OPEC bulletin

8–9/09

Last Conference in Obere Donaustrasse

An era ends but the challenges remain

As OPEC's Ministers left the Organization's Secretariat in the early hours of Thursday morning, September 10, they knew that this marked the end of an era.

It was the last time they would meet as a Conference on the premises that have housed the OPEC's headquarters since 1977.

However, they also knew that the underlying challenges facing the oil industry remained, as did the Organization's unflinching resolve in meeting them.

The fact that OPEC rolled over its production agreement, for the third time since it was set up in Algeria last December, came as no surprise to most people — this had been widely expected in the build-up to the Meeting.

There is, however, still so much uncertainty about the outlook for the world economy in the coming months that it is almost impossible to forecast the impact of this on the oil sector.

As OPEC has made clear on several occasions recently, we do not want to take measures that risk rocking the boat within the troubled waters of the global economy.

Furthermore, the situation is not helped by so much indecision over future regulation in the international financial community, as the debates rage on among powerful interests in the richer nations and positions become entrenched.

A year has passed since the outbreak of the crisis affecting the world's financial institutions, with the collapse of Lehman Brothers. There has been much talk during that time and not enough concrete action, and high levels of speculation continue to influence oil prices, distorting fundamentals and fuelling volatility.

OPEC's Ministers will have another chance to review the oil market outlook at the end of this year, when they gather at an Extraordinary Meeting of the Conference in Angola on December 22. Hopefully, a clearer picture of the world economy and energy trends will be in place by then.

OPEC will also be looking for meaningful, practical support for its market-stabilization measures from non-OPEC producers. In fact, we had hoped that this would have already happened, judging from the many gestures of solidarity expressed last winter and earlier this year, when the economic crisis was at its deepest and oil prices at their most fragile.

While OPEC has reduced production heavily since last September — which has meant sacrifices from our Member Countries, in the interests of the overall good of the market — some other producers have done the opposite and increased output, compromising the impact of our measures and eating into our market share.

This is a matter of much concern to us and runs counter to the big advances in dialogue and cooperation that have been made since the turn of the century and which have brought many benefits to the market as a whole.

We are all in this together — OPEC and non-OPEC alike — as we seek to cope with a crisis not of our making and whose severity, ubiquity and unpredictability have no parallel in modern history.

There is widespread agreement that oil prices should be at least at today's levels and preferably a little higher, to support investment in the industry and help meet the large rises in demand forecast for the coming years.

We must also break down, once and for all, the damaging boom/bust cycles that have so plagued the industry in the past, to the detriment of all parties.

In this way, the industry will be able to provide solid support to the world economy, as growth picks up again. Indeed, the recovery, once it gets into full swing, could be quicker and more widespread and substantial than people expect today, and we must be ready for this.

Therefore, a unity in approach among all producers, both OPEC and non-OPEC, is essential for the steady development of the industry, as well as for sustained order and stability in the market. We must all strive to achieve this.

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Cover
This shows the OPEC Secretariat at Obere Donaustrasse 93, Vienna, which hosted an Ordinary Meeting of the Conference for the last time on September 8–9, 2009 (see pp4–19). The Secretariat will move to a new site nearby later this year.
Photo: Keith Aylward-Marchant.

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

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154th Meeting of the Conference keeps output ceiling unchanged to assist economic recovery

by Jerry Haylins

OPEC Oil and Energy Ministers, at their 154th Meeting of the Conference in Vienna on September 9–10, agreed to maintain the *status quo* with regard to the Organization's production ceiling, so as not to interfere with the steady recovery witnessed in the global economy.

"Due to the effects of the economic recession, we are working on a very thin line and we have to be careful. We do not want to take action that could jeopardize the recovery we are seeing at this time," commented OPEC Secretary General, Abdalla Salem El-Badri.

The Meeting, which was held through the evening into the early hours, due to the fasting period of Ramadan, agreed to leave current production allocations in place for the time being, but with the proviso that Member Countries do more to tighten up on overall compliance.

In December last year, in Oran, Algeria, OPEC decided to cut its production by a total of 4.2 million barrels/day, with effect from September 2008, a development that has been instrumental in stabilizing international crude oil prices this year.

At their last Conference in May this year, OPEC Ministers heard how compliance to the cut was running at an impressive 80 per cent. However, El-Badri stated at the latest Meeting that this had now fallen to around 70 per cent and needed to be improved to help reduce the large overhang in petroleum stocks.

"Our compliance today is not excellent, but it is good considering the circumstances surrounding us. We decided to continue with the same production ceiling and asked each Member Country to adhere to its production allocation," he told a press briefing after the Conference.

OPEC Conference President Eng José Maria Botelho de Vasconcelos, Angolan Minister of Petroleum, told the news conference that current conditions in the oil market did not guarantee price stability.

"There is a considerable volume of crude oil and oil product stocks in the market and this alone is an indication that the situation is not yet stable, even though crude prices are currently at an acceptable level for both the producers and consumers," he noted.

Asked about speculation in the oil market, which had been a major cause of recent price volatility, the Conference President said this arose out of the global financial system.

He explained that speculators took advantage of the shortcomings in these markets, especially with the lack of regulation, and took positions that inevitably caused problems in the marketplace.

"We are waiting with great expectation for new regulations that will be developed by the main economies governing these financial institutions," he said.

During the Conference, the Ministers reviewed current oil market conditions and future prospects, observing

Pictured at their last Conference at the OPEC Secretariat before the move to the new premises in November are (l–r): Ali E M Saleh, General Manager of the Libyan National Oil Corporation, Head of the delegation of the SP Libyan AJ; Dr Hussain Al-Shahristani, Minister of Oil, Iraq; Dr Bernard Mommer, OPEC Governor for Venezuela, Head of the Venezuelan delegation; Mohamed Bin Dhaen Al Hamli, Minister of Energy, United Arab Emirates; Abdalla Salem El-Badri, OPEC Secretary General; Dr Chakib Khelil, Minister of Energy, Algeria; Sheikh Ahmad Al-Abdullah Al-Ahmad Al-Sabah, Minister of Oil, Kuwait; Ali I Naimi, Minister of Petroleum and Mineral Resources, Saudi Arabia; Eng José Botelho de Vasconcelos, President of the Conference and Minister of Petroleum, Angola; Abdullah bin Hamad Al Attiyah, Deputy Premier, Minister of Energy and Industry, Qatar; Masoud Mir-Kazemi, Minister of Petroleum, IR Iran; Germánico Pinto, Alternate Conference President and Minister of Mines and Petroleum, Ecuador; Dr Rilwanu Lukman, Minister of Petroleum Resources, Nigeria; and Siham Abdulrazzak Razzouqi, Chairperson of the OPEC Board of Governors.

Above: Dr Rilwanu Lukman, Nigerian Minister of Petroleum Resources.

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

Below (l–r): Abdalla Salem El-Badri, OPEC Secretary General; Dr Hussain Al-Shahristani, Minister of Oil, Iraq; Eng José Botelho de Vasconcelos, OPEC Conference President and Minister of Petroleum, Angola.

that, whilst there were signs that an economic recovery was underway, they were concerned about the magnitude and pace of the recovery, especially in the major industrialized nations of the OECD region.

"There has been some easing of the overhang in crude oil stocks, but market fundamentals remain weak, refinery utilization rates are low and product inventories have risen considerably," said a communiqué issued at the end of the Meeting.

It said that, accordingly, with the market remaining over-supplied and given the downside risks associated with the recovery, the Conference once again agreed to leave current production levels unchanged for the time being.

OPEC's existing production ceiling for 11 of its 12 Member Countries (Iraq is exempt) stands at 24.85m b/d. It was the third time this year that the Organization decided to keep its output limits unchanged, in support of the global economic recovery.

"Everyone is agreeing now that the recession is in its final stages and we hope that in the first quarter of next year we will see things improving, which is good news for everybody," said El-Badri.

He pointed out that when they looked at the data surrounding the recession and economic slump figures were comparable to the 1930s.

"Since late last year we have suffered a sharp reduction in oil demand – something in the region of 1.6m b/d, but in 2010 we are seeing positive signs and oil demand is forecast to pick up by around 500,000 b/d. This is a

modest amount, but maybe it will increase further as we go along," he said.

The OPEC Secretary General said existing stock levels were too high and the Organization was looking to reduce the level from the current 61 days of forward cover to "the 52 days we had previously".

He observed that the inventory overhang had moved from crude to oil products. "When we look at the fundamentals of the market, this overhang is of great concern for us in OPEC. Hopefully, demand will pick up to help this situation, but we are also asking our Member Countries for better compliance to their allocations, which would help to eliminate the overhang."

Questioned on the current level of oil prices, El-Badri noted that although they were hovering at around $70/b, the average price of the Organization's Reference Basket so far this year stood at just $52/b. He said that any price below $75/b would not encourage investment in future capacity.

"So, we are really still in the $50/b range, which does not allow for investment," said El-Badri, who maintained that a price of $80/b would be acceptable and would not harm the markets.

"We are always looking for a price with which we can invest. It is clear that we will need to have more capacity in the future, but we cannot do this without a reasonable and adequate price," he affirmed.

Regarding OPEC's spare capacity, El-Badri said the Organization did not have a set target for the future. However, he said he was confident OPEC had enough spare capacity to cover any "unusual circumstances" that could occur in the oil market.

Asked about OPEC's position ahead of the next round of environmental talks, to be held in Copenhagen in December, El-Badri said the Organization's stand was that everyone should abide by the commitments spelled out in the Kyoto Protocol.

OPEC would like to see these commitments fulfilled in Copenhagen. It did not want the oil-producing countries to be singled out in any way.

"Yes, the environment is important, and we in OPEC are concerned about the welfare of the planet — we are after all living in the same world — but we do not want to be penalized," he stressed.

"They cannot shift the responsibility of cleaning up the planet to the developing countries as a whole. We are looking for a win-win situation in Copenhagen. Everyone should be committed to their share," he added.

In the communiqué, the Conference reiterated its determination to ensure sound supply fundamentals and an adequate level of spare capacity for the benefit of the world at large.

Below left: Sheikh Ahmad Al-Abdullah Al-Ahmad Al-Sabah, Minister of Oil, Kuwait.

Below: Abdullah bin Hamad Al Attiyah (l), Deputy Premier, Minister of Energy and Industry, Qatar; Dr Chakib Khelil, Minister of Energy and Mines, Algeria.

Above: Ali E M Saleh (c), General Manager of the Libyan National Oil Corporation and Head of the Libyan delegation; Dr Ahmed A Menesi (l), Member of the Libyan delegation; Ahmed M Elghaber (r), Libyan Governor for OPEC.

Mohamed Bin Dhaen Al Hamli (c), Minister of Energy, UAE; Mohamed Hamed Omra (l), UAE Ambassador; and Ali Obaid Al Yabhouni (r), Governor for OPEC, UAE.

Above: Félix Manuel Ferreira, OPEC Governor for Angola; Fidelino Loy de Figueiredo (c), Ambassador of Angola in Vienna; Eng Manuel Vicente (r) President of Sonangol.

Similarly, it recorded the readiness of Member Countries to rapidly respond to any developments which might jeopardize oil market stability and their interests.

"Therefore, in addition to continuing to maintain a constant watch over supply/demand fundamentals, the Conference agreed to reassess the market situation at its 155th (Extraordinary) Meeting, to be held in Luanda, Angola, on December 22, 2009," it stated.

In addressing its customary administrative matters, the Conference elected Germánico Pinto, Minister of Mines and Petroleum of Ecuador, as President of the OPEC Conference for one year, with effect from January 1, 2010, and Masoud Mir-Kazemi, Minister of Petroleum of the Islamic Republic of Iran, as Alternate Conference President, for the same period.

It also appointed Ahmed M Elghaber, Governor for the Socialist Peoples Libyan Arab Jamahiriya, as Chairman of the Board of Governors for 2010, and Mohammed S Barkindo, Governor for Nigeria, as Alternate Chairman for the same period.

The Conference decided that its next Ordinary Meeting will convene in Vienna on March 17, 2010, preceded by a meeting of the Ministerial Monitoring Sub-Committee on March 16, 2010.

Left: Germánico Pinto (r), Alternate President of the OPEC Conference and Minister of Mines and Petroleum, Ecuador; Abdalla Salem El-Badri (c), OPEC Secretary General; and Dr Bernard Mommer, OPEC Governor for Venezuela and Head of the Venezuelan delegation.

Above right: Masoud Mir-Kazemi (c), Minister of Petroleum, IR Iran; Dr Ali Asghar Soltanieh (l), Ambassador of IR Iran, Vienna; Seyed M A Khatibi Tabatabai (r), OPEC Governor for IR Iran.

Right: Dr Hussain Al-Shahristani (c), Minister of Oil, Iraq; Dr Falah J Alamri (r), OPEC Governor for Iraq; Alaa Rasool M Ruda Mohie El-Deen (l), Director General of Inspection.

OPEC Secretariat officials (l–r): Dr Fuad Siala, Officer-in-Charge, Energy Studies Department; Abdulla Al-Shameri, Head, Office of the Secretary General; Dr Omar Farouk Ibrahim, Head, PR and Information Department; Abdalla Salem El-Badri, OPEC Secretary General; Dr Hasan M Qabazard, Director, Research Division; Mohammad Alipour-Jeddi, Head, Petroleum Studies Department. Inset are (l–r): Alejandro Rodriguez Rivas, Head, Finance and Human Resources Department; Fuad Al-Zayer, Head, Data Services Department; Dr Ibibia L Worika, General Legal Counsel.

OPEC concerned about stock levels, price volatility

Address delivered to the plenary session of the 154th Meeting of the OPEC Conference by ***Eng José Maria Botelho de Vasconcelos****, President of the OPEC Conference and Minister of Petroleum of Angola.*

Let me begin by extending a special welcome to Germánico Pinto, Minister of Mines and Petroleum of Ecuador, who is attending the Conference as Head of his country's Delegation for the first time. In doing this, he has taken over the office of Alternate President of the Conference from his predecessor, Derlis Palacios Guerrero, whom we wish well in the future.

Words of welcome are similarly due to Masoud Mir-Kazemi, Minister of Petroleum of the Islamic Republic of Iran, who is also joining us for the first time and taking over the function of Chairman of the Ministerial Monitoring Sub-Committee from his predecessor, Gholamhossain Nozari. Please join me in thanking Gholamhossain Nozari for his services to the Organization during his tenure.

I must inform you that the Delegation of the Socialist People's Libyan Arab Jamahiriya is headed by Ali E M Saleh, General Manager of the Libyan National Oil Corporation. Similarly, kindly note that the Delegation of the Bolivarian Republic of Venezuela is headed by Dr Bernard Mommer, the country's Governor for OPEC. Please join me in extending a warm welcome to both gentlemen.

Since we last met on May 28, there has been a general strengthening of oil prices, within a range of around $60 to $73/barrel for our Reference Basket. This has provided welcome support for the industry's investment plans, after the gloomy outlook for much of the past year.

However, we are concerned about the continuing price volatility, which, once again, is happening when there is plenty of crude in the market. Indeed, OECD crude oil stocks are about ten per cent above the five-year average level. Downstream too, distillate stocks are at very high levels globally.

