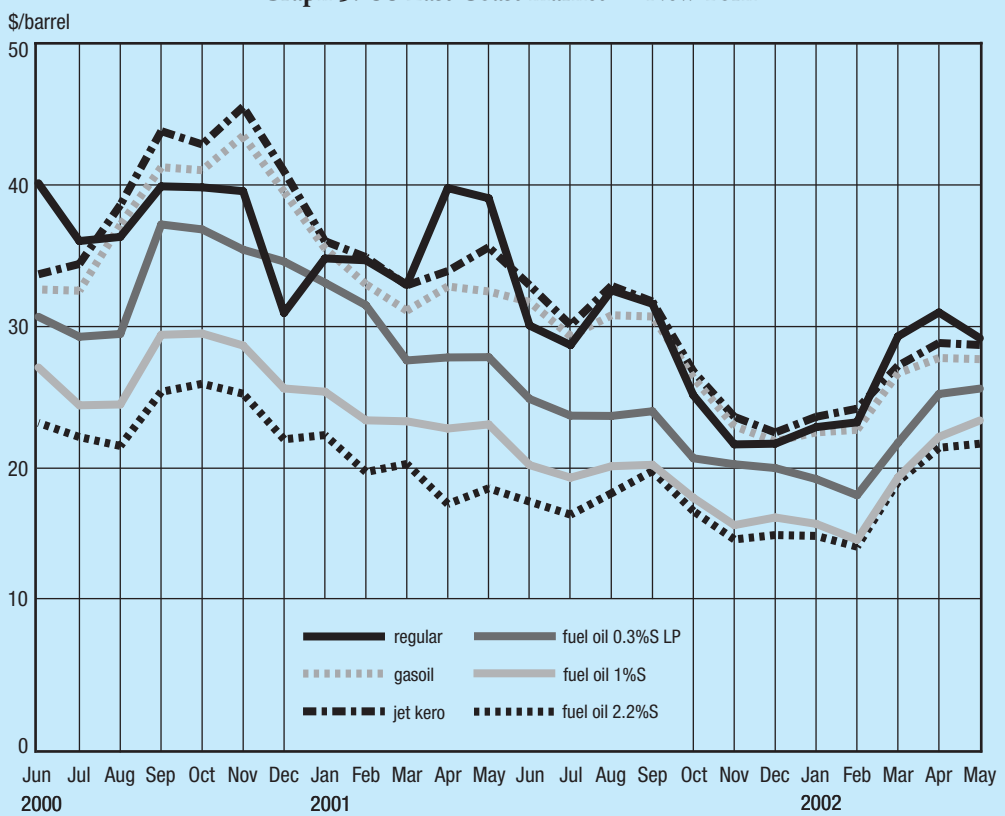


Table 6: Caribbean cargoes — fob *($/b)*

2000	naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
May	32.59	31.11	31.84	21.16	19.39
June	36.24	32.27	32.78	22.27	21.40
July	31.06	32.35	33.38	20.84	19.67
August	32.92	36.63	37.80	19.78	18.54
September	35.32	41.01	42.78	23.59	20.46
October	34.77	39.90	41.32	23.95	21.71
November	34.37	40.93	43.64	22.96	17.96
December	29.73	34.63	36.40	19.89	16.90
2001					
January	34.10	35.56	36.17	20.21	16.48
February	29.87	31.85	32.42	18.14	16.31
March	28.63	28.97	30.11	18.26	17.16
April	33.60	30.51	31.37	15.81	15.03
May	29.65	32.07	34.46	17.50	17.10
June	25.85	31.58	32.13	16.64	16.27
July	25.06	28.84	29.57	15.54	14.45
August	29.04	30.49	31.68	17.20	17.11
September	26.30	30.10	30.28	18.70	18.71
October	19.86	25.47	25.83	16.28	16.23
November	18.74	22.07	22.44	14.26	14.11
December	19.32	21.10	21.26	14.35	13.88
2002					
January	19.63	21.49	22.24	14.50	13.89
February	21.30	21.80	23.41	13.62	13.54
March	25.86	25.77	26.72	18.25	18.09
April	28.55	27.31	28.33	20.79	20.59
May	27.14	27.28	28.31	20.95	20.65

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 6: Caribbean cargoes — fob

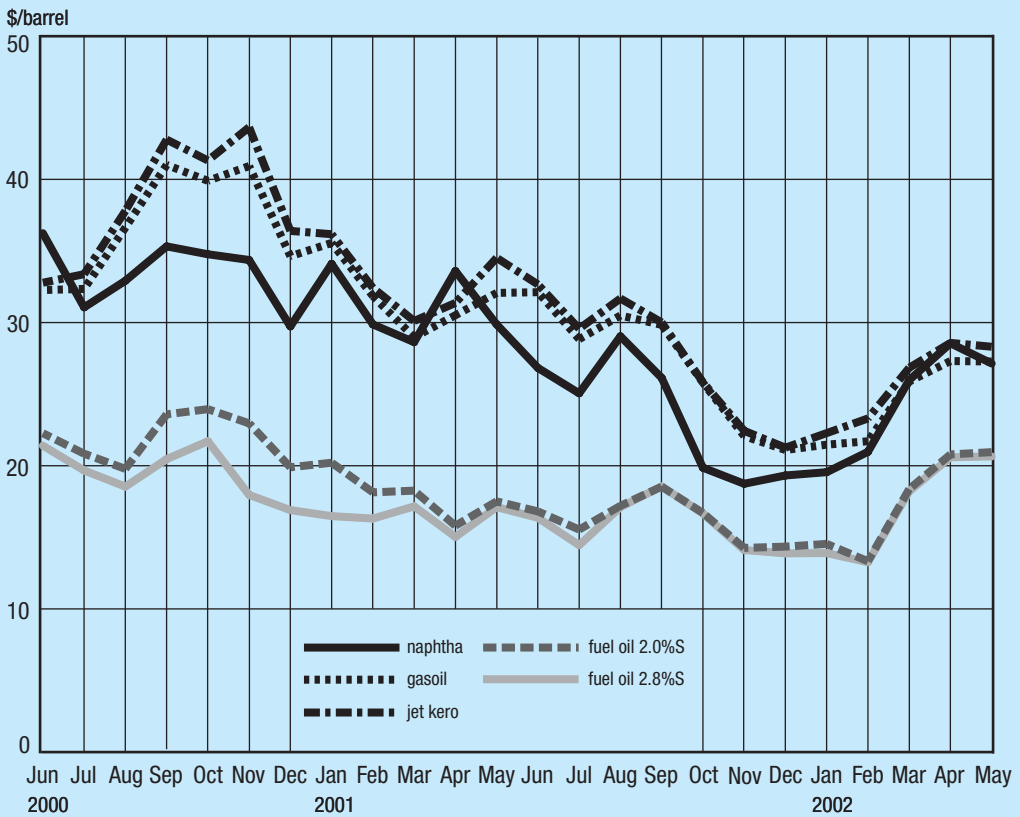


Table 7: Singapore cargoes *($/b)*

2000	naphtha	gasoline premium unleaded 95	gasoil	jet kero	fuel oil 0.3%S	fuel oil 180C	fuel oil 380C
May	27.27	31.90	28.12	29.09	26.62	23.62	23.60
June	28.13	33.08	30.69	31.23	26.78	25.30	25.31
July	27.80	36.05	31.86	33.25	25.45	22.00	22.09
August	30.19	38.31	37.46	37.98	27.08	21.57	21.64
September	34.53	35.05	40.13	42.21	28.44	24.81	24.87
October	33.50	33.03	38.96	43.30	26.77	26.35	26.55
November	30.43	32.96	34.85	39.88	26.50	24.36	24.49
December	25.52	29.97	29.61	32.92	24.45	19.78	19.74
2001							
January	25.50	30.02	28.41	29.70	22.54	18.37	17.99
February	27.83	31.33	27.57	30.48	22.68	19.91	19.69
March	27.43	29.88	26.83	28.72	22.43	20.08	20.04
April	28.14	32.76	29.80	30.25	22.60	20.48	20.47
May	28.89	32.64	30.79	30.74	23.72	22.02	22.07
June	27.57	26.89	30.00	30.84	25.11	20.26	20.16
July	24.38	24.36	28.54	28.93	24.08	19.03	19.19
August	24.33	26.68	28.71	29.37	21.03	20.70	20.94
September	24.67	29.47	29.44	31.05	20.38	21.74	21.85
October	20.58	22.23	25.53	25.92	19.10	18.53	18.72
November	18.15	20.75	21.87	22.40	15.84	15.47	15.46
December	18.36	22.61	20.11	21.77	15.78	16.15	16.44
2002							
January	18.97	21.00	21.66	22.93	16.30	16.07	16.24
February	21.04	24.16	22.54	22.54	16.83	17.04	17.37
March	24.92	27.93	25.71	25.16	17.28	19.37	19.73
April	26.11	30.11	28.64	27.27	19.23	21.45	21.75
May	24.88	29.73	28.72	27.82	19.45	22.61	22.99