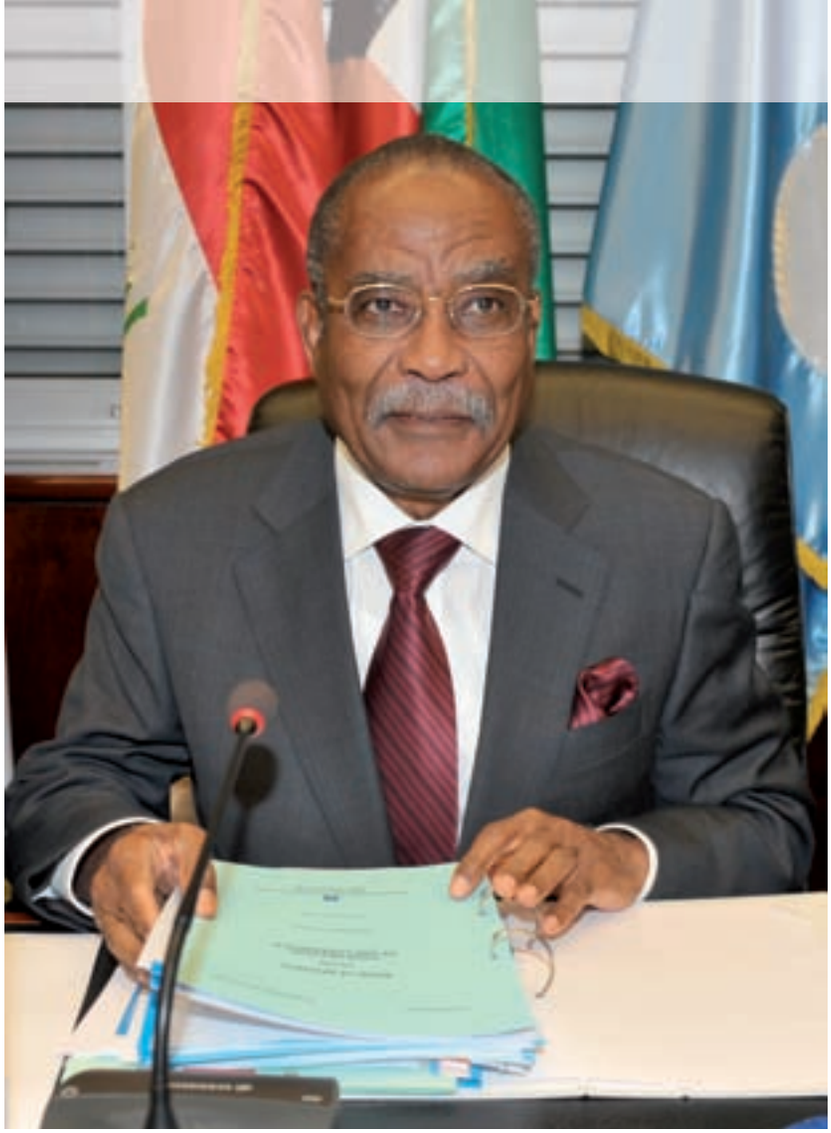
There is little doubt that oil prices have become very sensitive to external economic signals, such as dollar exchange rate fluctuations, stock market movements and unemployment trends.

Two issues arise here.

The first is the degree to which high levels of speculation continue to influence oil prices. This issue is of great concern to OPEC and its Member Countries and, while some governments and other authorities have announced intentions to introduce regulatory guidelines, nothing concrete has yet materialized.

And the second issue concerns the timing, the extent and the pace of global economic recovery. The general economic outlook has, to some extent, improved since our Meeting in May. However, although OPEC's Member Countries have participated in and benefited from this recovery, there are still great uncertainties, as far as price behaviour is concerned, not only for the remainder of 2009, but also well into the second half of 2010.

As on so many occasions in the past, the challenges facing us at this Conference include reaching an agreement that will ensure sound supply/demand fundamentals, for the benefit of Member Countries and the world at large.



Eng José Maria Botelho de Vasconcelos.

All in all, we are optimistic that the darkest days of financial turmoil and economic recession are behind us.

This should leave us with more time to address bigger issues facing mankind, notably the eradication of poverty, sustainable development and the environment.

In this light, the upcoming climate change negotiations in Copenhagen will also demand our attention at today's Meeting. Oil producers must ensure that their interests are properly represented in the post-Kyoto agreement, as this is drawn up. There is much at stake here, for both present and future generations, in our Member Countries.

Excellencies, before I conclude my remarks, I should like to note that today's Meeting will be the last one we shall hold in this building, which has housed OPEC's Secretariat for more than 30 years. At the end of November 2009, the Secretariat will be relocated to Vienna's First District, to open a new chapter in the life of our Organization. Significantly, this will happen just before the start of our 50th Anniversary year.

I should, therefore, like to take this opportunity to thank the Government of the Federal Republic of Austria and the authorities of the City of Vienna for their hospitality and support during these years. We look forward to a continuation of this excellent relationship at the new building. Words of commendation are also due to the many OPEC Secretariat staff members who have worked so hard to bring the new premises project to a fruitful conclusion and to make sure that these new premises are a suitably representative new home for the Organization.

Finally, I believe this is also a good time to thank those staff members — past and present — who have dedicated years of their lives to the development of OPEC from within our present building.

Let us now proceed with today's Meeting.

Masoud Mir-Kazemi, Minister of Petroleum, IR Iran, was elected Alternate President of the OPEC Conference as from January 2010.

Germánico Pinto, Minister of Mines & Petroleum, Ecuador, was elected President of the OPEC Conference as from January 2010.

Ahmed M Elghaber, the SP Libyan AJ Governor for OPEC was elected Chairman of the Board of Governors for 2010.

Mohammed S Barkindo, Nigeria's Governor for OPEC was elected Alternate Chairman of the Board of Governors for 2010.

Iran appoints new Petroleum Minister

Masoud Mir-Kazemi, an industrial engineer, has been appointed Iran's new Minister of Petroleum, replacing Gholamhossein Nozari.

Born in Tehran in 1960, Mir-Kazemi has been his country's Commerce Minister since 2005. Before that, he was Head of the Centre for Promotion of Productivity and System Evaluation; and Deputy in the Research Department at the Faculty of Technology and Engineering of Imam Hossein University. He is also Chairman of the Board of Directors and Managing Director of the Etka Organization

During his studies, Mir-Kazemi attained a BSc in Industrial Engineering from the University of Science and Technology, Tehran in 1986, followed by his Masters in the same subject three years later. In 1996, he received his PhD in Industrial Engineering at the Tarbiat Modarres University in Tehran.

A university lecturer on several subjects, including engineering, economics, project assessment, and logistics, he is Chancellor of Shahed University and a Member of the University Scientific Board. He has been Head of the Logistics Studies and Research Centre since 2000, as well as Head of the Fundamental Studies Centre.

Mir-Kazemi is the founder of three associations — the Iran Logistics Association, the Maintenance and Repair Association and the Research in Operations Association.

The author of numerous articles on such subjects as logistic insights, supply chains, maintenance and repair, he is Editor-in-Chief of the quarterly journal, Faramad (logistics survey).

OPEC Ministers optimistic global economy is recovering

The following interviews were conducted during the 154th Meeting of the OPEC Conference by the OPEC webcast team.

Eng José Maria Botelho de Vasconcelos

OPEC Conference President and Minister of Petroleum, Angola

Asked about the agreement by OPEC Ministers to leave the current production ceiling unchanged, Eng José Maria Botelho de Vasconcelos said the decision was the correct one because, at the present time, the world economy was only showing signs of slowly recovering, with prices remaining at a reasonable level.

"The OPEC decision is very important because the Organization is trying to contribute towards restoring balance to the global economy," he stressed.

Questioned about the high level of petroleum stocks, de Vasconcelos said OPEC, through its production policies, had been doing its best to bring the level of inventories down to more acceptable levels.

"It needs to achieve its targets of Member Countries complying with their production allocations. By doing this, it will effectively lead to a reduction in the days of forward consumption. This is our target," he said.

Speaking on the end-of-year OPEC Conference, which will be held in Luanda, Angola on December 22, the Minister said he was very pleased the Meeting would be held in his home country.

Angola, he said, was in the process of recovering from 30 years of civil war and was busy building new infrastructure. "We will be able to show the reality of this recovery when the Conference is held here."

De Vasconcelos pointed out that Angola was an open country and there were a lot of opportunities and many sectors for potential investors to be interested in, not only oil, but energy, electricity, roads, water, agriculture, housing and infrastructure development.

"We need more partners to work with us. The Conference will allow us to show the world what we are doing and what opportunities exist here," he added.

"The OPEC decision is very important because the Organization is trying to contribute towards restoring balance to the global economy."

Germánico Pinto

OPEC Alternate Conference President and Minister of Mines and Petroleum, Ecuador

Questioned about the state of the global economy, Germánico Pinto noted that the recession had been very strong in the countries of the Northern Hemisphere, but slowly things were getting better.

"The crisis is not totally over … but in a way. This is being reflected in the price of oil right now, which has stabilized in the last few months. This is very important for both the producers and the consumers," he said.

Domestically, said the Minister, Ecuador was in the process of implementing strong change in establishing a new set of rules for the whole petroleum industry.

"The crisis is not totally over ... but in a way. This is being reflected in the price of oil right now, which has stabilized in the last few months."

"The new law for hydrocarbons will be discussed in the national assembly and we have started discussions with the private companies, in terms of modifying the contracts we have with them," he said.

Ecuador's oil exports go mainly to Asia and North America.

Dr Hussain Al-Shahristani
Minister of Oil, Iraq

Asked how he thought the global economic situation was impacting the oil market, Dr Hussain Al-Shahristani, Minister of Oil of Iraq, said there were currently a number of indicators that were positive and there was a general feeling that "we have hit the bottom and the economy is going to recover, hopefully sooner, rather than later."

That recovery, of course, would lead to the requirement for more energy and "we expect demand will increase in the coming months and even more so going into 2010."

Said the Minister: "My feeling is that the world has passed the worst and we are going to see positive signs for the world recovery."

He said not so many people were being laid off in the developed countries nowadays, the sales of goods, including cars, was picking up and demand was improving in the OECD countries, which was a very important sign.

"So, overall, the economy is on its way to recovery throughout the world, which will be accompanied by an increase in oil consumption. OPEC, as always, stands ready to supply the world with its oil needs and there is always room within the Organization to increase its output when it is needed," he said.

Al-Shahristani said stocks of crude and oil products were at their highest level in the last five years and there was plenty of crude and products on the market right now, not only in the United States and Europe, but also in other countries.

"Everybody — both the producers and the consumers — are confident that whenever demand picks up, there will be sufficient supplies available," he affirmed.

Concerning activities in Iraq, the Minister said things were looking pretty good right now. The first licensing round had been held, with the country's biggest oilfield — Rumaila — awarded to a consortium of BP and CNPC.

"This field alone is going to increase production from the current level of 1m b/d to 2.85m b/d," said the Minister.

In the second big licensing round, to be held before the end of the year, ten more fields would be on offer, which together would eventually produce several million barrels of oil per day.

"All these developments will take place in the next six to seven years, during which a plateau in production in excess of 6m b/d will be reached and perhaps even closer to 8m b/d," said the Minister.

"It has been a very challenging period for us, given the conditions and security situation in the country," he added.

Al-Shahristani said his country's reconstruction programme required tens of billions of dollars. "We, at the Oil Ministry, have to provide the funding for these programmes.

"We are very happy about what has been achieved so far and we have managed to increase our production to about 2.5m b/d."

"My feeling is that the world has passed the worst and we are going to see positive signs for the world recovery."

Questioned on the importance of the International Energy Forum (IEF) to the oil market, the Minister said meetings between producers and consumers were an absolute necessity to enable both sides to understand each other and to assess properly what the real demand was going to be and how much OPEC and non-OPEC countries could really provide.

The two sides also needed to work together to stabilize the oil market.

"After all, it is in the interest of all that the oil market is stabilized at a reasonable price that is acceptable to the producers and will also help consumers to recover and to see growth again," he affirmed.

"What we would really like to discuss in an open and transparent manner is what can we do together to help the world economy improve because it is in the interest of everyone to do that.

"We, in OPEC, are ready to make any contribution that ensures the crude supplies are available and at reasonable prices that will help the economic recovery. But we would also like to know what countries outside OPEC are planning to do and what the outlook is from the point of view of the consuming countries."

Al-Shahristani said the Joint Oil Data Initiative (JODI) was very important for making all the relevant figures available. Iraq was one of the first countries to publish its figures in the local media and on the internet concerning how much oil had been produced, how much had been exported and how much had been used domestically.

"Sharing this type of information among the producers and the consumers is very important," he added.

Dr Rilwanu Lukman
Minister of Petroleum Resources, Nigeria

Speaking on the current level of oil prices, Dr Rilwanu Lukman said the Ministers were happy with the level of prices right now.

"We hope they will continue to hold and even get a bit better. We are still concerned about the level of stocks and the overhang, but so far, so good. Demand will likely remain the same next year, or possibly grow," he said.

"We are hearing of some recovery in the global economy, with some countries recording a moderate, yet meaningful, improvement in the general level of economic activity. We are apparently not quite out of the woods yet, but the prognosis is more optimistic."

Lukman noted that despite the fact that prices were not currently very high and the demand was not there yet, they still had to invest in the future to keep production at a reasonable level and to prepare for the upturn in the market.

"We cannot remain idle and stop investing. Without investment we might not be able to meet the current level of production, let alone (exceed) it, if the demand picks up over the next year or two," he said.

Turning to the restructuring of the Nigerian oil industry, Lukman said everything was going well. The first and second reading of the draft hydrocarbons bill had taken place and they were now on the third part of the exercise — to prepare for the full session debates of both houses.

"We cannot remain idle and stop investing. Without investment we might not be able to meet the current level of production, let alone (exceed) it."

Asked about progress made by the IEF over the years, the Minister said the producer-consumer relationship had evolved over a long period of time.

"We are now hearing more noises from the biggest economies in the world that we should have energy prices at more moderate levels in helping to support healthy growth in the world economy. Today is a far cry from the time that the consumers did not even want to discuss prices," he said.

"The thing with the IEF is that you cannot push it too fast too soon — you have to allow it time to evolve in a more orderly fashion and a more natural way. Obviously, you do not want it to take forever and you want it done as expeditiously as possible, in order to reach a better understanding.

"JODI is extremely important because without accurate data it would be like 'beating about the bush' and working in the dark. With more information and more data one is able to assess more accurately what is going on and one is in a better position to design ways and means of dealing with problems when they arise.

"Without the data, you will have little chance of finding viable solutions. We are very happy this oil data initiative has taken root and people are taking it seriously and are cooperating with JODI to provide what information is required," he added.

Abdalla Salem El-Badri
OPEC Secretary General

On the OPEC decision not to change things for the time being, Abdalla Salem El-Badri, OPEC Secretary General,

said that with the recovery taking place, OPEC did not want to disturb the process, so it decided to keep its production unchanged.

"Our concern is that there is an overhang in the market with 61 days of forward cover, so we have asked for more compliance to the current output allocations among Member Countries. We need to reduce this 61 days to a more reasonable level," he said.

El-Badri said OPEC was forecasting that, in 2010, demand would increase by 500,000 b/d, which was not much, but might improve further.

"All our Member Countries would like to see a reasonable price where they can have sufficient income for development, and for their people's welfare. They also need enough money with which to invest in future production capacity," he asserted.

"All our Member Countries would like to see a reasonable price where they can have sufficient income for development and for their people's welfare."

Staying with oil prices, El-Badri maintained that without OPEC's 4.2m b/d cut in production that was agreed in Oran, Algeria, in December last year "we could have seen prices at $20/b. That decision was taken at the right time and the amount was also right. We are now trying to improve the (Member Countries') compliance as we head towards the end of this year."

El-Badri pointed out that OPEC was watching the market every day — the supply and demand fundamentals, world growth and manufacturing output and the economic stimulus packages. "That is normal business for us."

Dr Hasan M Qabazard
Director, OPEC Research Division

Asked about the situation with the global economy, Dr Hasan M Qabazard, Director of the OPEC Research Division, stated that even though the balance of economic indicators was basically positive right now, with many countries posting good GDP figures in the second quarter, the effects of the recession on the oil market were still in force.

"We have a very low demand profile and very high stocks. Demand for this year is going to be down by more than 1.5m b/d and with the increase in non-OPEC production we will continue to have low demand for OPEC oil — close to 3m b/d less than last year," he observed.

He said that, next year, although demand would pick up, there would also be an increase from non-OPEC, so there would be another 500,000 b/d drop in demand for OPEC oil. This would be for the third year in a row. Qabazard maintained that oil prices, which were at reasonable levels right now, were being buoyed by the influence of the US dollar and the pick-up in economic activity.

"The decision the Ministers took today was the correct one — to try and keep the stability we are seeing in the market right now."

He observed that unemployment was still high, "but we hope economies will pick up faster than we think. The stimulus packages are obviously helping this, but the real economic growth is still low."

Qabazard said this low growth was reflected in the very high level of middle distillate stocks globally, such as diesel, which was the fuel of economic development.

"With regard to this economic activity, we in OPEC are being cautious because we see other institutions predicting certain levels of demand and then little by little revising these projections downwards. We want to wait and see how the economies develop in the coming quarters," he said.

Qabazard said there were varying views on the economic outlook. "Some say we will have a 'v' shaped economy, some say it is 'u' shape, while others think it is a 'w' shape. But if we look at the past few decades when there was robust economic growth of three to four per cent, oil demand increased by one per cent — that is the normal demand profile. We hope eventually that demand will return to this type of level."

"The decision the Ministers took today was the correct one — to try and keep the stability we are seeing in the market right now."

Coffee, croissants and candid answers

On the morning following the 154th Meeting of the OPEC Conference, the Organization's Secretary General, ***Abdalla Salem El-Badri****, upheld the tradition of holding a breakfast briefing with a selection of the world's media. In discussing the deliberations of the Ministers, he took the opportunity to stress that, despite the challenges faced by the global economy, OPEC, as always, stands ready to act in the interest of market stability. The OPEC Bulletin's* ***Steve Hughes*** *was in attendance.*

Members of the international media were provided with a not-to-be-missed opportunity to further their understanding of OPEC — and more specifically, of the decision taken by the Organization's Ministers at the 154th Meeting of the Conference — when they were invited to a breakfast briefing with OPEC Secretary General, Abdalla Salem El-Badri. Since the Conference concluded not long before (during the early hours of the same morning), the briefing's 11 am start saw many bleary-eyed journalists head straight for the coffee and croissants, before pitching some searching questions to El-Badri.

The first of many questions provided the Secretary General with the chance to clarify that the decision not to invite observer countries to the Meeting of the Conference did not have an underlying political message. Rather, OPEC was hoping that such observers would attend its Conference in Luanda, Angola, in December.

El-Badri did note, however, that OPEC was not being helped in its quest to stabilize the market by the high production levels being witnessed in non-OPEC countries. But he was quick to point out the continued potential of OPEC-non-OPEC dialogue, and drew attention to the success of the OPEC-European Union dialogue in particular: "They benefit from us, and of course, we benefit from them," he said.

When asked about his likely role in the much-anticipated United Nations climate change negotiations (COP 15) in Copenhagen in December, El-Badri explained that he would attend as an observer only. Each OPEC Member would attend as an individual country, representing itself, he said, not in its capacity as a Member of the Organization. He reiterated that OPEC was concerned that any negative spillover effects from the fight against climate change may be felt more acutely by developing countries. This was a point that had to be taken into account, he said.

As is customary when El-Badri meets the press, he was asked to predict the oil price into the future. Instead, he politely declined, and talked about the price — an average of $75/barrel or above — that he believed would allow

Abdalla Salem El-Badri, OPEC Secretary General, during the breakfast briefing.

OPEC Member Countries to invest in their oil industries. He explained that in a low price environment, oil producers did not have the incentive to invest, since they needed to direct funds towards much-needed social development.

However, he also made it very clear that overly high prices would not benefit either producers or consumers. He noted, though, that it seemed the role of speculation in driving prices higher finally appeared to have been accepted, as evidenced by potential moves to reduce excess speculation in the United States.

Also on the subject of prices, El-Badri said the volatility of the US dollar was a concern, given its relationship to the price of oil, and he hoped US President Barack Obama would take measures to help stabilize his country's currency.

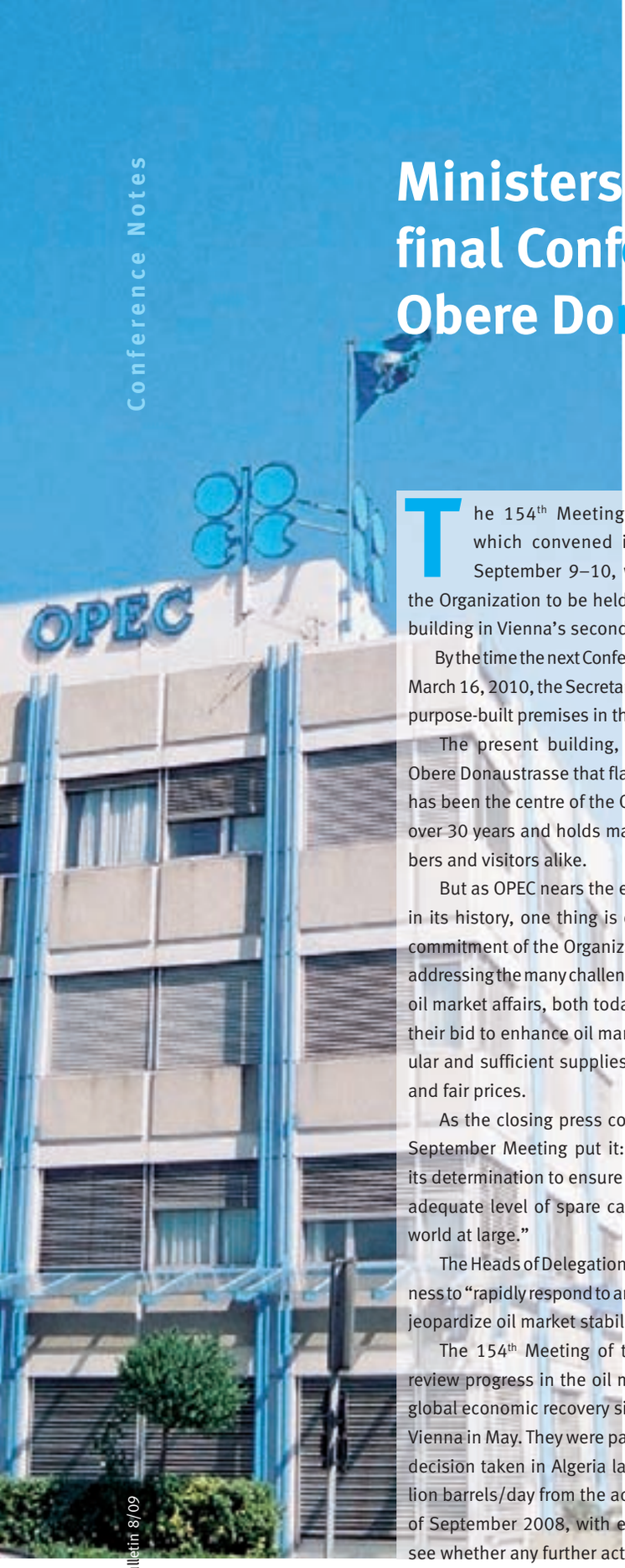
The OPEC Secretary General explained that the Conference's decision to maintain existing output targets, despite weak oil market fundamentals, including high stock levels, was governed by a combination of factors, such as the fragile world economy and the potential for recovery.

"You have to walk very, very carefully at this time," he explained. However, he was still hoping for increased compliance with existing targets among OPEC Member Countries, citing 80–85 per cent as a realistic target.

Despite the current challenges in the market — and in the global economy in general — El-Badri stressed that OPEC Member Countries were in good shape to keep the oil market well supplied, since spare capacity was at very comfortable levels.

OPEC stands ready, as it has done throughout its history, to act quickly, in order to bring about stability in the oil market for the benefit of producers and consumers alike.

As the briefing ended, journalists headed back to their hotels — perhaps to grab a few hours of sleep before making their way home. El-Badri wished all a safe trip and hoped to see them again on December 22, in Luanda, Angola, for the 155th Meeting of the OPEC Conference.



Ministers hold final Conference in Obere Donaustrasse 93

By Keith Aylward-Marchant and Jerry Haylins

The 154th Meeting of the OPEC Conference, which convened in the Austrian capital on September 9–10, was the final Conference of the Organization to be held in the Secretariat's present building in Vienna's second district.

By the time the next Conference in Vienna takes place on March 16, 2010, the Secretariat will have moved to its new purpose-built premises in the city's central first district.

The present building, located along the winding Obere Donaustrasse that flanks the city's Danube canal, has been the centre of the Organization's operations for over 30 years and holds many memories for staff members and visitors alike.

But as OPEC nears the end of this important chapter in its history, one thing is certain not to change — the commitment of the Organization's Member Countries to addressing the many challenges that continue to dominate oil market affairs, both today and in the years ahead, in their bid to enhance oil market stability and ensure regular and sufficient supplies of petroleum at reasonable and fair prices.

As the closing press communiqué to the Ministers' September Meeting put it: "The Conference reiterated its determination to ensure sound fundamentals and an adequate level of spare capacity for the benefit of the world at large."

The Heads of Delegation also reiterated OPEC's readiness to "rapidly respond to any developments which might jeopardize oil market stability and their interests."

The 154th Meeting of the Conference was held to review progress in the oil market and the extent of any global economic recovery since the Ministers last met in Vienna in May. They were particularly keen to revisit their decision taken in Algeria last December, to cut 4.2 million barrels/day from the actual OPEC-11 level of output of September 2008, with effect from January 1, and to see whether any further action should be taken.

After assessing the outlook for the rest of 2009, the Ministers concluded that, whilst there were signs that an economic recovery was taking place, the "magnitude and pace" of the recovery was still uncertain. Crude volumes entering the market were still above demand and stocks of both crude and oil products were uncomfortably high.

The Conference, therefore, decided to maintain OPEC's current production levels unchanged for the third Meeting in a row.

The Organization's Secretary General, Abdalla Salem El-Badri, said at the press conference afterwards that, due to the recession, OPEC was on a "very thin line". It did not want to take any action that could adversely affect the economic recovery.

Rollercoaster ride

But Ministers were reassured with the present level of oil prices. They observed that since the May Conference, there had been a general rise in oil prices — from around $62/barrel then to a high of nearly $73/b on August 7, for OPEC's Reference Basket. But it had been somewhat of a rollercoaster ride, with peaks reached in mid-June, a trough in mid-July and a general strengthening after that.

Thus, there was still today a high degree of volatility, at a time when there had been no significant change in market fundamentals, and this remained a matter of concern to OPEC. The Ministers were fully cognizant of this when they met and discussed matters on September 9.

The latest issue of OPEC's Monthly Oil Market Report (MOMR) also comments on the present situation: "Although market fundamentals remain weak, in the absence of a major shift in economic sentiment, current market circumstances are likely to persist."

In the oil market itself, oil stocks in the OECD region are still high. Reduced crude runs and a lack of product demand continue to contribute to an excessive accumulation of crude inventories, which are currently about ten per cent above the five-year average.

As for products, the main concern ahead of the winter season is distillate stocks, which are globally at very high levels, both on land and in floating storage.

Hence, despite the recent positive price movements, the market is still fundamentally weak, amid ample stocks of crude and products.

The OPEC Secretary General alluded to this at the press briefing when he said that, ideally, OPEC wanted to see forward demand cover reduced from the current 61 days to 52 days. That necessitated a considerable drawdown in stocks, coupled with increased demand.

When looking at the oil market outlook for the coming months, it is clear that much will depend upon the timing, speed and the path of the economic recovery. There is still considerable uncertainty here, as the long and deep global recession — the worst since the 1930s — persists. Optimism from a published set of figures one day can be quickly replaced by pessimism from another set of figures the next day.

OPEC's Research Division Director, Dr Hasan M Qabazard, reinforced this point in an interview with the Secretariat's webcast team. He inferred that while other institutions were making hasty forecasts and then having to revise them downwards, OPEC was waiting for concrete signs to emerge before expressing any lasting sentiment.

However, there is a growing feeling that the worst of the recession may be over for some of the world's leading economies. On August 12, the United States Federal Reserve Board suggested that this was the case for that country.

A day later, the French and German economies were each reported to have grown by 0.3 per cent in the second quarter, ending the year-long recessions there. The following week, it was announced that Japan too had emerged from recession.

But, in the Eurozone as a whole, there has been a fifth consecutive quarter of economic contraction, although by a lower amount than before. And unemployment continues to rise across the region.

Elsewhere, a massive fiscal stimulus package and loose monetary policy have been generating stronger growth in China, with recent upward revisions to its growth projections for both 2009 and 2010. It has been reported recently by the *International Oil Daily* that the country's crude oil imports hit a record high of 4.64m b/d in July, which is 42 per cent higher than in the same period last year. Overall, developing Asia is seen as the main growth engine this year and in 2010.

Compounding a complex situation

And so, when the Ministers met at the 154th Meeting of the Conference, there were mixed signals awaiting them, once again, about the true state of the world economy and the outlook for the oil market.

Compounding the already complex situation was the fact that, on around the first anniversary of the outbreak of the global financial turmoil, there was still much confusion and uncertainty about how the sector would eventually sort itself out or, indeed, be sorted out by governments and other authorities.

OPEC, throughout these problematic months, has stuck to its task and attempted — with considerable success — to ensure supplies are adequate and prices fair and stable. Concerning the recession and economic crisis, it has been a strong advocate of enhanced regulation in the financial sector and is anxious to avoid a repeat of 2008, when reckless speculation, with limited institutional controls, led to unprecedented levels of volatility in the oil market, driving crude prices up to record highs in July, before they collapsed towards the end of the year.

Have the lessons of 2008 been truly learned? OPEC Ministers have surely asked themselves this at their latest talks. If not, then the task of restoring and sustaining oil market stability will be greatly impeded.

This all again points to the need for concerted and structured cooperation covering the oil market's main issues among the principal parties that influence and have a bearing on the sector's future welfare. And that is something OPEC will continue to push for.

Global demand uncertainty one of oil industry's greatest challenges

With global demand for oil and gas set to increase markedly in the coming years, it is more important than ever that the international petroleum industry remains sound and effective, especially in the light of today's challenging environment, according to the Director of OPEC's Research Division, ***Dr Hasan M Qabazard****. Addressing the 34th Vienna Conference of the Japan Cooperation Centre for the Middle East at the end of August, he stated that the underlying challenges facing the industry today, such as market stability, investments, sustainable development and environmental protection, are being further accentuated by the greater uncertainties that exist.*

The global energy system is becoming increasingly more complex, which inevitably means there are greater challenges to be tackled and more uncertainties to be overcome.

"This all points to the fact that a growing interdependence has emerged among market players, whose responsibilities and actions have a direct bearing on oil's future. The benefits which accrue from one stakeholder should not be detrimental to another. Responsibility for guiding the market through all the potential pitfalls should be a shared one, with all the prime actors playing their part," Qabazard said.

Speaking on behalf of OPEC Secretary General, Abdalla Salem El-Badri, he stressed that OPEC puts emphasis on continued cooperation and genuine dialogue that are crucial for the benefit of all.