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 7: Singapore cargoes

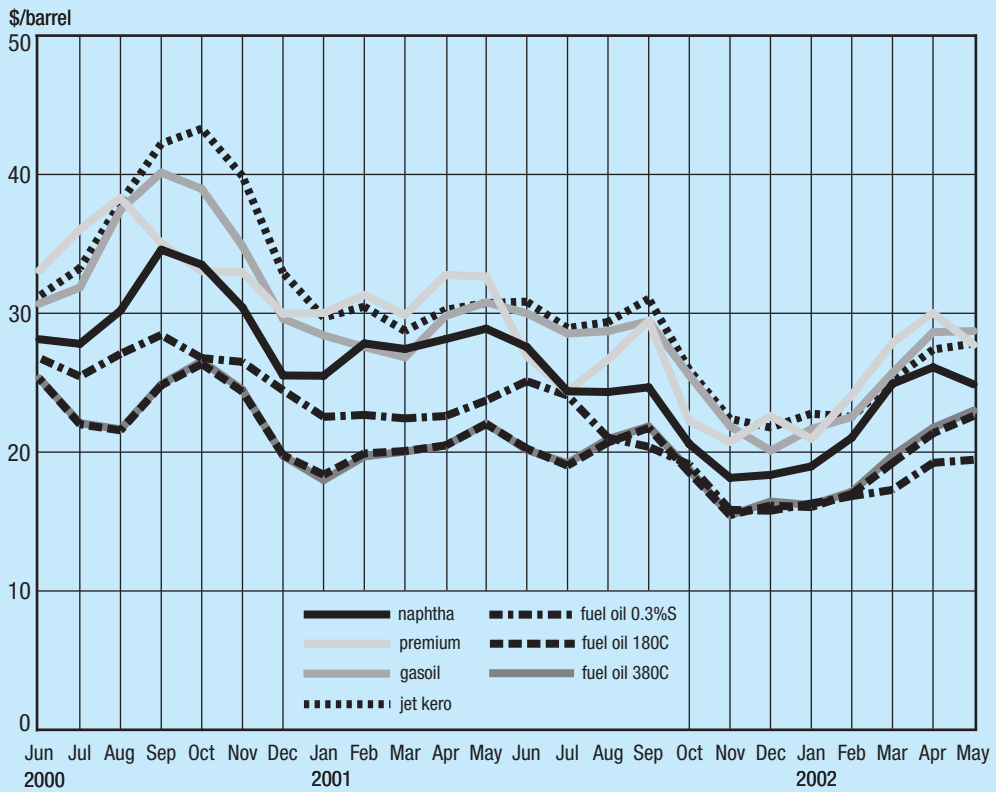
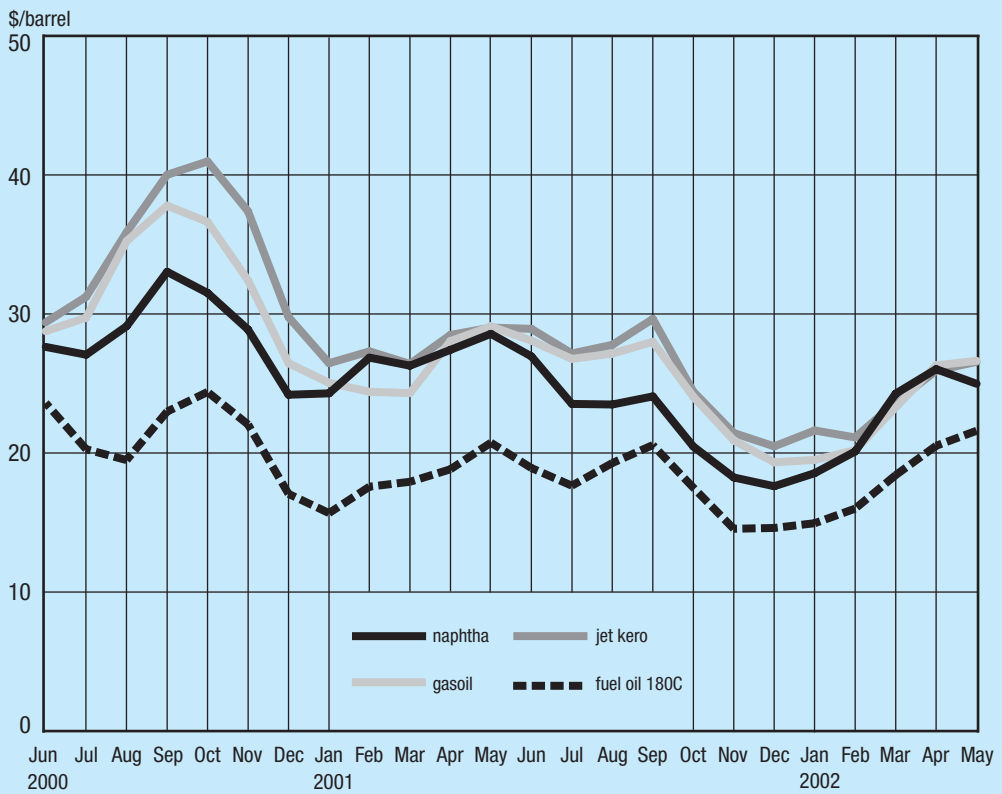


Table 8: Middle East— fob *($/b)*

2000	naphtha	gasoil	jet kero	fuel oil 180C
May	26.84	26.39	27.46	22.06
June	27.63	28.76	29.40	23.60
July	27.07	29.73	31.24	20.27
August	29.12	35.24	35.88	19.49
September	33.03	37.79	40.01	22.98
October	31.51	36.62	40.97	24.39
November	28.88	32.42	37.38	22.05
December	24.19	26.46	29.73	17.06
2001				
January	24.29	25.05	26.38	15.68
February	26.86	24.40	27.31	17.58
March	26.28	24.31	26.41	17.93
April	27.42	28.05	28.49	18.83
May	28.57	29.11	29.02	20.74
June	26.95	28.08	28.93	18.92
July	23.53	26.77	27.16	17.65
August	23.49	27.15	27.78	19.28
September	24.07	28.00	29.64	20.57
October	20.47	24.05	24.42	17.51
November	18.24	20.91	21.44	14.55
December	17.61	19.33	20.48	14.61
2002				
January	18.55	19.50	21.62	14.95
February	20.11	20.21	21.12	16.00
March	24.27	23.28	23.65	18.41
April	26.03	26.30	25.92	20.52
May	24.98	26.63	26.56	21.60

Sources: Until September 2000 Platt's Oilgram Price Report & Platt's Global Alert; as of October 2000 Reuters. Prices are average of available days.

Graph 8: Middle East — fob



Available exclusively from OPEC:

The **2000 edition** of the **OPEC Annual Statistical Bulletin**, which has established itself as the standard reference work on the oil and gas industries of OPEC Member Countries, is now available exclusively from the Secretariat. Compiled by a team of statistical experts, the ASB contains an unrivalled wealth of data covering the period until end-2000 on the oil and gas sectors of OPEC's 11 Member Countries, as well as comprehensive coverage of the rest of the world.

For ease of reference, the ASB is divided into five sections, which are:

1 Summary tables and basic indicators

Basic economic indicators in OPEC Member Countries (GDP, population, trade, etc) from 1980-2000. Side-by-side comparisons of fundamental information on the oil and gas industries of OPEC Member Countries and the rest of the world cover the same period.

2 Oil and gas data

More detailed information on the hydrocarbon industries of OPEC and non-OPEC countries, including oil and gas reserves, exploration and production, output and consumption of refined products, exports and imports. Most tables cover 1996-2000.

3 Transportation

A breakdown by size of the oil tanker and liquid gas carrier (LPG and LNG) fleets of OPEC Member Countries and the rest of the world, as well as freight rates for 1996-2000. Also includes data on all oil, gas and product pipelines in OPEC Member Countries.

4 Prices

Monthly average prices of the OPEC Reference Basket of crudes and its components for 1998-2000 and annual averages for 1991-2000, plus selected major crudes (OPEC and non-OPEC) for the same periods. Spot refined product prices and a breakdown of the composite barrel are also featured.

5 Major oil companies

Data on the operations of six oil majors: BP Amoco, ExxonMobil, TotalFinaElf, Royal Dutch/Shell, Chevron and Texaco. Tables show revenue, operating costs, taxation, net income and much more.

Packaged with the ASB is a 3.5-inch computer diskette (for Microsoft Windows only) containing all the data in the book and more. Many of the time series in the summary tables in Section 1 are extended back to 1960, the year of OPEC's founding, while much of the data in Sections 2-5 extends back to 1980. The application is simple to install and easy to manipulate and query. The data can also be exported to Microsoft Excel or other spreadsheets.

The OPEC Annual Statistical Bulletin 2000 book plus diskette package costs $85.
To order your copy, just fill in the form at the back of the issue, and fax it to OPEC's PR & Information Department at (+43 1) 214 98 27.

Qatar records industrial sector growth of nine per cent

Doha — Qatar has reported a nine per cent growth rate in its industrial sector over the last five years, according to the Chairman of the Qatar Industrial Development Bank (QIDB), Sheikh Abdullah Bin Saud Al-Thani.

Speaking at the release of the bank's annual report for 2001, Sheikh Abdullah noted that the figure excluded liquefied natural projects (LNG), and would be much higher if LNG investments, which totalled $3.287 billion, were taken into account.

The QIDB, he said, has been involved in several feasibility studies for projects that would be offered to prospective investors during the current year.

On financing industrial projects, Sheikh Abdullah said that the QIDB provided loans for seven projects, and has also financed industries to facilitate import of raw materials for existing projects.

It has also provided about 25 industrial consultancies to project promoters in line with its policy of assisting Qatari entrepreneurs and providing advisory services to their projects.

In addition, noted Sheikh Abdullah, the government had approved the bank's proposal to reduce the interest rate on industrial loans to 5 per cent with effect from April 1 this year.

"We wish to play an enhanced role in Qatar's industrial development not only by providing industrial financing but also by contributing to its overall economic and social development," he remarked.

Nigerian President Olusegun Obasanjo inaugurates new Bank of Industry

Abuja — Nigeria's new Bank of Industry, set up last year through the merger of three financial institutions with a share capital of $50 billion naira, has been inaugurated by President Olusegun Obasanjo.

The bank, a fusion of the former Nigerian Industrial Development Bank, the Nigerian Bank of Commerce and Industry, and the National Economic Reconstruction Fund, is expected to provide support to industrial establishments in the country.

Speaking at the inauguration ceremony, Obasanjo said that his administration had set up the new institution with the aim of reviving the nation's the ailing industrial sector.

The present government, he noted, had carried out an in-depth assessment of the sector when it came into office in 1999 and found that part of the problem was that private and government-owned financial institutions were not meeting the needs of industries in Nigeria.

"Apart from being in a very poor financial state themselves, government-owned development financing institutions needed to have their operations rationalised and streamlined to eliminate overlapping functions and refocus their energy and resources to perform," he pointed out.

Obasanjo said the birth of the bank should mark a new beginning in the effort to industrialize the country, but he stressed that for the goal to be achieved, all stakeholders in the economy would need to perform their roles optimally.

He warned the bank's management that it would be held responsible, individually and collectively, for its activities and fortunes, noting that decisions on loans and investments must be based purely on merit and professional considerations.

"It is only when the bank supports and promotes viable projects that its loans will be recoverable and, in turn, ensure its viability, sustainability and continued existence to enable it to fulfil its mandate," he observed.

On those seeking assistance from the bank, Obasanjo noted: "No one should regard the facilities from the bank as their own share of the national cake," and added that loans obtained must be promptly repaid.

The industrial sector was already showing signs of recovery, having contributed 16 per cent to the nation's gross domestic product in 2001, up from a dismal 3.9 per cent in 1999, while capacity utilisation had climbed to almost 60 per cent, as against an equally dismal 28.5 per cent in 1999.

Obasanjo said that decisive measures must be applied to recover all debts and he gave an assurance that the government, on its part, would continue to fund the bank and insulate it from political influences.

Nigerian Industry Minister, Kola Jamodu, pledged that the government would do its best to keep the new bank afloat and ensure that it operated strictly as a focused financial institution.

Indonesia expects improvement in economic growth in 2003

Jakarta — Indonesian economic growth could return to the pre-crisis level of six per cent next year on the back of an improved domestic political situation, local media reported last month.

A recovery in the global economy would also support growth in gross domestic product (GDP), the country's Finance Minister, Boediono, was quoted as saying.

The government was aiming for GDP growth of between four per cent and six per cent growth in the 2003 state budget, the Minister said. Growth for the current year is estimated at four per cent.

However, local economists have said that Indonesia needs at least six per cent growth to revive the economy and combat the huge unemployment created by the monetary and financial crisis in 1998, when GDP contracted by 14 per cent.

Boediono said that if there was a rapid recovery in the global economy, especially in the United States, Japan and the European Union, this would boost Indonesian exports and provide new investments.

He added that the government was also targeting a lower deficit in next year's state budget. The current state budget assumes a deficit of 2.5 per cent of GDP.

For the next year's budget, the government was assuming an exchange rate of 8,500–9,500 rupiahs to the dollar, an

inflation rate of 7–9 per cent, an interest rate of 12.5–14.5 per cent and an oil price of $19–22/barrel.

The 2003 budget draft was being discussed at the initial stage by the House of Representatives and would be passed by October 30 this year, the Minister said.

Iran's GNP climbed by 4.8 per cent last year

Babolsar, Iran — The Deputy Governor of the Central Bank of Iran (CBI), Akbar Komijani, said last month that the country's gross national product (GNP) improved by 4.8 per cent in 2001.

This compared with GNP growth of 5.2 per cent in 2000, based on fixed 1990 prices, he told journalists.

The recession in the global economy from the beginning of 2001 and subsequent lower demand for energy had had a negative effect on the country's oil production and exports, which had been reduced in line with OPEC decisions, he noted.

The September 11 attacks on the United States not only caused a fall in the value of the dollar, which hit oil exporters too, but also deepened and prolonged the economic recession, added Komijani.

Iran's inflation rate dropped to 11.4 per cent in 2001 from 12.6 per cent in 2000 and 20 per cent in 1999, he noted.

Before economic conditions worsened, the country's foreign debt had declined by $780 million in 2000, while the trade surplus stood at $5.30 billion.

Komijani predicted that a government job-creation scheme would result in 300,000 new jobs being created in Iran, a measure which would be helpful in the short-term.

New report says UAE has strong economic development potential

Abu Dhabi — The United Arab Emirates (UAE) has scored well on the economic freedom index for 2002, and therefore has strong potential for sustainable economic development, it was reported last month.

The UAE was ranked second on the index, which compares the level of economic freedom among 14 countries in the Middle East, noted a Hong Kong & Shanghai Banking Corp (HSBC) report on the prospects for sustainable development in the region.

The economic freedom index is compiled by the Human Development Index (HDI) unit of the United Nations Development Programme (UNDP) and the *Wall Street Journal* newspaper.

While Bahrain had scored the highest overall rating of 2.0 on the index, the UAE was right behind with an impressive score of 2.15, said the report. Bahrain and the UAE were also ranked top on the broad HDI for the region, compiled by the UNDP.

The HDI is a broader indicator of development, which incorporates material standards of living, along with general living standards, such as health, life expectancy, education, and quality of life.