Turning to the theme of his presentation — 'Global oil market developments from an OPEC perspective', he said it is indeed a topical subject, given the fact that the extreme volatility and sharp variations seen in oil prices during the last two years, coupled with the financial crisis and the global economic recession, have all had profound implications for the energy and oil markets.

"Besides a transformation in the oil market, the new energy policies of the consuming countries are becoming increasingly visible and gaining more ground," he maintained.

Highlighting the effects of the global recession, Qabazard said few could have predicted the widespread repercussions that would follow as "the very fabric of the once-solid banking sector and lending institutions unraveled."

He continued: "Poor risk management, greed and excessive speculation combined to bring about this collapse, the likes of which has not been seen since the Great Depression of the 1930s."

Qabazard noted that every country has been affected — some worse than others — as is apparent from the steep fall in per capita gross domestic product (GDP), capital flows, industrial production, oil consumption and international trade, along with rising levels of unemployment.

Citing economic figures, Qabazard said world economic growth for 2009, following a series of downward revisions, is now forecast at minus 1.4 per cent. The hard-hit OECD region is forecast to contract by 3.9 per cent with United States GDP expected to decline by 2.8 per cent, the Euro-zone by 4.6 per cent, and Japan with minus six per cent, despite some signs of stabilization.

The previously well performing developing countries are now slated to see only moderate growth of 1.1 per cent in 2009, compared with 5.1 per cent the previous year.

"These nations are particularly affected by shrinking trade, diminished financial flows and reduced international lending."

Qabazard said that, despite the challenges, the emerging markets are forecast to lead the global recovery, with the Chinese economy expected to grow by 7.2 per cent in 2009.

"Although some encouraging developments have recently been seen in markets, with healthier stock indices, improved confidence and a more positive sentiment, volatility remains and large uncertainties persist. In this regard, the bailout and stimulus packages we have seen in all the major economies will be crucial for reviving the global economy," he affirmed.

Qabazard said that, for the international oil industry, there was no escaping the financial turmoil.

"Seldom have we seen such volatility in crude oil prices as was witnessed in 2008," he pointed out.

In the first half of 2008, he observed, the price of OPEC's Reference Basket rose by around $50/barrel to reach a record $141/b in early July. Then, in tandem with the escalating financial crisis and deep economic downturn, it fell by $107/b to stand at $33/b in late-December.

"Despite ample supply and the widely held opinion that there was no shortage of oil in the physical market, markets suffered exceptional volatility. Daily price swings

of as much as $16/b were recorded. Price movements became detached from the underlying fundamentals," said Qabazard.

He pointed out that the implementation of a decision by OPEC, at its Ministerial Conference in Oran, Algeria, in December 2008 to adjust production by 4.2m b/d, effectively helped to stem any further price fall.

"Indeed, OPEC's efforts to redress market balance have been instrumental in contributing to market stability. Without such timely and proactive measures, the oil market would have destabilized even more," he explained.

"There is now broad consensus among governments as to the need to review the global regulatory framework of financial markets, as well as enhance regulation and oversight in the commodity markets."

Financial market influence

Qabazard said that, in recent years, the oil market has become more sensitive to broader global macroeconomic and financial disturbances. This has resulted from the emergence of the oil and commodities futures markets as an asset class with increased liquidity and as part of the investment portfolio management.

The correlation between oil prices and the US exchange rate has been unusually strong, particularly since July 2007. The weaker US dollar, besides making oil cheaper in other currencies, has also influenced oil prices through substitution in asset portfolios, as investors seek to hedge against inflation.

"Thus, the inflow of financial investments into commodity markets has repeatedly helped to push crude oil prices higher," he said. Another important correlation is that between the equity markets and the price of oil.

The increasing use of oil as an asset class has exposed the physical oil market to financial market volatility, something, pointed out Qabazard, OPEC has long argued.

"It has particularly emphasized that speculative flows continue to amplify the movement of prices, while index speculator demand is driving prices higher."

For example, he said, open interest for Nymex WTI crude in the futures market reached a high of more than 17 times the volume of world oil supply in the summer of 2008. Then, with the collapse of the financial markets, open interest came down, together with a significant fall in investments in the major commodity instruments. Price movements moved at the same pace — and in the same direction.

"There is now broad consensus among governments as to the need to review the global regulatory framework of financial markets, as well as enhance regulation and oversight in the commodity markets," said Qabazard.

Oil demand slumps

The Research Division Director noted that the continued deterioration in the world economy has inevitably led to weakened oil demand, with global growth contracting from 3.9 per cent to minus 1.4 per cent within just one year.

"In fact, the erosion in oil demand has accelerated to the point of demand destruction, which could prove to be partly irreversible." Accordingly, forecasts for world oil demand growth for 2009 have been revised down by 2.5m b/d.

With the fast contraction in oil demand, OECD commercial oil stocks have continued to increase, said Qabazard, pointing to 61 days of forward demand cover and more than 120m b of crude and oil products currently in floating storage in various regions.

Qabazard said that despite the global recession and economic downturn leading to greater uncertainties — with both the medium and long-term forecasts remaining clouded — it is fairly certain that oil will remain the chief source of energy supply for the foreseeable future.

OPEC's World Oil Outlook reference case sees energy demand increasing by 42 per cent by 2030, with fossil fuels continuing to satisfy most of the world's energy needs. Oil demand is projected to reach 105.6m b/d in 2030.

"Developing countries will account for most of the increase in demand, albeit still low on a per capita basis, with their large populations lacking access to modern energy services," he said.

"At the moment, in the long term, OPEC sees its crude oil production rising from 31.2m b/d in 2008 to 41m b/d in 2030."

Qabazard noted that the transportation sector will be the backbone of future world oil demand growth. Around 11m b/d of total growth up to 2030 will come from road transport, aviation, railways and waterways. The total number of cars in use will rise from just 800 million in 2007 to well over 1.3 billion by 2030, with three-quarters of the increase coming from developing countries.

Resource base sufficient

On the supply side, Qabazard pointed out that consumers can be assured that the resource base is more than sufficient to cope with additional future needs. A wide and increasing range of conventional and non-conventional sources of oil will be available to satisfy demand.

The world possesses some 1.3 billion barrels of proven crude oil reserves, of which just over one billion — or nearly 80 per cent — are located in OPEC's 12 Member Countries. The Organization also holds 93 trillion cubic metres of gas deposits, just over half the global total.

"As one can see, the energy resources are there, waiting to be utilized. And who is to say they will not be added to in the future. There are still many unexplored areas around the globe and even the most difficult places are becoming accessible with the advanced technology and methods of drilling that are now available," he said.

"It is for this reason that we have been stressing to consuming governments that the years ahead will not present an availability problem for oil. It will be more a question of deliverability and sustainability."

Qabazard said that to ensure future oil availability, large investments are underway in OPEC Member Countries to expand capacity. This should be sufficient not only to satisfy demand for OPEC oil, but also to provide a comfortable cushion of spare capacity, which is expected to be at least 6m b/d up to 2013.

"However, this ultimately depends on how the economy and demand picture develops over the next few years. At the moment, in the long term, OPEC sees its crude oil production rising from 31.2m b/d in 2008 to 41m b/d in 2030," said Qabazard.

At the same time, non-OPEC supply is forecast to continue rising over the same period, with non-crude sources making up for the loss of conventional crude production, largely from the OECD region.

"Countries like Russia, Brazil, as well as the Caspian region, are important growth areas, at least up to 2020," noted Qabazard. "But it is the production of non-conventional oils, such as from the Canadian tar sands, that will make the difference."

The World Oil Outlook's reference case sees output of non-conventional oils increasing by more than 7m b/d by 2030. "In addition, we expect strong biofuels growth, with OPEC and non-OPEC natural gas liquids also expanding," added Qabazard.

"We must also ensure that mitigation response measures and emission reduction commitments are fair and just."

Distillation capacity

The Research Division Director told the conference that it is not only the upstream sector that OPEC is concerned about. Downstream operations are equally important and are facing similar challenges.

"Price turbulence, the economic downturn and subsequent shrinking oil product demand are having a damaging effect on the sector, with falling utilization rates at refineries and lower margins."

Qabazard said this is all occurring at a time when plants have been geared up for greater throughput, as a result of investments made in recent years to expand their capabilities.

OPEC estimates indicate a global distillation capacity surplus of around 5m b/d by 2012. "Unless there is a sudden upturn, this could inevitably lead to refinery closures over the coming years, particularly in the Atlantic basin," he said.

Qabazard said that, as with crude, in the longer term the global refining system will require substantial capacity additions. And with environmental regulations becoming ever more stringent, products will have to be cleaner and more efficient.

Current projections indicate the need, up to 2030, for around 18m b/d of new distillation capacity, 10m b/d of conversion capacity and more than 20m b/d of desulphurization capacity, 70 per cent of which will be oriented towards sulphur reduction in diesel.

"With the OECD region likely to suffer seriously depressed demand for new refining capability, especially for gasoline, around half of the forecast capacity expansion will be located in the high-growth areas of the Asia-Pacific, mainly China and India and the Middle East," observed Qabazard.

Investment under uncertainties

With both upstream and downstream operations needing to expand markedly to cope with the demanding years ahead, investment along the whole supply chain will become a critical issue — and this will be crucial to both producers and consumers.

Up to 2030, cumulative upstream investment requirements are estimated in the World Oil Outlook's reference case as amounting to $2.3 trillion (in 2008 dollars).

"This is a vast sum of money, but the situation is compounded by the fact that, since 2003, industry costs have risen sharply, although they have eased somewhat lately. Looking to the downstream, investments of around $780 billion will be required up to 2030, to have the necessary refining capacity in place. Again, the high-growth Asia-Pacific region should attract the highest portion of these investments," said Qabazard.

But despite the forecasts, he said, huge uncertainties remain over future demand for OPEC oil and, hence, how much investment will be required. The uncertainty gap for upstream development investment requirements alone in OPEC, depending on different economic growth scenarios, is estimated at over $250bn.

"The calculation underlines just how vital accurate

and reliable demand data is for viable oil dealings in the future. Without predictability of demand, especially the impact of the energy policies of the consuming countries, there is the real prospect that valuable financial resources will be wasted on providing unneeded capacity that will end up mothballed," pointed out Qabazard.

"This is why security of demand is such a key concern for producers. There is a need here to underscore the interrelationships between global security of petroleum supply and the security and predictability of demand. The two must go hand-in-hand," he affirmed.

Global challenges

Qabazard said that, overall, market stability forms one of three key challenges facing OPEC in the years ahead — the other two are bringing about conditions that support sustainable development, especially in the poorest countries of the world, and staying in tune with environmental demands, which means signing up to the latest technology developments.

He stressed that OPEC's position on the environment is that "we all want to see a healthier planet for future generations." This inevitably means a reduction in global greenhouse gas emissions. But he said it is important to take into account all greenhouse gases and not just carbon dioxide (CO_2), which does not even account for half the emissions that escape into the atmosphere at present.

"We must also ensure that mitigation response measures and emission reduction commitments are fair and just. Here there is a historical responsibility on the part of the developed countries — the so-called Annex 1 nations under the Kyoto Protocol — to take the lead," he said.

Qabazard said the huge developmental needs of developing countries, already suffering from the adverse impacts of climate change, as well as the repercussions for the fossil fuel exporting countries themselves, are important elements that have to be considered when working out lasting solutions.

"And when one considers that between 1990 and 2006 alone, the Annex I countries accounted for some 80 per cent of the world's cumulative CO_2 emissions, it becomes apparent where the main responsibility for mitigation measures lies," he maintained.

Qabazard said that, from a technology viewpoint, it is clear that efforts to reduce emissions must include technologies that produce cleaner fossil fuels. One of the cutting-edge processes for achieving lower CO_2 emissions is carbon capture and storage (CCS), which, according to the Intergovernmental Panel on Climate Change (IPCC), has the potential to account for over half the global cumulative mitigation effort by 2100.

"These types of technologies need the firm backing of governments, particularly the developed countries that possess the financial clout and technological expertise required. At present, more large-scale CCS demonstration projects are needed to develop this pioneering process," said Qabazard.

In concluding his address, Qabazard said OPEC stands ready to supply the world with the oil it requires.

"It takes its role in the oil market very seriously as it continues its longstanding efforts to achieve order and stability, with prices that are reasonable for both producers and consumers, and compatible with a growing world economy."

He said the Organization believes that in-depth dialogue and cooperation among all the industry's principal players is the way forward and the best means of tackling the major shared concerns, such as price stability, security of demand and supply, investment and environmental issues and sustainable development.

It was for this reason that OPEC established regular dialogues with a series of leading interests, including Russia and China, the European Union, and the International Energy Agency. It is also an active participant of the International Energy Forum (IEF), an important high-level policy platform based in Saudi Arabia, which brings producers and consumers together. OPEC has also developed effective and coordinated ties with the countries of Asia, where the third meeting of the Asian Dialogue at ministerial level was held this year in April, in Japan, he added.

Concerning Japan, Qabazard said the country has been a key market for OPEC crude oil and products for many years. "It is perhaps the world's most technically advanced nation and consumers in the Middle East and North Africa (MENA) region are among those embracing Japanese products and technologies," he said.

OPEC Member Countries together supplied Japan with almost 90 per cent of its imported crude oil in May this year.

"But it is not one-way traffic. Looking from the other side, Japanese companies are heavily involved in some significant projects in the MENA region — in areas such as petroleum, petrochemicals, water and power. It is clear that as we go forward there will be growing opportunities for businesses and governments in the region to work with their counterparts in Japan," said Qabazard.

Photographs courtesy JCCME.

Nigerian petroleum industry bill spells improvement for operational sectors

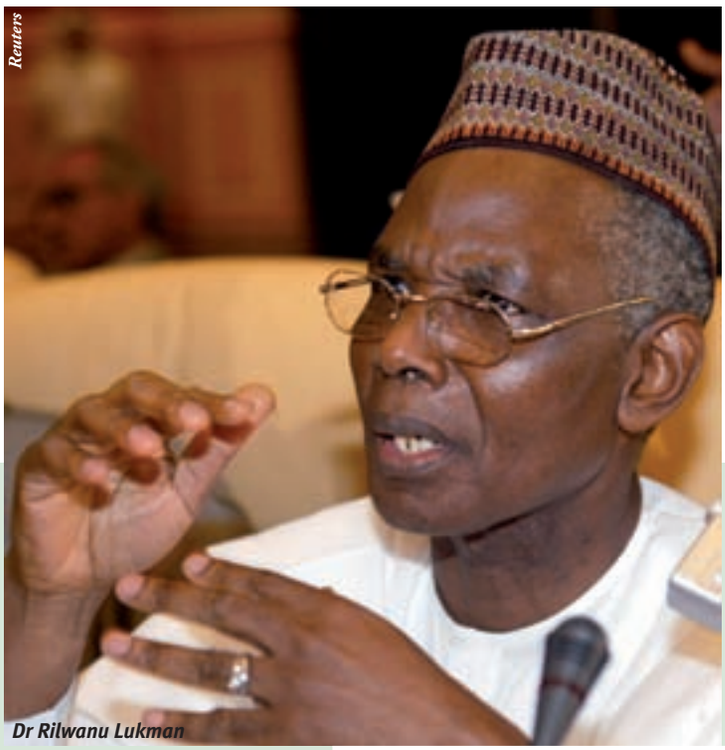
It is no secret that, in recent years, Nigeria's domestic oil operations have suffered considerably as a result of militant attacks and extensive damage to production facilities. The resulting restriction in crude oil output has long hampered revenue generation from a sector that the country relies heavily on for its survival. The current administration of President Umaru Yar'Adua is attempting to correct the situation through a series of measures, including the reform of the national oil industry. In this article, ***Azubuike Onowu****, of the News Agency of Nigeria (NAN), looks at one of the latest moves in support of this restructuring.*

Reuters

For the first time in more than 50 years of oil production in Nigeria, operations in the petroleum industry have gone beyond upstream and downstream activities to include a third sector — the midstream.