The HSBC study, which compares overall human development in the region, in relation to economic development, said there was a strong correlation between economic development and human development in the countries of the region.

The HDI had been estimated for most countries in the world since 1975 and was expressed on a scale of zero to one. The latest HDI estimates placed Bahrain in the top slot in the region with a score 0.824, while the UAE was third with an HDI of 0.809.

"It is noteworthy that within the Middle East, the countries with the highest indexes of economic freedom, such as Bahrain and the UAE, also have high ratings for human development, relatively, high per capita gross domestic product, and rapid rates of economic growth," observed the report.

According to the study, the future growth in the non-oil sectors of the economies of the region was not constrained by demographic factors, or by the historical rates of growth, but would primarily be a function of attracting investment.

"The countries that will succeed in attracting investment are those which offer freedom to investors and protection of their rights," added the report.

Venezuela's GDP declines by 4.2 per cent in first quarter

Caracas — Venezuela's gross domestic product (GDP) fell by 4.2 per cent during the first quarter of this year, due to worsening conditions in both the oil and non-oil sectors, the Central Bank of Venezuela (BCV) reported last month.

"According to preliminary results, a change has been observed in the trend in economic activity during the first quarter of the year, as GDP fell by 4.2 per cent, compared with the same period last year," the BCV said in a statement.

"The decline in economic activity is mainly due to a production decline in the petroleum sector of 7.6 per cent, as well as a decrease in the production of the non-oil sector of 2.6 per cent.

"From the institutional point of view, the public sector recorded a contraction of 5.9 per cent, while the fall in the private sector was 3.2 per cent," the BCV said.

"The production decline in the petroleum sector during the period is explained by the decrease in the volume of sales abroad of crude, refined products and Orimulsion by 11.2 per cent, 14.4 per cent and 7.5 per cent, respectively, compared with the same period last year," it added.

The decline in oil exports was partly a result of the latest agreement by OPEC and non-OPEC nations to cut oil output in order to generate a recovery in prices on the international market, the bank noted.

Other factors that played a role were the reduction in demand for fuel by consuming countries as a result of the world economic recession, as well as a mild winter that did not generate large increases in demand for energy, the BCV said.

The slight economic recovery in the industrialized countries that was observed towards the end of the first quarter of 2002 was not significant enough to improve the situation, it added.

Qafco signs ammonia supply deal with India

Doha — The Qatar Fertiliser Company (Qafco) has signed its second ammonia contract within a month with one of India's leading companies, Zuari Industries, it was reported last month.

The accord covers the supply of 60,000 tonnes/year of ammonia, with an option on delivery of another 30,000 t/y of the product.

The signing of the contract means that Qafco has now secured deals to supply ammonia to the Indian west coast market totalling more than 200,000 t/y.

The agreement was signed in the Qatari capital Doha by Qafco's Managing Director, Khalifa Abdulla Al Sowaidi, and the Executive President of Zuari Industries, Raman Madhok.

The new accord is in line with Qafco's overall marketing strategy and will further strengthen its position in a very competitive market. The Qatari firm will soon achieve its objective of selling up to 50 per cent of its ammonia export capacity through long-term deals.

In order to fulfil its contractual obligations, Qafco recently signed a contract with the Qatar Shipping Company (Q-Ship) for the construction of an ammonia carrier under time-charter.

Q-Ship has already signed a deal with a South Korean company to construct a 22,500 cu m capacity vessel. The carrier will boost Qafco's ability to deliver shipments at very competitive freight rates.

Third British trade exhibition held in Libyan capital

Tripoli — A four-day British trade exhibition, featuring products and services from over 200 firms, was held last month in the SP Libyan AJ's capital Tripoli.

It was the third consecutive year for the exhibition of British goods and services, which was again held under the theme 'partnership for progress'.

Companies attending the event represented market sectors including oil, gas and petrochemicals, power generation, civil aviation, water construction and civil engineering, healthcare, telecommunications, and transport.

Other firms were promoting agriculture, tourism, educational and financial services, environmental protection, and investment opportunities.

A high-ranking official from the British Embassy, in opening the exhibition, highlighted the progress that had been made in relations between the two countries.

He stressed that because of the success of the previous two exhibitions, more companies had joined the event this year.

The official reiterated Britain's willingness to develop its ties with Libya and to overcome all outstanding barriers and difficulties.

He said that recent successes included the increasing level of political consultations, educational and cultural exchanges, and a rise in British exports to Libya this year over 2001 figures.

The official also pointed out that an agreement had been proposed between the two sides covering co-operation in the field of transportation.

Planned income tax could net Saudi Arabia $1.6bn annually

Riyadh — Saudi Arabia could net around $1.6 billion a year in income tax if a draft bill to impose a 10 per cent tax on the earnings of foreigners becomes law, Saudi officials said last month.

"I believe that within one to two years, the bill will be a good source of non-oil revenues," said Senior Economist at the Riyadh Bank, Abdul Wahab Abu-Dahesh.

"It will also help reduce unemployment among semi-skilled and unskilled Saudi labour, because it will narrow the salary gap between Saudis and expatriates," he was quoted as saying by the *Arab News* newspaper.

The country's *shoura*, or consultative council, has provisionally approved draft legislation requiring foreigners earning more than $800 to pay income tax.

However, the Head of the council's economic affairs committee, Mohammad Al-Qunaibet, explained that there had been no final approval of the 10 per cent figure.

"The 10 per cent has been proposed by the finance committee, but the council has not determined as yet a specific percentage," Qunaibet noted.

Once the council had completed debating the bill, it would be sent back to the finance committee to assess the members' remarks on the articles, and would then be returned to the council, where votes would be taken on each article, he explained.

The package of draft tax legislation, comprising 75 articles, would become effective only after it was approved by the government, which had the power to issue new laws, as the council itself could only make recommendations.

The legislation is an amendment of a law issued 50 years ago stipulating that foreigners working in the Kingdom should pay income tax, which was never implemented.

Around seven million expatriates live in Saudi Arabia, five million of whom work in the private sector. Unofficial figures indicate that foreigners remit around $18.6bn to their countries annually, the report pointed out.

The new legislation being pushed through would also reduce taxes — from 45 per cent to a maximum of 30 per cent on the profits of foreign companies, in an effort to lure the billions of dollars in foreign investment required to boost the Saudi economy.

"The legislation aims at reforming the structural defect of the budget and help reduce unemployment among Saudis. It

will help make the domestic economy a tax-based economy. It may not be too long before Saudis themselves are included," Abu-Dahesh observed.

The report said that Arab nationals and companies would be exempt from the proposed law because they, like their Saudi counterparts, already paid *zakah* (Islam's equivalent of tax), which worked out at 2.5 per cent of a firm's annual turnover.

Algerian President launches desalination project at Arzew

Algiers — Algerian President Abdelaziz Bouteflika has inaugurated work on a desalination plant at Arzew, in the west of the country, it was reported last month.

The scheme, the first of its kind in the country, will have a capacity of 90,000 cubic metres/day of water, combined with natural gas to electricity conversion of 300 megawatts.

The contract for the plant has been awarded to the Japanese association of Itochu and IHI, which has said it will complete the project, estimated to be worth some $300 million, within two years.

The plant is being managed by the Algerian Energy Company, which is a subsidiary of the state oil and electricity firms Sonatrach and Sonelgaz. It will supply water to the city of Arzew and surrounding petrochemical installations.

Three other desalination units are to be built in Algiers, Skikda and Oran, to help overcome a water shortage in the country.

Speaking at the launching ceremony, Bouteflika pointed out that the water situation in the country had reached a serious level.

He noted that, by 2010, the domestic water supply per inhabitant would be only 100 cu m/y, unless a coherent policy and rational management of the country's hydrous resources was implemented.

During a tour of the western region of the country, Bouteflika also launched work on a urea production factory. The unit is scheduled to produce about 360,000 tonnes/year of urea, of which 160,000 t/y will be exported.

In the past, imports of the product, which is used as fertilizer in the agricultural sector, cost the country around $12m annually.

Government must serve the people, says Nigerian economic adviser

Abuja — The Chief Economic Adviser to Nigerian President Olusegun Obasanjo has said that the five per cent gross domestic product (GDP) growth rate set annually for the country's economy was unrealistic.