The country's yet-to-be-passed Petroleum Industry Bill (PIB) not only delineates the three sectors, but also spells out specific operations to be undertaken in each sector.

The bill, which vests oil and gas resources in the sovereign state of Nigeria, also separates policy, regulation and commercial activities.


Reuters

Dr Rilwanu Lukman

"Nigeria will move in one step from one of the most opaque petroleum nations in Africa, to one of the most open and transparent in the world."

— *Dr Rilwanu Lukman*

It ensures that licences, leases and permits are granted only through guided procedures established by the Act.

Under its provisions, any company can apply and be granted leases and permits, in accordance with the PIB, while the management and allocation of petroleum resources are in accordance with the principles of good governance and transparency.

The aim is to promote sustainable development and economic value to Nigeria.

The bill also guarantees government participation in licences or leases, and in the exploitation of natural gas.

It stipulates that institutions of the National Oil Company (NOC) that will emerge after its passage into law are to be guided by the provisions of the NEITI Act of 2007, even as it honours international environmental provisions and obligations.

The bill, for which public hearings were held in Abuja at both the Senate and House of Representatives recently, has strict provisions for transparency, accountability and good governance in the conduct and operations of Nigeria's oil and gas industry.

The PIB Consultative Forum has been drumming up support for the bill. The forum has stressed equity, fairness, openness, greater access and a level playing field for multinational oil companies, embassies and missions, as well as major oil-consuming nations.

These nations include the United Kingdom, the United States, France, Germany, the Netherlands and Spain.

Aside from their strategic diplomatic relations with Nigeria, the countries have their oil giants operating at various locations, onshore and offshore Nigeria, contributing to the economic development of the country.

Nigerians in general are keen to see action in the domestic petroleum industry, which has suffered from militant attacks and damage to facilities. This has resulted in lower production, decreased revenue and a loss of value-added returns.

Accountability and transparency

Dr Tim Okon, a Group General Manager and Transition Coordinator of PIB at the Nigerian National Petroleum Corporation (NNPC), informed the envoys that the bill prescribes two major divisions, namely, oil exploration and development; and gas exploration and development under the upstream sector.

The midstream sector has responsibilities for oil transportation and gas transmission; gas processing; liquefied natural gas/condensed natural gas/gas-to-liquids; derivative processing/production; and oil refining.

Reuters

Under the downstream, activities of gas distribution/sale; petroleum product distribution and storage; and petroleum product retail are to be carried out.

Okon said the fundamental objectives of the bill are to achieve functions and institutional arrangements that are guided by the NEITI Act 2007, thus creating an open framework that eliminates confidentiality.

He explained that the veil is to be removed from all texts of licences, leases, contracts and amendments; amounts of revenue payments to the government by individual companies; all geological, geophysical, technical and well data; approved budgets of joint ventures and production-sharing contracts; and production, lifting/quantities and value lifted.

Okon continued: "Further accountability and transparency provisions are a clear distinction between upstream, midstream and downstream; establishing an open and competitive bid process; creating a uniform but flexible royalty and tax terms that apply to all; establishing equal conditions to regulated institutions through open access rules; clear guidelines for the revocation of licences and leases; and all decisions of the Minister and on petroleum administration shall be based on equal rules applicable to all."

Nigeria's Minister of Petroleum Resources, Dr Rilwanu Lukman, said his office will henceforth grant prospecting licences and petroleum mining leases to beneficiaries, after a truly competitive bid process.

He gave the assurance at the July 16, Stakeholders' Consultative Forum to reduce stakeholders' resistance to reforms in the oil and gas industry, particularly the PIB, insisting that the bid process will be open and accessible to all qualified companies.

New legal framework

Lukman said that every company involved in the upstream petroleum industry will be subject to the same system of rents, royalties and taxes, depending on whether they operate onshore, in the shallow or deep offshore, or on inland areas.

"This means it will not be possible under the bill to treat certain companies more favourably than others. Nigerians can only fully benefit from their petroleum resources if there is a sound petroleum administration. This administration needs to be streamlined and strengthened."

Lukman said the bill, which contains 16 different domestic petroleum laws in a single transparent and

coherent document, sets out a new legal framework for the organization and operation of the entire oil and gas industry.

"This is the first time that such a large consolidation has happened anywhere in the world," he pointed out.

The Minister said that good governance was promoted through the removal of much of the confidentiality to create transparency.

Insisting that confidentiality encourages corruption, Lukman said the best way to fight corruption is to remove confidentiality for all procedures, contracts and payments.

"Nigeria will move in one step from one of the most opaque petroleum nations in Africa, to one of the most open and transparent in the world.

"All texts of all licences, leases and contracts and any of the changes to such documents will no longer be confidential," he stressed. "Payments to the government of Nigeria will be public information."

Stakeholders endorse bill

Dr Emmanuel Egboga, Presidential Adviser on Petroleum Matters, said the reform is a fall-out of the parlous state of the industry.

"The oil and gas sector, though it has been the mainstay of Nigeria's economy, has not fully met the aspirations of its key stakeholders. In addition, the operating landscape, business and competitive environments, both locally and at an international level, have continued to change rapidly in the last few years and can no longer operate in a sustainable manner," Egboga said.

He noted that despite previous attempts at reforms and internal restructuring, the public sector of the industry has yet to fully meet the aspirations of the government and key stakeholders.

According to him, the existing structure of the industry and enabling legislation are no longer consistent with global standards.

As expected, the majority of the key stakeholders have already endorsed the bill going by the massive approval it received at the forum and at public hearings.

Andrew Fawthrop, Chief Executive Officer of Chevron, who spoke for the international oil companies (IOCs), said the multinationals "support the reform in the industry."

He said the reform, which included the restructuring and unbundling of the NNPC, is a welcome development as it would refocus and reposition the company for greater performance.

"The NNPC has all it takes to achieve its corporate goals. As joint-venture companies, we need to produce more, increase our capital investments and provide enough money to run our operations and new projects. If we do not, production will go down and we will not grow our investments," Fawthrop said.

He said there was need to expose the stakeholders to the provisions of the bill so that they could properly understand the tone and character of the new legislation.

"If many people are reading the same thing, they may have many interpretations," Fawthrop observed, pointing out that there were still grey areas that needed further explanation to the oil majors.

"We need a detailed interaction to make the petroleum industry bill a success," he maintained.

Chief Sylvernus Okoli, President of the Depots and Petroleum Products Marketers Association, said: "We are pleased to support the PIB, particularly on the emphasis on deregulation of the petroleum downstream sector. The inclusion of open access in the bill has allayed our fears. We once thought the NNPC was being unbundled, but it is being strengthened."

The forum also received similar endorsements from other groups. But the positive sentiment did not come without reservations from some quarters, including the IOCs and their shareholders, whose major concern was the cash-call obligations and respect for existing joint-venture and production-sharing contract agreements.

They also wanted to know how the business could be best conducted in the dispensation of the passage of the PIB, the mode of funding operations, especially with the credit crunch resulting from the global financial and economic meltdown.

NAN

"The oil and gas sector, though it has been the mainstay of Nigeria's economy, has not fully met the aspirations of its key stakeholders."

— *Dr Emmanuel Egboga*

The promise of Arab human development

Kuwait ranked top in UNDP survey of 22 regional countries

Since 2002, a team of officials at the United Nations Development Programme (UNDP) has organized the research and writing of a series of bi-annual Arab human development reports. These studies have brought together intellectuals and scholars from Arab countries for the production of what has been called a 'platform' for debate and analysis. This year, several OPEC Member Countries figured prominently in the report's rankings, with Kuwait ranked first among 22 Arab countries. The OPEC Bulletin's ***Alvino-Mario Fantini*** *takes a closer look at the 2009 report and provides a brief summary of its findings.*

The Arab Human Development Report is a regional offshoot of the global Human Development Index prepared by the United Nations Development Programme (UNDP). Its inaugural edition came out in 2002. That original report, prepared by the Regional Bureau for Arab States, was widely lauded for bringing together policy analysts, development practitioners and eminent intellectuals from across the Arab world to write about the Arab world. In contrast to other reports, the Arab Human Development Report set out to achieve the dissemination of the views of people who were directly involved in their respective countries' development challenges — not the view of distant experts in urban centres far away.

In addition, the reports were noteworthy since they were often supplemented by opinion polls. For the 2009 report, for example, extensive polls were conducted in Kuwait, Lebanon, Morocco and Palestine, the findings of which supported many of the conclusions reached by the report's writers.

The first Arab Human Development Report identified three main challenges facing Arab countries: the acquisition of knowledge and education; the extension of freedoms; and the empowerment of marginalized groups. Each of the subsequent bi-annual follow-up reports analyzed each of these in depth, providing extensive data for Arab countries.

The concept of human security

This year, however, the 2009 report (which is the fifth in the series) focuses exclusively on the theme of 'human security'. It considers it a cross-cutting issue involving the challenges identified in previous reports, while also including other, broader challenges. It takes the concept of human security, moves it away from traditional state-centric conceptions of security, and defines it in terms of individuals.

Specifically, the 2009 report defines human security as "the liberation of human beings from those intense,

extensive, prolonged and comprehensive threats to which their lives and freedom are vulnerable." These threats include environmental challenges, the depletion of resources, unsustainable growth rates, the prevalence of hunger and want, and scarcity.

As the report notes, this definition rests on the 'classic' definition of human security that was provided in the UNDP's global Human Development Report of 1994.

The trend in the Arab region has long been to focus on the security of the state, not the security of people. This, the authors say, has led to a variety of missed opportunities. In fact, since the publication of the first report in 2002, the region's 'fault lines' have deepened over the past seven years, according to the report.

The so-called fault lines are conceived in terms of seven dimensions which threaten human security and which require continued action by Arab nations. The seven dimensions are: environmental stresses and limitations; coercive state forces; legal loopholes and ad hoc regulatory practices; structural economic weaknesses; hunger and malnutrition; problematic health systems; and basic human freedoms.

The report is quick to point out that there has been impressive progress in some of these areas, though the challenges remain. For example, in health, there has been "striking progress" over the past 40 years. Through innovative programmes, Arab countries have been able to find ways of "forestalling death and extending life."

Kuwait's achievements

This year, Kuwait stands out as a model country, according to the report. For 2009, the country was ranked first among all Arab countries in terms of human development and was 33rd globally.

According to the report, Kuwait, one of OPEC's founding Members, is characterized by high literacy rates (93.3 per cent of the total population), a high number of children enrolled in schools (74.9 per cent), a high life expectancy at birth (77.3 per cent), and a low infant mortality (nine out of every 1,000 births).

In addition, it has an unemployment rate of only two per cent, has achieved 100 per cent provision of electricity and water services (something no other country in the entire world has achieved) and has extremely high rates of public liberties and freedom of expression.

Among the top rankings, Kuwait is joined by four other OPEC Member Countries: Qatar (ranked second), the United Arab Emirates (ranked third), Libya (ranked fifth) and Saudi Arabia (ranked seventh).

Continuing challenges

Despite the positive and encouraging results, many citizens in Arab countries are still in need. While oil revenues may continue to provide many benefits, broader efforts are needed across the many dimensions of human security described in the report.

For example, the health status of many Arab citizens is lower, according to the report, than "that enjoyed by citizens of industrialized countries." The region, as a whole, "is falling behind in achieving hunger-reduction targets of the Millennium Development Goals," states the report.

One of the problems, as the report's authors point out, is that health systems in some countries are "often shackled by bureaucratic inefficiency, poor professional capabilities and under-funding."

Numerous health risks arise from these problems. In addition, overall statistical health data is too often "insufficient, incomplete and unreliable."

But in other areas, there has been tangible progress. The report mentions the growing environmental awareness of Arab citizens, noting the prevalence of million-dollar funds in different countries which aim to combat the effects of climate change.

There has also been progress with regards to electrification and the provision of basic services to Arab populations.

However, the report's authors state that, overall, human development must be seen in broader terms — not just in economic terms. It requires a full understanding of all the cross-cutting issues involved. Human development is "a way of looking at development that is about much more than the rise and fall of national incomes. (Human security) is about creating an environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests."

More importantly, perhaps, human development — and the security on which it rests — is about simply understanding that "people are the real 'wealth of nations'." Working to protect people, implementing policies and programmes that support people, is a way of achieving human security; and human security is vitally necessary to achieve the broader national development that all countries desire. As Kuwait, Qatar and others have done, focusing on human security is truly the "surest way to achieve sustainable, stable economic growth," the report maintains.

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

Right: Jiro Nemoto (l), Chairman of the Japan Cooperation Centre for the Middle East (JCCME) paid a courtesy visit to Abdalla Salem El-Badri, OPEC Secretary General on August 26, 2009.

Left: Genhye Park (l), Member of the National Assembly, Korea, with OPEC Secretary General, Abdalla Salem El-Badri, during her visit to the OPEC Secretariat on August 28, 2009.

Nigeria's First Lady visits OPEC Secretariat

Hajia Turai Musa Yar'Adua, Nigeria's First Lady, visited the OPEC Secretariat on September 17, 2009. She was received by Dr Omar Farouk Ibrahim (pictured above left), Head, PR and Information Department and Officer-in-Charge of the Secretariat in the absence of OPEC Secretary General, Abdalla Salem El-Badri. Also present was Abdulla Al-Shameri (above right), Head, Office of the Secretary General. The First Lady was accompanied by the Nigerian Ambassador to Austria, Dr Jerry Sonny Ugokwe (3rd from right).

During her visit, Hajia Turai Musa Yar'Adua, Nigeria's First Lady, met with Nigerian staff members of the OPEC Secretariat. The picture shows the First Lady (seated 2nd right), the Nigerian Ambassador Dr Ugokwe (1st right), Dr Omar Farouk Ibrahim, Officer-in-Charge of the Secretariat, Abdulla Al-Shameri, Head, Office of the Secretary General, members of the First Lady's entourage, as well as Nigerian staff members of the Secretariat.