Dr Milton Kpakol told a budget review session in Lagos last month that from 1992–98, the domestic economy had managed to achieve average growth of 2.5 per cent.

"Since it has become almost a religious act to set the real GDP growth target at five per cent each year for the budget, it meant that we missed our mark throughout the 1990s in each of our rolling plans," he pointed out.

Delivering a paper on the problems of budget implementation in a democratic setting, Kpakol said that this time around, the Nigerian government had set a realistic target, based on accurate and responsible analysis and simulations.

He added that budget implementation in a democratic setting required conscious and deliberate efforts to meet the needs and aspirations of the people.

"This implies that there must be a strong political and administrative will to do the right thing in serving the people with accountability, responsibility and transparency," he stressed.

Kpakol said it was in recognition of this imperative that the current administration had, since it came to power in 1999, made the fight against corruption a key objective of its development policy.

He identified some of the problems affecting budget implementation in Nigeria as lateness in the finalisation of the budget, uncertainty regarding the timing and amount of actual releases, budget crowding, and uncertainty in revenue flow.

"In almost every case, these anomalies in the budgetary or implementation process push up the budget deficit," he noted.

Kpakol, who is also Vice-Chairman of the National Planning Commission, said that to achieve effective budget implementation this year, the government had adopted a due process compliance mechanism that was already working successfully.

"The instrument of the due process is designed to enforce compliance with efficiency and transparency in budgeting and expenditure by all federal spending units," he explained.

Iran to boost production of petrochemicals by 2006

Tehran — Iranian Deputy Petroleum Minister and Managing Director of the National Petrochemical Company, Mohammad Reza Nematzadeh, said last month that the capacity of the petrochemical sector could top 38 million tonnes/year by 2006.

The industry produces lead-free gasoline, synthetics, polyethylene and light ethylene among other products, he noted.

Since the beginning of the current Iranian year, over $804m of petrochemicals have been exported, compared with just $29m in 1997 and $830m in 2001.

Nematzadeh expressed hope that the figure would rise to $1 billion next year and top $3bn by the end of the third five-year development plan (2000–2005), reported the official Islamic Republic News Agency.

In a related development, the *Middle East Economic Digest* (MEED) reported that Iran's petrochemical exports increased by 30 per cent in the last Iranian year, compared with figures recorded the year before.

Quoting figures from the Iranian Petrochemical Commercial Company, MEED said the country's petrochemical exports rose to 4.01m t in the Iranian year ending on March 20, up from 3.1m t the year before.

The country's largest single customer was Japan with 23 per cent of total Iranian exports, followed by China and South Korea.

MEED said Iran planned to add more production capacity to its petrochemicals this year and boost exports by another five per cent.

Indonesia seeks new investors to operate geothermal fields

Jakarta — The Indonesian government has said it will award concessions for the development of some 18 geothermal fields, which it took over from the state oil and gas company Pertamina last month.

Having taken over the fields, other companies would now have an equal chance to develop geothermal reserves and power, said Energy and Mineral Resources Minister, Dr Purnomo Yusgiantoro.

Pertamina said it lacked the necessary funds to develop the fields, which are located in Java, Sumatra and East Nusa Tenggara.

The transfer would also allow Pertamina to be more focused in its efforts to boost efficiency in its operation, Purnomo explained.

Pertamina now has 15 geothermal working areas, which were being developed through co-operation with private power firms, he noted.

In a related development, the Directorate General of Oil and Gas has relinquished its supervisory role over the geothermal sector, which will now come under the Directorate General of Geology and Mineral Resources.

Indonesia is currently restructuring its energy sector under a new law passed last November, which aims to free Pertamina from its previous state-oriented role.

UAE firm wins new contract to provide electricity to Sri Lanka

Dubai — The Aggreko International Power Projects Company, based in Jebel Ali in the Emirate of Dubai, has signed new contracts with the Ceylon Electricity Board (CEB) to provide 200 mw of power to eight locations around the Sri Lankan capital, Colombo.

Sri Lanka generates two-thirds of its electricity from water, but five years of failed monsoons have seen the number of power cuts in the country increase, averaging from two to four hours a day.

To provide short-term relief during the ongoing shortages, Aggreko is providing continuous power into various substations in and around Colombo.

In February, the firm signed contracts with CEB to supply 100 mw of electricity at four substations in the nation's capital. The new deals are scheduled to run until next year.

This is the third time that Aggreko has provided power in Sri Lanka. In 2000-01, it provided 98 mw of electricity at four different sites, and in 1996-97 it provided 93 mw at five locations.

Equipment for the latest project has been supplied from across the Aggreko global network, including locations as diverse as Australia, Singapore, the United States, the UK and Dubai.

Personnel at the Aggreko service and repair centre in Jebel Ali, have been working around the clock to prepare the equipment, which was transported by sea and air to Sri Lanka.

Saudi Arabia to press ahead with its economic reforms

Riyadh — Saudi Arabian Crown Prince Abdullah has reaffirmed the Kingdom's determination to press ahead with its economic reforms by promoting privatization and opening up the local market to foreign investment.

Inaugurating the annual session of the *shoura* (consultative council), he said that Riyadh would go ahead with its diversification programme, concentrating on industry, agriculture and mineral resources.

"We will encourage domestic and foreign investment by taking the necessary steps to create an atmosphere conducive to investment and adopt new economic policies that go hand in hand with modern requirements," he stressed.

Crown Prince Abdullah pointed out that the Kingdom applied no restrictions on the free movement of capital.

"Our taxation system for foreign investors contains a lot of incentives, while the basic system of government bans the confiscation of property," he added.

Two firms mull joint venture for Venezuelan gold project

New York — Zaruma Resources has signed an accord with Honnold, a member of the Cisneros group of companies, regarding the possible joint exploration and development of a 10,000-hectare zone in Venezuela believed to have significant gold reserves.

The zone covers parts of Zaruma's El Foco gold project and Honnold's Chicanan East gold development scheme in Venezuela. The El Foco project, in Bolivar State in south-eastern Venezuela, shares a common border with the Chicanan East project.

Previously-conducted exploration has revealed geological structures and geophysical anomalies in both project areas, indicating a 20-km structural corridor with significant exploration potential for gold and other metals.

The corridor is known to feature a number of gold mineralizations, which were found at Alcaravan, Cerucho West, Panama, Cerro Alto, and other locations.

The main objective is to add to the current resource inventory of around 300,000 ounces of gold.

OPEC Fund approves loans and grants worth over $24m in May

In May, the OPEC Fund for International Development signed three loans worth more than $23 million to finance various projects in Angola, Niger and Sri Lanka. Additionally, investment encouragement and protection agreements were signed with Namibia, Niger, Rwanda, and Sri Lanka, and debt relief was extended to Nicaragua under the HIPC Initiative. Three grants totalling more than $1m were also extended to Djibouti, to cover its subscription to the Common Fund for Commodities, as well as in support of a Vienna-based study of hepatitis C, and a population education scheme supported by UNESCO focusing on the Arab world.

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Vienna, Austria, May 2, 2002

Fund and Namibia sign new investment protection agreement

An agreement for the encouragement and protection of investment has been signed between the OPEC Fund for International Development and the Republic of Namibia. Drawn up within the framework of the Fund's Private Sector Facility, the convention was initialed by HE Nangolo Mbumba, Minister of Finance of the Republic of Namibia, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

The Fund's Private Sector Facility is a financing window, endowed with its own resources, through which the Fund channels support directly to the private sector in developing countries. The objectives of the Facility are to promote economic development by encouraging the growth of productive private enterprise and supporting the development of local capital markets. Under the Facility, loans are made to financial institutions for on-lending to small, medium and micro-enterprises, as well as directly to specific projects. Equity participation in private enterprises is also undertaken, either directly or through country or regional investment funds. As a pre-condition to such investment, the Fund requires signature of a standard agreement with the country concerned for the encouragement and protection of investment. The agreement accords the OPEC Fund the same privileges as those normally given to international development institutions in which the country holds membership.

Namibia's economy relies heavily on the extraction and processing of minerals, as well as on processed fish and other manufactures for export. The country is the world's fifth largest producer of uranium and a primary source of gem-quality diamonds. With a population of some 1.8 million people, the country's gross national income (GNI) amounted to $3.6 billion in 2000, and GNI per capita was estimated at $2,030. GDP growth rate reached 3.9 per cent in that same year. Services account for 61 per cent of GDP, whereas industry contributes 27 per cent and agriculture 12 per cent. Since gaining independence in 1990, Namibia has adopted a number of policies aimed at sustaining economic growth and diversifying the country's productive base, therefore attracting foreign investors. This and other measures have greatly enhanced openness and competitiveness, and have helped create a hospitable, enabling environment for the promotion of enterprises in the country's private sector, which is regarded by government as critical to the economic development of the country.

OPEC Fund for International Development, Parkring 8, PO Box 995, 1011 Vienna, Austria. Tel: +43 1 515640; fax: +43 1 513 9238; tx: 1-31734 fund a; cable: opecfund; e-mail: info@opecfund.org; Web site: http://www.opecfund.org.

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Vienna, Austria, May 2, 2002

OPEC Fund and Rwanda sign accord to boost investment

An agreement for the encouragement and protection of investment has been signed between the OPEC Fund for International Development and the Republic of Rwanda. Drawn up within the framework of the Fund's Private Sector Facility, the convention was initialed by HE Donald Kaberuka, Minister of Finance and Economic Planning of the Republic of Rwanda, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

The Fund's Private Sector Facility is a financing window, endowed with its own resources, through which the Fund channels support directly to the private sector in developing countries. The objectives of the Facility are to promote economic development by encouraging the growth of productive private enterprise and supporting the development of local capital markets. Under the Facility, loans are made to financial institutions for on-lending to small, medium and micro-enterprises, as well as directly to specific projects. Equity participation in private enterprises is also undertaken, either directly or through country or regional investment funds. As a pre-condition to such investment, the Fund requires signature of a standard agreement with the country concerned for

the encouragement and protection of investment. The agreement accords the OPEC Fund the same privileges as those normally given to international development institutions in which the country holds membership.

Rwanda is a small, densely populated, landlocked country in central Africa. Following ethnic conflicts which severely affected the country's economy, growth recovered rapidly, recording a ten per cent rate of increase in 1998 and close to 5.2 per cent in 2000. Progress has been achieved in strengthening macroeconomic management and structural reforms, as reflected in robust economic growth, low inflation and the buildup of foreign exchange. In 2000, the country's gross national income (GNI) amounted to $2.0 billion, and GNI per capita was estimated at $230. Rwanda's agriculture sector contributes 44 per cent of GDP, followed by services at 35 per cent and industry at 21 per cent.

No 43/2002
Vienna, Austria, May 16, 2002

Sri Lanka receives $4m loan for community development scheme

The OPEC Fund for International Development has signed a $4 million loan agreement with the Democratic Socialist Republic of Sri Lanka in support of a multi-faceted community development scheme. Aims are to establish large-scale initiatives, as well as smaller, demand-driven community sub-projects, that comprise capacity building, institutional strengthening and replacement of vital infrastructure.

Sri Lanka's northern and eastern provinces have sustained considerable damage during years of civil unrest. Health indicators are worsening due to shortages in medical care and supplies, and the incidence of infectious diseases is rising from the lack of clean drinking water and safe sanitation facilities. The transportation infrastructure is also in urgent need of rehabilitation, and housing is in short supply, with the majority of the country's 800,000 displaced people residing in overcrowded welfare centers. Many agricultural and fishing communities have lost their livelihoods since irrigation systems, farmland and fish processing centers were destroyed. Although the government has implemented an extensive relief and rehabilitation program, its capacity is overstretched and additional assistance is necessary to reach all affected areas.

Under the project, activities will be wide-ranging and implemented according to the needs of each province. Hospitals will be reconstructed and refurbished, and village health centres and mobile clinics rehabilitated. Water supply and sanitation services will be restored and schools rebuilt. Other measures include the provision of agricultural extension services, repair of irrigation systems and the development of inland and coastal fisheries. Transportation will be improved with the construction and upgrading of rural roads and bridges. A voluntary resettlement program will be created for the displaced, encouraging their involvement with the construction and design of their new homes and providing grants for building materials.

The health and well-being of thousands of men, women and children will improve significantly from these schemes by helping them re-integrate into settled communities and, with the re-instatement of vital social services and jobs, giving them the chance to rebuild their lives.

The Fund has extended eight other loans to Sri Lanka. Of these, two were extended for balance of payments support, and six have helped finance projects in the energy, agriculture and education sectors. The country has also benefited from two research grants and four technical assistance grants in the areas of agriculture and education, as well as aid to support a food program.

The agreement was signed in Vienna by HE Anil Moonesinghe, Ambassador of Sri Lanka to Austria, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

Data summary

Project:
North-east community restoration and development.
Sector: Multi-sectoral.
OPEC Fund loan:
$4m
Lending terms:
Interest rate of 1.5 per cent per annum, with an annual service charge of one per cent on amounts withdrawn and outstanding; maturity of 20 years, including a grace period of five years.
Borrower:
Democratic Socialist Republic of Sri Lanka.
Executing agency:
Ministry of Provincial Councils and Local Government.
Implementation period:
Five years.
Appraising agency:
Asian Development Bank (AsDB).
Loan administrator:
AsDB.
Cofinanciers:
AsDB; beneficiaries; governments of Germany, the Netherlands and Sri Lanka.
Total cost:
$38.6m
Project description:
The project comprises the following:
— rehabilitation and re-equipping of hospitals and health care clinics;
— construction/repair of water supply and sanitation systems;
— reconstruction of schools, and provision of furniture and educational materials;
— provision of agricultural and veterinary services and development of inland and coastal fisheries;
— implementation of voluntary relocation programs and technical assistance for housing; and
— institutional strengthening and capacity building.

No 44/2002
Vienna, Austria, May 16, 2002

Sri Lanka signs investment agreement with OPEC Fund

An agreement for the encouragement and protection of investment has been signed between the OPEC Fund for Inter-

national Development and the Democratic Socialist Republic of Sri Lanka. Drawn up within the framework of the Fund's Private Sector Facility, the convention was initialed by HE Anil Moonesinghe, Ambassador of Sri Lanka to Austria, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

The Fund's Private Sector Facility is a financing window, endowed with its own resources, through which the Fund channels support directly to the private sector in developing countries. The objectives of the Facility are to promote economic development by encouraging the growth of productive private enterprise and supporting the development of local capital markets.

Under the Facility, loans are made to financial institutions for on-lending to small, medium and micro-enterprises, as well as directly to specific projects. Equity participation in private enterprises is also undertaken, either directly or through country or regional investment funds. As a pre-condition to such investment, the Fund requires signature of a standard agreement with the country concerned for the encouragement and protection of investment. The agreement accords the OPEC Fund the same privileges as those normally given to international development institutions in which the country holds membership.

With a population estimated at 19.4 million in 2000, Sri Lanka has achieved notable success in achieving social and economic development. In 2000, Sri Lanka's gross national income (GNI) amounted to $16.6 billion, and GNI per capita was estimated at $870, while the GDP growth rate reached six per cent in 2000. Services account for 52 per cent of GDP, whereas industry contributes 27 per cent and agriculture 21 per cent. Since 1995, the country's privatization program has been one of the areas of structural reform in which significant progress has been made. This and other measures have greatly enhanced openness and competitiveness, and have helped create a hospitable, enabling environment for the promotion of enterprises in the country's private sector, which is regarded by government as critical to the economic development of the country.

No 45/2002
Vienna, Austria, May 17, 2002

Fund extends $75,000 grant in support of hepatitis C study

The OPEC Fund for International Development has approved a $75,000 grant in support of a research study on postnatal transmission of hepatitis C virus (HCV). Launched by the University Children's Hospital in Vienna, the study aims to prove that infants cannot contract HCV from their infected mothers via breast milk, an issue of particular importance in developing countries, where breastfeeding is often the only available source of nutrition for babies.

Hepatitis C is a globally-spread infectious agent that can cause chronic liver disease, including cirrhoses and hepatocellular carcinoma. The prevalence of HCV far exceeds that of hepatitis A and B, as no vaccination or treatment currently exists. The virus is emerging as a major health problem in the developing world, particularly in central America, south-east Asia and Latin America. Incidence of HCV is especially high in women of childbearing age, causing concern over the possibility of maternal-infant transmission through breast milk.