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

Energy and mining FDI in Algeria worth $17 billion

Algiers — Foreign direct investments (FDIs) in Algeria's energy and mining sector exceeded $17 billion during the period ranging from 2000 to 2008, representing a yearly average of some $2bn, an Energy and Mines Ministry report has indicated. The inflows include investments in foreign association in the exploration and the development of hydrocarbons, electricity plants, sea water desalination, along with the mines sector, according to the study on the achievements of the energy and mines sector. The division by region of the inflows showed that Europe took the most important share of FDIs, with 58 per cent of investments, including 24 per cent for Great Britain alone, followed by the United States and Canada, with 26 per cent, Australia, eight per cent, and Asia, five per cent. *APS*

Sonelgaz group celebrates 40th anniversary

Algiers — Algeria's National Society for Electricity and Gas (Sonelgaz) has celebrated its 40th anniversary in a ceremony held in the capital, Algiers, in the presence of Energy and Mines Minister, Dr Chakib Khelil, the group's Chief Executive Officer, Noureddine Bouterfa, and representatives of the General Union of Algerian Workers (UGTA). Speaking at the ceremony, Bouterfa underlined the country's long development process of public services with respect to electricity and gas, from independence to today. He referred to the former Electricité et Gaz d'Algérie (Electricity and Gas of Algeria), an entity created by the colonial administration, with only 13 per cent of Algerian subscribers. The challenge of the public service was then met from July 28, 1969, by Sonelgaz. *APS*

Angola to produce over 5,000 megawatts of electricity by 2016

Luanda — Angola could be in a position to supply some 5,319 megawatts of electricity domestically by 2016, according to Sérgio Kraenzer, Manager for International products, of Brazilian construction company, Odebrecht. He said the country was currently capable of distributing only 967 MW of power, a low capacity in terms of the national territory that needed to be covered. "With government investments estimated at $5bn to rebuild and increase the capacity of dams, repair central thermal units, as well as linking the north, south and central electricity network systems, the country would have at least 5,319 MW available by 2016," he said. He explained that, over the period, northern supplies would be expanded from 797 MW in 2009 to 4,619 MW in 2016; the central system from 101 MW to 650 MW, and the south network from 69 MW to 416 MW. *AngolaPress*

Dr Chakib Khelil

IMF praises Angolan government for stable foreign exchange reserves

Luanda — The International Monetary Fund (IMF) has praised the Angolan government's fiscal and monetary policy for stabilizing the country's net foreign exchange reserves, in the face of the international financial crisis. The report, which follows an IMF mission to Angola early in August, pointed out that the fiscal and monetary measures adopted by the government over the last few months had brought about the stabilization of

the country's net foreign exchange reserves. Another IMF mission is expected to arrive in the country in September, followed by another team in October, which could lead to the signing of a special financial accord between the Fund and the government, intended to soften the impact of the global economic crisis on Angola's balance of payments. Should the negotiations prove favourable to both sides, the IMF special accord could be signed in January 2010. *AngolaPress*

Kuwaiti exports to Japan decline

Tokyo — Japan's trade deficit with Kuwait narrowed to 66.4 per cent in July to $529.9m from a year earlier, posting a red ink figure for the 18th straight month. But it shrank for the ninth time in a row. Japan's trade deficit with the Middle East in the period fell by 58.6 per cent to $6.89bn, according to the Finance Ministry. The country's exports to Kuwait plunged by 61.1 per cent year-on-year to $78.1m in July, while imports from Kuwait tumbled by 65.8 per cent to $608m. Japan is Kuwait's top oil purchaser with crude shipments from the Gulf state in the first half of 2009 reaching 328,000 barrels/day. Japan is the third-largest exporter to Kuwait, after the United States and Germany. Japan's exports to the Middle East in July dropped by 47.2 per cent to $1.83bn, as demand for automobiles, iron, machinery and rubber products, which accounted for 74 per cent of Japan's total exports to the region, declined. Shipments of vehicles to the Middle East fell by 64.6 per cent in July. July imports from the Middle East slumped by 56.7 per cent to $8.72bn, hit by a 57.4 per cent decline in deliveries of crude oil, which accounted for 81 per cent of Japan's total imports from the region. *KUNA*

Kuwaiti crude oil exports to China up by 12 per cent

Tokyo — Kuwait's crude oil exports to China rose by 11.8 per cent in July from a year earlier to 609,500 tons, equivalent to around 144,000 b/d, Chinese government figures have shown. Kuwait provided 3.1 per cent of China's total crude oil imports in the month, compared with four per cent in July last year and 3.2 per cent in June, according to data from the General Administration of Customs. Kuwait's exports in the first seven months of 2009 totalled 4.67 million tons (161,000 b/d), up by 77.8 per cent from the same period last year. China's overall imports of crude oil in July surged by 42.4 per cent year-on-year and rose 18.1 per cent from the previous month to 19.63m t (4.64m b/d). China is the world's second-largest oil consumer after the US. Saudi Arabia was China's top oil supplier in July with its shipments jumping by 80.9 per cent from a year earlier to 4.71m t (1.11m b/d), followed by Angola with 3.18m t (753,000 b/d), up by 74.7 per cent. Iran was third, with imports from the country falling by 9.6 per cent to 2.20m t (521,000 b/d). Kuwait was the seventh-largest crude exporter to China in July. Meanwhile, Kuwait and China have decided a new location for a $9bn refinery and petrochemical complex, slated to be completed by the end of 2013, in the southwestern Guangdong Province. State-run Kuwait Petroleum International (KPI), a subsidiary of the Kuwait Petroleum Corporation (KPC), announced that the giant facilities would have a crude oil refining capacity of 300,000 b/d and an ethylene output capacity of 1m t/year. The project is expected to serve as a driving force for KPC towards achieving its China-bound crude oil export target of 500,000 b/d by 2015. *KUNA*


Dr Rilwanu Lukman

Nigeria's oil production rises to 1.7m b/d — Lukman

Abuja — Nigeria's crude oil production has increased from 1.2m b/d to more than 1.7m b/d, due to the successful implementation of the amnesty programme for Niger Delta militants, according to the country's Minister of Petroleum Resources, Dr Rilwanu Lukman. Speaking to State House correspondents shortly after a

Federal Executive Council meeting, presided over by President Umaru Yar'Adua, he stated: "We hope that with the improvement in the situation, through the implementation of the amnesty programme, normal production will be restored in the near future,'' Nigeria's production allocation with OPEC stands at 2.2m b/d. Lukman said Nigeria had 37 billion barrels of crude oil in reserves, adding that in order to continue its investment in the sector, the government had allowed the Nigerian National Petroleum Corporation (NNPC) an annual budget of $5bn. He reiterated that the oil sector would soon be deregulated to ensure full private sector involvement in the management of the industry. *NAN*

Nigerian organization mobilizes two million people for anti-poverty campaign

Lagos — The Nigerian Network of Non-Governmental Organizations (NNNGO) has mobilized more than two million Nigerians in aid of the United Nations anti-poverty campaign since 2006. The 'Stand Up' campaign is a strategy the UN adopted to create and raise awareness of efforts being made to reduce poverty worldwide by 2015. Yemisi Ransome-Kuti, the NNNGO's Chief Executive Officer, explained that the campaign, carried out by students, took place in Ibadan and Lagos. "We were able to mobilize 8,000 students in Ibadan in 2006, 671,420 in Lagos in 2007 and 1,360,609 within the same locations in 2008," he disclosed. She said the mobilization was part of the organization's efforts to assist Nigeria in attaining the Millennium Development Goals. Ransome-Kuti said the organization had won a UN award for the best supporter of the campaign in Africa last year, assuring that the NNNGO would mobilize more Nigerians in 2009. *NAN*

Global crisis: IMF gives Nigeria thumbs up for resilience

Abuja — The International Monetary Fund (IMF) has given Nigeria the thumbs up for its resilience in the face of the global financial crisis and in spite of the uncertainty over crude oil prices. The sale of crude oil accounts for more than 90 per cent of Nigeria's revenue and forms the mainstay of the economy, but the international price of the commodity has been dwindling since the third quarter of last year. The IMF praise on the economy's performance was given after a team from the multilateral institution reviewed key economic sectors and spoke with top officials in the financial sector. A report on the team's visit said: "Nigeria entered the global financial crisis from a position of strength. The reforms of recent years have paid off handsomely with oil savings, high international reserves and a well-capitalized banking system, preventing the type of economic crisis that Nigeria has witnessed too often at the end of earlier oil price cycles." However, the Fund said the impact of the crisis had been significant. Lower oil revenues had driven fiscal accounts and the balance of payments into deficit. The report said Nigeria's capital markets had been impacted negatively, but its limited integration with the global financial sector had contained the effects. The IMF team had emphasized "the importance of developing a clear, consistent and credible macro-economic policy framework to help anchor expectations and reduce uncertainty, not only in this turbulent time, but also for the future." *NAN*

Qatar's RasGas train six produces first LNG

Doha — Qatar's RasGas has announced that train six of its development programme has produced its first liquefied natural gas (LNG). The milestone was the culmination of an immense long-term development project that involved major offshore and onshore construction, subsurface drilling and engineering works, and a significant increase in the size of the RasGas shipping fleet. The new train is capable of producing 7.8m tonnes of LNG per annum, boosting the overall LNG production capacity of all RasGas operations to 28.5m t a year. "Train six is a clear demonstration of RasGas' confidence and ambition," Hamad Rashid Al Mohannadi, Managing Director and Chief Executive Officer of RasGas, said. "As the inauguration (of train six) approaches, it is time to recognize the skill, determination and sheer hard work of everyone involved in delivering, safely and within budget, a very successful project outcome." Train six is one of a new generation of 'mega-trains'. Its production capacity is a big step up from the 4.7m t per annum RasGas trains three, four and five each produce. "The commencement of supply from RasGas train six underlines

the company's reputation as one of the world's premier and most reliable suppliers of LNG, underpinned by world-class performance in safety, health and environmental management," added Al Mohannadi. *QNA*

Qatar Shipping Company to establish new firm

Doha — The Qatar Shipping Company intends to establish a new limited liability company — the Pacific Marine Services Company — whose main business activities will include loading, unloading and handling of goods by land, sea and maritime transport activities. The partners of the new concern will comprise Qatar Shipping (99 per cent) and the Gulf Investment in Navy Ships Company, with one per cent, the company said in a statement published on the Qatar Exchange website. Qatar Shipping has also announced that its net profit for the period ending June 30, 2009 had dropped by over half. *QNA*

UAE registers all-time high in value of exports

Abu Dhabi — United Arab Emirates (UAE) exports registered an all-time high of more than $231bn last year, making it the 19th largest exporter in the world. A sharp rise in its imports also pushed the country to 27th in the world's top importers, becoming the only Arab nation to be placed in the list of the largest 30 global importers of goods. Dubai-based *Emirates Business,* in quoting the Inter-Arab Investment Guarantee Corporation (IAIGC), an affiliate of the Cairo-based Arab League, said the boost in performance was a result of an increase of about 40 per cent in crude prices in 2008, higher oil output by the UAE, and a rise in non-oil exports and re-exports, mainly from Dubai and the Jebel Ali free zone. The increase turned the UAE into the second-largest Arab exporter after Saudi Arabia, accounting for about 1.4 per cent of the world's total exports of goods. Germany topped the list of exporters with $1.46tr, followed by China with an export value of $1.42tr in 2008. The UAE's imports of $159bn accounted for one per cent of the world's total imports. *WAM*

ENOC joins hands with DEWA to raise awareness on reducing water consumption

Dubai — The Emirates National Oil Company (ENOC), in association with the Dubai Electricity and Water Authority (DEWA), has launched a consumer awareness campaign on reducing water consumption levels in the Emirate. The campaign was run throughout the holy month of Ramadan at ENOC/EPPCO service stations in Dubai. Posters on the importance of reducing water consumption also provide guidelines on how to perform the six steps of Wudhu (ablution), the Islamic act of cleanliness using water in preparation for prayers. Khalid Hadi, ENOC Group Brand and Marketing Manager, said: "As part of our community involvement programmes, we are always keen to initiate awareness campaigns to gather public understanding and support for issues that affect the wellbeing of everyone. Recent studies show that the UAE has one of the highest water consumption levels in the world, due to climatic conditions and increased utilization. It is essential to join hands to help address this issue and our awareness campaign in this regard, aims to conserve water by making more people understand the seriousness of the problem." *WAM*

Venezuelan government to strengthen poor-performing sectors

Caracas — The Venezuelan government is conducting an analysis of the main contributing sectors to the country's gross domestic product (GDP) that suffered as a result of a downturn during the second quarter of this year. The aim of the exercise is to apply specific measures to improve their performance. Minister of Economy and Finances, Dr Alí Rodríguez Araque, revealed that the manufacturing, trade and transport sectors were currently being monitored to find a positive outcome for the national economy. "We have disaggregated all the components of manufacturing so as to devise sectorial and sub-sector plans to attack the main problems presented," he said. Moreover, he said addressing the problems that had led to the poorer performance of the sectors would help boost the Venezuelan economy. *ABN*

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A quick guide to some common expressions — Part II

Learning the terminology used in different industries is often the first step toward understanding the working of that industry. Mastering the specialized terms that are used by 'insiders' can often be quite useful — especially as short-hand to communicate abstract concepts and complex information to others. In September 2008, the OPEC Bulletin provided a quick guide to some of the more common expressions in economics, finance and the oil industry. In this follow-up article, the OPEC Bulletin's ***Alvino-Mario Fantini*** *has prepared a list of 23 additional terms.*

Markets

Arbitrage— Arbitrage is the simultaneous purchase and sale of an item—a security, commodity, currency or any other tradable good—at different prices in different markets in order to profit from price divergences. Buying a discounted product at a flea market and then re-selling it at a higher price on eBay, for example, is a very basic form of arbitrage. In theory, in markets that are perfectly efficient, there would be no arbitrage opportunities. But because of asym-

metries of information and a host of other factors, there are many arbitrage opportunities in both local and international markets.

Contagion — Financial market disturbances that spread (or spill-over) into one market from another, like a virus, are often referred to as contagion. In more technical terms, one can define it as 'excess correlations' between the returns on given assets (ie, equities), though most analysts have a hard time defining exactly when exactly correlations can be considered 'excess'. The Asian financial crisis of 1997 was an example of contagion.

Dutch disease — This is not so much a disease as a condition. Coined by journalists and then developed into a proper economic model by two economists, the term refers to what happened to the Netherlands after they discovered natural gas in the North Sea in the late 1950s. With sudden foreign exchange revenues flowing into the country from the boom in sales of its tradable good (gas), the value of the national currency appreciated rapidly, making foreign imports cheaper, but raising the price of Holland's exportable manufactured goods. This made Dutch exports less competitive in foreign trade and contributed to a dramatic deterioration of the country's manufacturing sector.

Efficient market hypothesis — Originally proposed by a French mathematician in 1900, this hypothesis was formally developed at the University of Chicago in the 1960s. It suggests that all the information one needs to make informed investment decisions is already present in the market and completely reflected in the price of a tradable financial instrument. In other words, the hypothesis says equity prices reflect everything investors need to know and, thus, further fundamental analysis will not yield any additional worthwhile information —making it 'impossible to beat the market.'

Equilibrium — Equilibrium can refer to the supposed perfect balance between the level of supply and the level demand for a given tradable good (or service) in a given market. It is the point at which the theoretically 'correct' price of a given tradable good is generated.

Flying geese — The image of flying geese, which fly in a 'V' formation (with the group following one leader), was derived from a Japanese graph from the 1930s that showed the trajectories and growth patterns that different developing countries followed in terms of imports, exports and production levels. The 'flying geese' model of economic development thus refers to a situation in which several less-developed countries follow a more developed country through imitation, technology transfer and the acquisition of know-how and investments.

Irrational exuberance — This term refers to excess bullish activity in speculative and financial markets. It was first used publicly by former Federal Reserve Board chairman, Alan Greenspan, in 1996, during a speech on escalating asset values and the challenge they represented to central banking. However, as Robert J Schiller, author of the book 'Irrational Exuberance', has noted, the words 'irrational' and 'exuberance' had already been used in a 1931 history book to describe excesses in speculative markets.

Finance

Derivatives — Derivatives, most simply, are securities or financial instruments that 'derive' their value from — or

base their value on — another variable, such as the price of another underlying asset (ie, price of a commodity), indicator (ie, interest rate or stock market index) or security (ie, bond or equity). Historically, the very first derivatives were the agricultural forward and futures contracts used by farmers in the mid-19th century.

Initial public offering (IPO) — An IPO is a publicly listed company's first offering of equity shares to the public. IPOs are often pursued as part of a firm's financial strategy, in an effort to raise outside funds (eg, equity capital) for business-expanding activities.

Options — Options are contracts that give one party the right (but not the obligation) to buy (or sell) an asset or security from (to) another party at a specified price at a specified date in the future. Option contracts can be generated for almost any asset, including bonds, equities, commodities and foreign currencies. There are essentially two types of options contracts — calls and puts.