Current studies reveal a lack of consensus regarding the potential risk. Resolving this issue has vital implications for developing countries, where breastfeeding is the safest, most economical and efficient means of providing infant nutrition, as well as preventing infant morbidity and mortality from diarrhea and other infectious diseases.

In light of this situation, a carefully planned, two-year study, using 120 mother/infant pairs, will be conducted by the University Children's Hospital in Vienna, in cooperation with the St. Anna Kinderspital, Donauspital, Wilhelminenspital and Kaiser-Franz-Josef Spital. Before the main research is carried out, however, a stringent pilot study will be conducted with 20 mother/infant pairs. Strict ethical guidelines will be followed to insure that the infants are not placed at risk. All milk samples collected will be tested for the presence of HCV ribonucleic acid using the polymerase chain reaction method. If, during this trial period, even a remote possibility exists of the infants contracting HCV, the study will be halted immediately.

No 47/2002
Vienna, Austria, May 17, 2002

OPEC Fund grants population education scheme $40,000

The OPEC Fund for International Development has approved a grant of $40,000 to co-finance a project on population and perspectives for development in the Arab world. Sponsored by the United Nations Educational, Scientific and Cultural Organization (UNESCO), the project's goals are to produce pedagogical materials with the view to enhance the understanding of basic demographics and population issues.

In 1994, UNESCO launched the transdisciplinary project Education for a Sustainable Future to address issues such as the distribution of the world population and its relation to the environment and development. Under this scheme, and in collaboration with the United Nations Population Fund, UNESCO has produced three publications that cover these topics. Aims of the current initiative are to develop tools to facilitate dissemination of the data presented in these publications to non-demographic experts. The focus will be on the Arab region, with all Arab countries participating in this project.

A range of didactic material will be prepared for use by curriculum developers, university lecturers, schoolteachers and other elements of civil society (such as NGOs, women's groups, etc) involved in both the formal and informal education sectors. In addition to printed material, an interactive CD-ROM, available in French, English and Arabic, will be provided.

A preliminary seminar was held in October 2001 in Amman, Jordan, where delegates evaluated the proposed pedagogical material and agreed that it corresponded to their needs. A follow-up

seminar is planned for spring 2002, which will lead to a concluding set of recommendations, upon which the material will be finalized and distributed.

The Fund's grant will be used to cover consulting expenses, the translation and reproduction of pedagogical items, as well as the organization of the second seminar.

No 48/2002
Vienna, Austria, May 22, 2002

Angola's education sector receives boost with $9.39m OPEC Fund loan

The OPEC Fund for International Development has signed a $9.39 million loan agreement with the Republic of Angola to help finance a scheme to reform the country's education system, placing a special emphasis on boosting the quality of learning and providing job skills training for youth and adolescents.

After years of civil unrest, Angola has placed a high priority on meeting its educational needs, particularly along the country's western coast, which is home to some four million displaced people. Refugee children's access to schools is limited, as camps are often situated far from population centers. Existing schools are overcrowded and in poor condition, instruction materials and textbooks virtually non-existent and many teachers are inadequately trained. In addition, older children often drop out of school to work and help support their families, adding to the rising number of unskilled workers.

In order to address these shortfalls, the project will target four of the most seriously affected provinces, namely, Luanda, Kwanza Sul, Benguela and Namibe. Works will include the construction of 244 primary school classrooms and rehabilitation of 122 existing ones. The skills training centre in Luanda, which provides technical and vocational training in the higher grades, in addition to adult literacy programs, will be refurbished and equipped accordingly. All schools will be fitted out with new furniture, computer and audio-visual equipment, and around 30,000 students will be supplied with learning materials. Over 7,000 teachers, school directors and other personnel will attend in-service training workshops and programs in new course curriculum. A special job skills training program will also be developed for in/out-of-school youth, particularly girls and street children.

Once underway, not only will learning conditions in primary schools be substantially improved, but out-of-school older children, who are less likely than their younger counterparts to return to the regular educational system, will have the chance to partake in skills training programs to help them find good jobs.

The OPEC Fund has previously approved four project loans for Angola in the agriculture, education and transportation sectors. Additionally, the country has benefited from two technical assistance grants, one of which supported a regional polio eradication program, while another supported a scheme to improve health, education and living standards in impoverished urban communities.

The agreement was signed in Vienna by HE Fidelino Loy de Jesus Figueiredo, Ambassador of the Republic of Angola to Austria, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

Data summary

Project:
Education II.
Sector:
Education.
OPEC Fund loan:
$9.39m
Lending terms:
Interest rate of one per cent per annum, with an annual service charge of one per cent on amounts withdrawn and outstanding; maturity of 20 years, including a grace period of five years.
Borrower:
Republic of Angola.
Executing agency:
Ministry of Education and Culture.
Implementation period:
Four years.
Appraising agency:
African Development Bank (AfDB).
Loan administrator:
AfDB.
Cofinanciers:
African Development Fund (AfDF); Technical Assistance Fund of the AfDF; government of Angola.
Total cost:
$24.43m
Project description:
The project will comprise the following:
— construction of 244 primary school classrooms and rehabilitation of 122 existing ones;
— refurbishment of the skills training centre in Luanda;
— provision of furniture, books, computer and audio-visual equipment;
— establishment of in-service training workshops and programs for around 7,000 teaching personnel;
— provision of learning materials for approximately 30,000 students; and
— development of programs and materials for job skills training classes.

No 49/2002
Vienna, Austria, May 22, 2002

Niger obtains $10m OPEC Fund loan for public works project

The OPEC Fund for International Development has signed a $10 million loan agreement with the Republic of Niger to help finance the second phase of a multi-faceted, urban development scheme. The project falls within the framework of a national strategy to fight poverty, improve living conditions, promote employment opportunities and foster the development of small and medium-sized enterprises.

Over one half of Niger's population lives below the poverty line and urban infrastructure is largely underdeveloped, especially in the capital city Niamey. As the local construction industry is beset by a number of constraints, many jobs are contracted out to foreign firms. Smaller, private businesses often lack the expertise to deal with procurement procedures and local supplies of construction materials are scarce. They are, therefore, unable to compete with external firms. The government's dual aim is to boost public services, while at the same time encouraging the growth of small, private sector enterprises,

which will have a positive impact on Niger's economy.

In a continuation of the successful civil works carried out under phase I of the project, priority will be accorded to the construction and/or rehabilitation of urban infrastructure such as markets, roads and sewerage systems. Since the implementation of these sub-projects will not require the use of sophisticated equipment and complex engineering designs, but will instead focus on using simple, labour-intensive methods, substantial employment opportunities will be created for the country's large number of unskilled workers. Measures to increase the production of building materials locally will be implemented through the rehabilitation of an industrial brickyard, and Niger's natural resource potential will be explored. A training and development component will be established to strengthen the technical and managerial capacity of local consultancy and construction firms, as well as to help small and medium enterprises learn skills to enable them to be more competitive. In order to expand the capacity of the Abdou Moumouni University in Niamey, two lecture theatres will be built to accommodate 2,000 additional students, thereby improving the quality of higher education, which will in turn strengthen the country's skilled work force.

Niger has been the recipient of 15 previous OPEC Fund loans. Of these, one was extended under the Heavily Indebted Poor Countries Initiative, four were given for balance of payments support, two financed commodity imports programs, while eight others helped finance projects in the transportation, agriculture, education, water supply and sewerage, and health sectors. The country has also benefited from technical assistance grants in support of regional programs in the areas of agriculture, energy and telecommunications, as well as one emergency grant to help alleviate food shortages.

The agreement was signed in Vienna by HE Ali Badjo Gamatié, Minister of Finance and Planning of the Republic of Niger, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

Data summary

Project:
Public Works II.

Sector:
Multi-sectoral.

OPEC Fund loan:
$10m

Lending terms:
Interest rate of one per cent per annum, with an annual service charge of one per cent on amounts withdrawn and outstanding; maturity of 20 years, including a grace period of five years.

Borrower:
Republic of Niger.

Executing agency:
Agence Nigérienne de Travaux d'Intérêt Public pour l'Emploi.

Implementation period:
Five years.

Appraising agency:
OPEC Fund.

Loan administrator:
OPEC Fund.

Cofinancier:
Government of Niger.

Total cost:
$11.10m

Project description:
The project will comprise the following:
— maintenance and rehabilitation infrastructure such as sewerage systems and urban roads and construction of markets and parking places;
— construction of two lecture theaters at the university in Niamey;
— establishment of training and development programs for small construction and consultancy enterprises; and
— rehabilitation of an industrial brickyard.

No 50/2002
Vienna, Austria, May 22, 2002

OPEC Fund and Niger sign agreement to encourage investment

An agreement for the encouragement and protection of investment has been signed between the OPEC Fund for International Development and the Republic of Niger. Drawn up within the framework of the Fund's Private Sector Facility, the convention was initialed by HE Ali Badjo Gamatié, Minister of Finance and Planning of the Republic of Niger, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

The Fund's Private Sector Facility is a financing window, endowed with its own resources, through which the Fund channels support directly to the private sector in developing countries. The objectives of the Facility are to promote economic development by encouraging the growth of productive private enterprise and supporting the development of local capital markets. Under the Facility, loans are made to financial institutions for on-lending to small, medium and micro-enterprises, as well as directly to specific projects. Equity participation in private enterprises is also undertaken, either directly or through country or regional investment funds. As a pre-condition to such investment, the Fund requires signature of a standard agreement with the country concerned for the encouragement and protection of investment. The agreement accords the OPEC Fund the same privileges as those normally given to international development institutions in which the country holds membership.

Niger is a vast landlocked country with an estimated population of 11 million, which is concentrated in a narrow band of arable land along its southern border. In 2000, the country's gross national income (GNI) amounted to $1.9 billion, and GNI per capita was estimated at $180. Niger's main economic activities are agriculture and livestock, accounting for approximately 40 per cent of GDP, while the export base comprises primarily uranium, cattle and agricultural products. Real GDP growth is estimated to have reached 5.1 per cent in 2001 as a result of good climatic conditions. The country has made considerable progress in implementing structural reforms, and is committed to strengthening external debt management and maintaining the momentum of its privatization programs. This and other measures have greatly enhanced openness and competitiveness, and have helped create a hospitable, enabling environment for the promotion of enterprises in the country's private sector, which is regarded by government as critical to the economic development of the country.

No 51/2002
Vienna, Austria, May 22, 2002

OPEC Fund extends debt relief to Nicaragua under HIPC Initiative

The OPEC Fund for International Development has signed an agreement with the Republic of Nicaragua for the provision of debt relief within the framework of the Enhanced Heavily Indebted Poor Countries (HIPC II) Initiative. Endorsed by the Interim and Development Committees of the World Bank and the International Monetary Fund in September 1996, the Initiative represents a united effort by the international community to address the external debt problems of the world's heavily indebted poor countries. Specifically, it aims to reduce the debt of eligible countries to sustainable levels, subject to satisfactory policy performance, in order to ensure that adjustment and reform efforts are not put at risk by continued high debt and debt service burdens. As the Initiative requires participation by all relevant creditors, debt relief efforts entail coordinated actions by the international finance community, including multilateral institutions.

In October 1999, the international community agreed to make the Initiative broader, deeper and faster by increasing the number of eligible countries, raising the amount of debt relief each country would receive and speeding up delivery. Both HIPC and the subsequent HIPC Enhanced Framework foresee this being achieved through a strategy of fully proportional burden-sharing among all official creditors. About thirty-eight countries could ultimately qualify for HIPC assistance, of which 34 are in sub-Saharan Africa. To date, 26 countries have reached their decision point under the Enhanced HIPC Initiative and of these, four have reached their completion point under the original HIPC Initiative. These 26 countries are now receiving debt relief which will amount to some $41 billion over time. They qualify for debt relief in two stages: in the first stage, the debtor country will need to demonstrate the capacity to use prudently the assistance granted by establishing a satisfactory track record, normally for three years; in the second stage, the country will implement a full-fledged poverty reduction strategy and an agreed set of measures aimed at enhancing economic growth.

The OPEC Fund — committed as it is to strategies aimed at securing economic growth for the countries it works with — has from the very beginning expressed its support of the Initiative and has participated actively in its design.

The OPEC Fund has approved debt relief under the HIPC Initiative and the Enhanced framework to 21 countries, 17 of which are in Africa and four in Latin America.

In December 2000, the decision point was reached for Nicaragua, and support for a comprehensive debt reduction package to this country under the HIPC Initiative was agreed upon by the IMF and the World Bank. Over time, total relief from all of Nicaragua's creditors will amount to approximately $4.5bn, or $3.3bn in net present value terms, which represents 72 per cent of total yearly debt obligations. This is the largest debt relief package yet committed under the HIPC Initiative, and it will help the country focus on reconstruction efforts after the damage sustained by Hurricane Mitch and move towards a stable, long-term development strategy.

The OPEC Fund has assisted Nicaragua with its development activities for over two decades, providing balance of payments support, and assisting projects in the sectors of transportation, agriculture, education and water supply and sewerage. Fund grants also went to provide the country with emergency assistance, as well as to finance a water supply and environmental sanitation program and technical assistance schemes in the energy sector. Under the agreement, financing in the amount of $10m will be made available to ease Nicaragua's debt burden.

The agreement was signed in Vienna by Professor Dr Alberto José Altamirano Lacayo, Chargé d' Affaires ai at the Embassy of the Republic of Nicaragua in Austria, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

No 52/2002
Addis Ababa, Ethiopia, May 29, 2002

Djibouti benefits from $1m grant to cover subscription to CFC

The Republic of Djibouti and the OPEC Fund for International Development have signed an agreement for a grant of $1 million to cover the country's subscription to the Common Fund for Commodities (CFC).

The grant is the thirty-third of its kind to be extended by the Fund, which has, from the onset, been a staunch supporter of the CFC. Altogether, the Fund has made some $37.16m available in similar grants to help 35 least- developed countries subscribe to the directly contributed capital of the CFC's First Account. This Account was intended to help establish and finance international buffer stocks to bring stability and equity to the global trade in select commodities. In addition to these grants, the Fund has also committed $46.4 million to the CFC's Second Account, which is to finance measures other than the stockpiling of commodities.

At $83.56m, the total approved financial participation of the Fund makes it the largest single contributor to the CFC, which it regards as a worthy example of international cooperation, where the interests of the North and the South, the producers and the consumers are taken into consideration.

The Agreement was signed in Addis Ababa, Ethiopia, on the occasion of the Annual Meeting of the African Development Bank, by HE Yacin Elmi Bouh, Minister of Economy, Finance and Privatization of the Republic of Djibouti, and by HE Dr Y Seyyid Abdulai, Director-General of the OPEC Fund.

May

Secretariat missions

A UNFCCC workshop on *Cleaner or less greenhouse gas-emitting energy* was organized by the UNFCCC and took place in Whistler, Canada, May 7–8, 2002.

The *7th Arab Energy Conference* was organized by OAPEC, and held in Cairo, Egypt, May 11–14, 2002.

A conference on *Sustainable development in the new trade round: trade, investment and environment after Doha* was organized by the Royal Institute of Institute of International Affairs, and took place in London, UK, May 13–14, 2002.

A training course entitled *Understanding the fundamental elements of international oil & gas investment* was organized by and held at the University of Dundee, Dundee, Scotland, May 20–24, 2002.

The *5th international meeting on oil statistics* was organized by the IEA/OECD, and took place in Mexico, May 23–25, 2002.

The *4th preparatory committee for the World Summit on Sustainable Development 2002* in Johannesburg was organized by the Government of Indonesia and held in Bali, Indonesia, May 27–June 6, 2002.

A discussion regarding the IEF Secretariat, was organized by the IEA in Paris, France, on May 29, 2002.

Forthcoming OPEC Meetings

106th Meeting of the Board of Governors, Vienna, Austria, August 20, 2002.

98th Meeting of the Economic Commission Board, Vienna, Austria, September 9, 2002.

39th Meeting of the MMSC, Osaka, Japan, September 18, 2002.

121st Meeting of the Conference, Osaka, Japan, September 19, 2002.

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