- **Calls** — A call is an option contract giving its holder the right to purchase an underlying asset or security at a specific price for a certain length of time.
- **Puts** — A put is an option contract giving its holder the right to sell an underlying futures contract at a specific price for a certain length of time.

Over-the-counter (OTC) — In contrast to more formal, organized stock markets (such as the New York Stock Exchange), OTC markets (such as NASDAQ) are decentralized and connected (or interlinked) via computer networks and telephones. The tradable securities in OTC markets are not listed on official stock exchanges.

Primary market — A primary market is where a new good or newly issued security or financial instrument is first offered and sold. The sale of equities stemming from an IPO occurs in this market; subsequent trading of those equity shares occurs on secondary markets.

Secondary market — A secondary market is where a good or security is traded after it has been first offered and sold on the primary market. The stock exchange trading that is reported every day in the world's financial press is almost all secondary market trading. The world's bourses and exchanges are the marketplaces where secondary market activity takes place.

Swaps — A swap may refer to the simultaneous purchase of a given financial instrument, commodity or asset in the forward market with a sale of the same quantity of that asset in the spot market. In contrast to arbitrage, a swap transaction combines the purchase and sale of an asset into one action in order to reduce transaction costs and interest rate risk. A swap may also refer to the borrowing and lending of funds between two firms, often using different contractual terms (ie, denominated in different currencies, using different interest rates, etc).

Oil

Coking — Coking refers to the process of using heat and pressure to decompose (or 'coke') heavy crude oil, which produces a mix of lighter oils that can then be blended or processed into other products — including petroleum 'coke', which can then be used as an input in other industrial processes or as fuel.

Cracking — This is a refinery process where heavier, more complex forms of hydrocarbons are broken down (or 'cracked') into lighter and simpler forms. Through this process, higher value hydrocarbon products are produced. Cracking can be done by applying heat (thermal cracking), through the application of a chemical catalyst (catalytic cracking) or with catalysts and hydrogen (hydro-cracking).

Decline rates — Decline rates refer to the natural drop in oil production that occurs as the pressure (needed for oil extraction) in sub-surface oil reservoirs drops. Decline rates are measured in terms of the percentage of production decline per year. A related but separate concept is 'managed decline', where pressure may be sustained artificially in order to enhance long-term oil recovery.

Force majeure — This French term refers to a legal clause often used in international commercial contractual arrangements. It excuses a given party from any liability or responsibility if an unexpected (or unforeseen) event occurs that is beyond the control of that party, and which then prevents it from fulfilling the terms of its contract, or which results in the termination or cancellation of the contract. Such unexpected events may include disruptive weather patterns and freak storms, political unrest and the outbreak of war or other unplanned events.

Probable reserves — Probable reserves refers to the quantity of reserves available, which are known to exist, but over which there exist doubts and uncertainties as to their extractability, and their economic and technical viability.

Proved reserves — Proved reserves is a specific term that refers to the total estimated quantities of crude oil, natural gas liquids and condensates that have been demonstrated by survey and engineering data to be recoverable with a reasonable degree of certainty (typically 80 to 90 per cent confidence), and which can be commercialized and sold under current financial and economic conditions.

Spare capacity — Spare capacity is used when referring to that portion of an oil producer's operating capacity that is neither in operation nor in repair at a given time, and which is able to begin operation and come on-line within a short period of time (typically 30 days). It also may include any capacity currently not in operation and under repair, but which can come on-line within a three-month period.

Sources: Bloomberg Financial Glossary; Chicago Board Options Exchange; CNN; Duke University; Forbes magazine; IEA; OECD; Reuters Financial Glossary; Robert J Schiller's website; University of Michigan; Yale University.

A partial view of the facilities at a refinery, where 'cracking' takes place to break down heavier oils into lighter products.

“In Aspern … the parties engaged each other in every street, every house and every barn.”

The battle scene at Aspern, as depicted in a large display model in Essling Museum.

Tracing the past, but staying true to today

Reflections on the Battle of Aspern-Essling 1809

Keith Aylward-Marchant had a shock when he discovered he was living on a former battlefield. It was a highly significant one too, on the edge of Vienna, and the bicentenary would be commemorated in 2009. His investigation would reveal further insights and enrich his appreciation of the area and of Austria's cultural heritage.

Few people think of the local historic heritage when they move to a new home.

Indeed, some people never even know about it years after settling in.

And so it may come as a surprise to some OPEC Staff Members to learn that they are living in an area which witnessed a defining moment in European history 200 years ago.

This was the Battle of Aspern-Essling, which was fought on May 21–22, 1809 in what has become, in recent decades, a major residential expansion area for Vienna.

Six weeks later, on July 5–6, 1809, there was a reversal of fortune a short distance to the north of this, with the decisive Battle of Wagram.

Significantly, during the period bridging the bicentenaries of these two battles, on June 23, 2009, OPEC hosted the sixth Ministerial meeting of its formal Energy Dialogue with the European Union (EU).

This is significant, because most of the countries at war with each other in the wider conflict across Europe 200 years ago are today united under the banner of the EU. Specifically, the main protagonists in the two battles featured in this article were Austria and France.

Aspern Museum

Essling Museum

Below: In Aspern, the fighting was the most bitter at St Martin's Church, which was destroyed. The small building with the grey roof, to the left of the church, has since been converted into Aspern Museum. The model, depicted, is part of the diorama in Essling Museum.

Below: In Essling, the Austrians could not dislodge Napoleon's forces from the former granary (white building) during the battle, and the 400 soldiers would only leave two weeks later, after being granted safe passage back to the French lines. The granary is the only building still standing that witnessed the battle, and today houses Essling Museum.

Also noteworthy, in the context of the oil sector, is the fact that part of the vast refinery complex of Austrian oil company OMV lies on the former battlefield, and there is even a commemorative monument outside one of its office buildings.

Worthy of mention too is the fact that there are plans to build a key component of a revolutionary new car, scheduled for production late next year, on the former battlefield.

The two battles are widely seen as turning-points in the Napoleonic Wars, which dominated European affairs between 1803 and 1815, under the leadership of France's Napoleon Bonaparte.

Turning-points

Napoleon himself, a highly successful, visionary army General, had overthrown the constitutional French government in November 1799 and had crowned himself Emperor of France five years later.

This was after he had risen to prominence in the Wars of the First and Second Coalitions between 1793 and 1802, when the established powers in Europe — which included the then Austrian and British Empires — tried to defeat the revolutionary first French Republic.

The republic had been set up after the outbreak of the French Revolution in 1789 and the overthrow of the monarchy. These violent actions had startled the established powers in Europe and made them fearful of similar uprisings occurring in their own countries.

There were seven 'Coalition' wars between 1793 and 1815, when Napoleon was finally toppled from power, the first two relating to the French Revolutionary Wars and the remaining five to the Napoleonic Wars. At one time or another, these seven conflicts involved almost all Europe.

By the time of the formation of the Fifth Coalition in early 1809, Napoleon had had a remarkable amount of military success in Europe and was widely feared across the continent.

Norman Davies, in his monumental book 'Europe: a History', writes: "In the 20 years from 1792 to 1812, the map of Europe, and the system of states, was widely remodelled. The French Revolutionary armies introduced territorial and political changes of three sorts.

"First, and at various times, they vastly extended the territory of France itself, by directly annexing large parts of the Netherlands, Germany, Switzerland and Italy ...

"Secondly, a whole panoply of new states was erected, each closely tied to France and each possessing its own model constitution and French-style administration. These states included ... the so-called Kingdom of (northern) Italy (1805–14) ...

"Thirdly, after Napoleon's later conquests, a number of old-established states were allowed to survive, but with severely modified frontiers and with tightly controlled internal arrangements. These included Austria, Prussia, Spain, Naples and Portugal.

"The only parts of Europe to escape the revolutionary remodelling of Napoleon's enlightened despotism were the British Isles, Scandinavia, Russia and the Ottoman domains.

"With those exceptions, the whole of Europe was subject to radical changes that swept away the traditional order, giving its people, however briefly, a taste for something entirely different."

What was not so brief, however, was the Napoleonic Code, which was established in 1804. The development of the Code, with its stress on clearly written and accessible law, is considered to be the first successful codification and constituted a fundamental change in the nature of the civil law legal system, and it endures to the present day. It was adopted in many countries occupied by the French during the Napoleonic Wars and went on to influence the social development of at least 30 countries, within and beyond Europe.

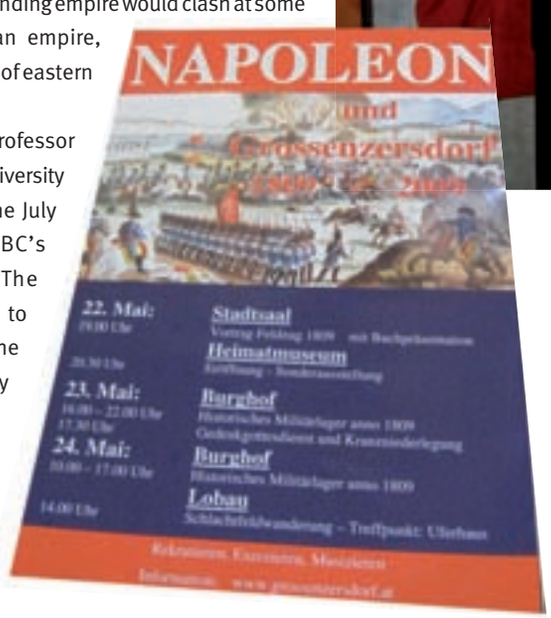
The historic significance of the Battle of Aspern-Essling in 1809 is that it saw Napoleon's first military defeat for at least a decade. Furthermore, when he gained his revenge at Wagram six weeks later, this turned out to be his final major victory.

During the early 1800s, it was inevitable that Napoleon's rapidly expanding empire would clash at some stage with the Austrian empire, which dominated much of eastern Europe at that time.

Charles Esdaile, Professor of History at Liverpool University in England, writes in the July 2009 issue of the BBC's History Magazine: "The two powers first came to blows in 1805, when the Austrians — alarmed by

Right: Austrian infantry battledress, Aspern Museum.

Right below: French infantry battledress, Aspern Museum.



Poster announcing commemoration events in Gross Enzersdorf.

Napoleon's growing power in northern Italy — joined Britain, Sweden and Russia in a Third Coalition against the French emperor."

However, this proved unsuccessful and Napoleon defeated Austria at the Battles of Ulm and Austerlitz, and this included capturing Vienna. The consequent Treaty of Pressburg (today's Bratislava) saw Austria lose many territories and humiliated the country and its Habsburg dynasty, which had been in power for centuries.

Revenge attacks by Austria in April 1809 saw them suffer further defeats at Abensberg and Eckmühl and, "with the French emperor intent on crushing the substantial enemy forces that had escaped (north) over the Danube," as Esdaile puts it, set the scene for the Battles of Aspern-Essling and Wagram.

Hard to imagine

For those OPEC Staff Members living in Aspern or Essling today, it is hard to imagine the terrifying battle scenes in the forests of the Lobau, which borders the River Danube, or in the fields between the Lobau and the villages of Aspern and Essling, on the days of May 21 and 22, 1809. These were also Whit Sunday and Whit Monday.

The Lobau today is a well-maintained, much-treasured, wooded part of the Danube-Auen National Park, and is in heavy use for recreational purposes. Nature studies, picnics, cycling, walking, jogging, rollerblading, swimming, riding, fishing, photography and other leisure activities are a far cry from those fateful days of 200 years ago.

Indeed, Aspern and Essling are now suburbs of Vienna, at the eastern extremities of the historic city. Housing development has been an almost unbroken process since late last century.

The area north of a line between the two villages was the site of Vienna's main airport until 1954, when it was moved to its present position near the town of Schwechat on the other, southern side of the Danube. Legendary driver Sir Stirling Moss won a Formula One motor race there in 1961.

There are now plans to undertake a major redevelopment on the old site, transforming it into a modern, state-of-the-art commercial and residential centre.

Also, a General Motors (GM) plant has been located on the edge of that area for the past quarter of a century, building engines and power trains for Opel vehicles.

Earlier this year, it was decided that this plant would build the conventional petrol combustion engines for the revolutionary five-door, front-wheel-drive Chevrolet Volt electric passenger car, which is expected to go on sale late next year. The combustion engine will be used solely to produce electricity for the electric motor, which will provide the only means of propelling the wheels.

However, the future of this plant is unknown at the time of writing, while the fate of GM's overseas subsidiaries is still being determined, following the group's recent bankruptcy.

There is something almost surreal in the thought that all this modern, progressive activity is happening at a place where two armies were engaged in mortal combat over two frenzied days a couple of centuries ago.

Esdaile takes up the story again in May 1809: "In the immediate vicinity of Vienna, the Danube was dotted with a succession of islands, and one of these had soon been selected for use as an enormous stepping-stone, in part because it virtually spanned the entire river, and in part because, on the far bank, two stoutly-built villages, called Aspern and Essling, offered a convenient defensive position.

"Very soon, then, a pontoon bridge had been built linking Lobau … to the south bank, and, on May 20, a small advanced guard got across to the far side and occupied the Aspern-Essling line."

To those living in the locality today, two further items of interest stand out, at this point.

First, the topography of the Lobau and the Danube is very different now. To put it simply, as the Danube passes through Vienna, it divides into two main flows (and two lesser ones) — the main Danube to the south and the New Danube to the north. Between them, 21 kilometres in length, is the Danube Island, itself also a major leisure area. Nowadays, this is the only apparent island close to the Lobau. Although the Lobau still has small rivers, lakes and other minor waterways, these no longer define a 'succession of islands'.

And, secondly, a commemorative obelisk marked 'Bridgehead' is the one referred at the beginning of this article that stands outside the OMV's Lobau depot. The depot is part of the company's Schwechat Refinery, which is one of the ten largest and most modern inland refineries in Europe and the only such plant in Austria, and it has a total area of 2.4 square kilometres and a crude oil refining capacity of 9.6 million tonnes per year. The depot and tank farm are on the northern side of the Danube, while the other main units of the refinery are on the south.

An earlier refinery was partially destroyed in a more recent conflict, by the Allies in 1944, near the end of World War II. The present complex was opened three years after

Inside Aspern Museum.

the passing of the Austrian State Treaty in 1955 and the departure of the four Allied powers that had occupied the country since 1945. The refinery celebrated its 50th anniversary in April 2008.

However, the modern petroleum industry started half a century after the Napoleonic Wars, in the mid-19th century. And so, let us now return to 1809.

So little space

"Rarely has a battlefield offered so little space and so few elements on the terrain which could be used for sheltering units or as backing," writes 'Gilles Boué in 'Essling: Napoleon's First Defeat?' in Histoire and Collections' Men and Battles series.

"As early as the evening of May 20," he continues, "the French position backed onto three villages: Aspern ('a large village of about 1,500 inhabitants') on the left, Essling in the centre and Enzersdorf on the right. Napoleon decided very quickly to abandon Enzersdorf ...

"Between the two villages, there was a rise in the land making a sort of rampart between the two bastions: it ran for a little more than a mile. This very slight relief in the terrain was used as a base for the French movements and, at the same time, as a rallying point."

Esdaile describes the leader of the Austrian army, Archduke Charles, as 'a most reluctant warrior in 1809': "Charles's chief ambition was simply to keep the Austrian army in a good enough condition for reasonable terms to be secured at the close of hostilities ...

"Catch Napoleon crossing the Danube, he reasoned, and he might do sufficient damage to persuade the French ruler to enter peace talks.

"Early in the morning of May 21, then, the Austrians attacked the French at Aspern-Essling.

"The result was a bloodbath, that swayed to and fro for two days, before the badly outnumbered French finally retired to Lobau."

There is some dispute about the numbers involved.

Peter Kolecko and Peter Dachgruber take up this matter in a book specially produced for the 200th anniversary of the 'Marchfeld' battles — '200 Jahre Marchfeldschlachten Aspern und Wagram 1809–2009' (Marchfeld is the big plain to the north and north-east of Vienna).

They say that, at the start of the battle on May 21, Napoleon had only 30,000 men and 9,300 cavalry at his disposal; this improved to 67,000 and 10,000 on the second day, together with 152 cannons. On the other

hand, the obelisks in the Lobau refer to 75,000 French soldiers.

For the Austrians, Kolecko and Dachgruber state that Archduke Charles had immediately more than 84,000 men, 14,250 cavalry and 288 cannons.

The authors reckon that each side lost between 15,000 and 20,000 men. Wikipedia goes higher than this, at around 23,000 losses for each side, including 6,200 Austrians killed or missing and 7,000 French killed.

Indeed, it is chilling to read that, on the night of May 21/22, the two sides in Aspern bivouacked within pistol shot of each other, until fighting started again at 3:30 am.

For those familiar with the area today, there are several points of significance here.

Most of the houses in Aspern were burnt to the ground, while others were badly damaged by gunfire, both cannon and small arms. St Martin's Church, where the fighting was the most bitter, was burnt out.

David Johnson wrote in 2001: "In Aspern, said an Austrian account: 'The parties engaged each other in every street, every house and every barn; carts, ploughs and harrows had to be removed, during an interrupted fire, in order to get at the enemy; every wall was a hindrance to the attackers and a rampart for the defenders; the steeple, lofty trees, the garrets and the cellars had to be taken before either side could call itself master of the place, and yet the possession was ever of short duration, for no sooner had we taken a street or a house than the French gained another, forcing us to abandon the former. Many houses had been set on fire by the shells of both sides and lit up the whole country around'."

Weeping, dying lion

The church was soon rebuilt and, nearly half a century later, in 1858, its modest façade was eclipsed by the placement of an emotive, iconic 'Lion of Aspern' sandstone monument directly in front of it, in memory of the 'glorious fallen Austrian warriors of May 21 and 22, 1809'. This now defines the centre of the old village, where Aspern Heroes' Square bisects Victory Square.

There is, however, a powerful, ambiguous symbolism here, since the lion appears to be weeping and dying, with the tip of a lance poking out of its left side, while it is huddled over French artefacts of war.

One interpretation is that the lion represents the large number of fallen Austrian soldiers, paying for victory with their lives at both battles, since the Battle of Wagram also saw much fighting in Aspern and Essling, even though it was centred in the area north of this.

An alternative interpretation is that the lion denotes Napoleon and his army and marks the beginning of the end of his expansionist drive across Europe.

On the right of the church lies Aspern Museum, which is devoted to the history of the battle of 1809. This was originally built as a chapel in 1670 and was converted into an ossuary after 1783. As one of only two undamaged buildings left in the village after the battle, it was used as a temporary church during the reconstruction phase. It was finally opened as a museum in 1979.

Essling has its own dedicated museum too. In fact, this is the other part of the joint entity, 'Museum Aspern-Essling-1809'.

The commemorative monument of the dying lion, sculpted half a century after the battle.

However, while the compact Aspern Museum is crammed with pictures, weapons, documents, books, flags and other such items, the museum at Essling is dominated by a large model of the battle-scene, with miniature landscape and buildings and 8,546 handmade figures — soldiers, cavalry, guns, etc — depicting the hostilities. This is described as the biggest such 'diorama' in central Europe.

Both museums are worth visiting, but it should be noted that they have restricted entry times, at 10 am–noon on Sundays in April–October only.

The outstanding feature of the Essling Museum is the building itself.

This is a former granary and it is the only building still standing that witnessed the fighting 200 years ago. Not only that, but it was so impenetrable during the battle, with its 1.35-metre thick walls and solid metal-plated doors, that it proved impossible for the Austrians to dislodge the French from it, after 400 of them had occupied it at the start of the conflict. They remained in the building until they had been guaranteed safe passage back to the French lines two weeks later.

Napoleon decided to withdraw his forces to the Lobau island at about 4 pm on May 22, having lost Aspern earlier in the day and realising that he could not get reinforcements through to support the fighting elsewhere, after the Austrians had sent barges downstream damaging the bridges over the Danube.

The battle, in other words, was over, with the Austrians inflicting upon Napoleon his first military defeat for a decade.

"However, far from being forced to the peace table, Napoleon was soon planning a fresh assault," writes Esdaile.

This would lead to the Battle of Wagram on July 5–6, when Napoleon, now with a much larger army, outnumbering the Austrian troops, whose numbers had also grown, would exact his revenge with a victory. It would also mean further humiliation and punitive terms for the Austrians, with the concluding Treaty of Schönbrunn.

But, continues Esdaile, looking at the bigger picture: "Although Napoleon's opponents still had a long way to go, a crucial corner had been turned: the Emperor's opponents had started to copy his methods, and the French were beginning to lose the edge they had previously enjoyed." Esdaile contends that Napoleon was also losing his touch, with some questionable tactics at Aspern-Essling.

Boué adds: "(Fellow historian) Bruno Colson sees in this battle the appearance of a new type of battle, based on attrition; he also thinks that Essling marked the end of the Austrian army of the (old type) and that, thereafter, it entered the modern era brought in by the Napoleonic war system."

Commemorative obelisk outside OMV's Lobau depot.

Many historians see the Battle of Wagram as being Napoleon's last major victory. He would eventually suffer his final, decisive defeat six years later, at the Battle of Waterloo in June 1815, when Austria again was one of his adversaries in the War of the Seventh Coalition.

Nevertheless, in spite of the historic significance of the event, the local bicentenary commemoration of the Battle of Aspern-Essling was a relatively low-key affair.

There was a special remembrance parade in the church grounds at Aspern on May 24, and this can be seen on YouTube at http://www.youtube.com/watch?v=E3OXEGOSz60. A series of activities was also held in the neighbouring town of Gross Enzersdorf in the second half of May.

However, as far as I could see, there was with little support from the Viennese authorities.

Perhaps the short-lived nature of the victory was a reason for this, with the defeat at Wagram coming just six weeks later. The symbolism of the weeping, dying Lion of Aspern would find expression here too, particularly the first interpretation.

There is also the intervening dark period of the first half of the 20th century, with Austria's involvement on the losing side in both World Wars.

Crucially, the First World War resulted in the end of the Habsburg dynasty after more than six centuries in power, the collapse of the empire and a big reduction in the country's regional influence and power. This was a

A field of poppies near Aspern. In some cultures, poppies are symbols of death and commemoration. This area of land would itself have been a victim of the battle in 1809.

This is a typical picture of residential development in Essling, taken from the author's window shortly after daybreak. Hostilities began in nearby Aspern at 3:30 am exactly 200 years earlier.

huge blow to the proud nation, steeped in history, and this was delivered in just four violent years.

Austria's image was also tarnished by associations in the Second World War, on top of the harrowing nature of the conflict itself, and it has taken the country a long time to shake off this image, in the minds of some outsiders.

It is hardly surprising, therefore, that the passing of the Austrian State Treaty in 1955 saw Austria declare itself permanently neutral and insist upon the maintenance of this status on joining the EU four decades later.

In line with this and, more generally, the country's progressive approach towards world peace, Vienna has since become the permanent host of many major international organizations, including OPEC. It is seen as the third United Nations city, after New York and Geneva.

In such circumstances, one can appreciate why the authorities are reluctant to commemorate past wars.

However, in addition to those referred to earlier, commemorative events have also been organized this year in Vienna and the surrounding province of Lower Austria, focusing on the life of Napoleon and the events of 1809.

Still running, as of the beginning of October, these can be found in such places as Schallaburg, Marchegg, Heldenberg, Deutsch Wagram and Traiskirchen, as well as the castles of Thürnlhof, Wilfersdorf and Loosdorf.

Finally, when the dust has settled and the bicentenary year is past, will Staff Members living in Aspern or Essling, who have not read this article, be any the wiser about the historical heritage of the land on which their homes are built? There will be certain telltale signs.

Tell-tale signs

The Lion of Aspern is perhaps the most prominent. It is certainly the most poignant. I do not recall any other statue like it. What an extraordinary, passionate, moving and utterly honest monument!

Moreover, Staff Members may, by chance, be passing when the small annual remembrance day parade is held each May next to this monument by the two museums, for the many fallen soldiers of both sides and the civilian casualties.

This may spur them on to visit the two museums. Indeed, each is a museum-piece in its own right. Museums within museums.

And Aspern Museum is located in Aspern Heroes' Square. Or is it Victory Square? Or is it, curiously, both?

Then there are the six obelisks, each about 1.50 metres high, discreetly placed around the wooded glades of the Lobau, today's Lobau, and stumbled across from time to time by the cyclist, the jogger or the rambler — unless the occasional wooden signposts have already given them away.

Each obelisk has its own story to tell: the French bridgehead, Napoleon's headquarters, Napoleon's road, the French powder magazine, the French cemetery with about 3,000 soldiers, and the French crossing-point of the Danube.

Less obvious are the road-names.

I only learned recently, while researching this article, that my local bus-stop at the entrance to Essling, 'Lannesstrasse' ('Lannes Street'), is named after Marshall Jean Lannes, one of Napoleon's closest friends and most skilled generals, who died a week after the battle from wounds sustained in it.

Then there is Erzherzog Karl Strasse ('Archduke Charles Street'), named after the Austrian commander himself. This is the main arterial street, four and a half kilometres in length, almost connecting Aspern to the sprawling complex of UN offices in Vienna International Centre, where a vast array of nationalities work for common global causes.

Nevertheless, the most subtle telltale sign for me — precisely because it would have been far from subtle for the combatants in 1809 — are the insects.

When, in preparing this article, I ventured off the prepared cycle path in the Lobau in the evening of May 10, 2009, almost exactly 200 years after the French forces made their final river-crossing to advance on Aspern and Essling, I was nearly eaten alive by the insects in the space of a few minutes.

On top of all the other horrors of warfare, the thought of having to spend all night in the Lobau in similar infested conditions is something that is very real to me every time I pull down the protective glasses over my eyes when cycling in the park after work.

The Lobau, after all, is where I like to cycle, to get away from it all at the end of the day. For me, the Lobau is about the living. Aspern and Essling are about the living too.

We may be living on a former battlefield — and sometimes it provides an important reality check to know this — but we are also living for today and for the future, in peace and harmony.

History should never be forgotten. We should all learn from it, avoid its excesses. And then we should move on.

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Appreciation

The OPEC Bulletin is grateful for the assistance provided by the Staff of the Museum Aspern-Essling 1809, in both its locations, in preparing this article.

All pictures by Keith Aylward-Marchant.

Africans to benefit from micro-enterprise deals

Compared with other regions of the world, Africa has missed out when it comes to lending to the micro-enterprise sector. But this is all changing today, thanks, in no small part, to the innovative efforts of a micro-finance company — Blue Financial Services — that is already making inroads on the continent. In this interview, Dave Van Niekerk, Chief Executive Officer, describes his firm's vision for Africa and explains how a $15 million loan from OFID is helping to realize that vision.

This taylor's shop in Kenya is a perfect example of the kind of micro-enterprise that Blue is supporting.

Since Muhammad Yunus founded the Grameen Bank in Bangladesh in 1976, the micro-business sector has carved out a vital role in developing country economies, most notably in Asia and Latin America, where today micro-credit outlets are numerous. Providing loans of as little as $50, these micro-lenders offer a lifeline to millions of poor people, giving them a means to earn a living and support their families. In many cases, what starts off as a tiny enterprise grows into a flourishing business, with benefits to the wider community.

Indeed, micro-financing has become so popular and successful that the United Nations designated 2005 the year of micro-credit. Micro-financing is now widely appreciated as a highly effective "bottom-up" approach to development that offers considerable advantages over traditional "top-down" aid instruments.

Until recently, the micro-finance revolution had largely passed Africa by, mainly due to reluctance, on the part of the commercial banking sector, to provide credit.

"Access to credit is something that the banks have been very slow to do," Dave Van Niekerk, Chief Executive Officer of Blue Financial Services, explained. "They take deposits and provide banking services, but they are not doing anything to stimulate the economy."

As a result, the vast majority of populations in Africa are what Van Niekerk terms "unbanked". Where micro-financing is available — usually through non-governmental organizations (NGOs) and similar institutions — the eligibility criteria are so strict that most people are excluded from applying.

Blue's mission is to promote the micro-finance sector across Africa by bringing affordable, ethical loan products to the historically unbanked. Its products, which target different segments of the market and are continually under development, range from consumer finance to small business seed capital and housing finance.

Its client base is very much at the lower-income end of the market. "We take on the people who are turned away by

A prospective borrower shakes hands after signing a loan under the Blue scheme.

Dave Van Niekerk (l), Chief Executive Officer, Blue Financial Services; Suleiman J Al-Herbish, OFID Director-General.

"Getting people on our database can be quite a process, but once they are there, they can borrow again and start building a credit history."

— Van Niekerk

risk-averse commercial banks because they have no credit rating, or collateral, to secure a loan," noted Van Niekerk.

He described typical customers as people with small businesses, such as bicycle repair shops, or grocery stores. "They come to us for additional capital so that they can buy more stock and increase their turnover," he pointed out.

In South Africa, Blue also gets a lot of clients from the franchise market. "The majority of these people are young black male entrepreneurs who are taking their first step into business and need a small loan to get started."

Blue also provides education loans to help parents cover the cost of their children's schooling. These micro-credits are usually taken for just one year at a time and are used to pay for anything from primary to tertiary education.

Van Niekerk stressed that the majority of Blue's loans are unsecured. In spite of this, defaults are surprisingly few, a fact that he puts down to a combination of trust and social pressure. "People are looking for an opportunity to get access to credit and they do not want to disappoint the person who has put their trust in them," he affirmed. "Nor do they want to risk being publicly ostracized for breaking their society's moral code."

Nevertheless, Blue does go to extraordinary lengths to mitigate risk, an effort that Van Niekerk deemed essential when operating in an African context.

"Africa is an interesting place to do business. Many countries lack an efficient national ID system, so we need to find other ways of establishing, or confirming, an individual's identity."

He revealed that this can include fingerprinting and biometric facial recognition techniques. "Getting people on our database can be quite a process, but once they are there, they can borrow again and start building a credit history." And borrow again they do, with 85 per cent of Blue customers returning for repeat loans.

Since setting up business in late 2000, Blue has gone from strength to strength. Much of the growth has come in the last three years, following the company's listing on the Johannesburg Stock Exchange and the involvement of foreign shareholders and investors, including the International Finance Corporation and FMO of the Netherlands. Today, Blue operates 300 branches in 14 countries across sub-Saharan and Southern Africa, employing a staff of over 3,000.

Blue member of staff Irene Wambui, pictured at an orphanage, which forms part of the company's corporate social investment programme.

Said Van Niekerk: "We keep a close eye on our competitors and always try to price ourselves under them."

For a company operating in the hard-nosed business of finance, Blue shows remarkable compassion for both the people and the communities it serves. "Our model is built on a double bottom line — one that delivers both social and financial returns."

Blue's ethos, insisted Van Niekerk, is not simply about turning a profit. "We are driven by the knowledge that, handled responsibly, micro-financing is a powerful tool for poverty alleviation. So, we make a point of ensuring that we have the dual effect of giving our investors a return on their money and, at the same time, empowering and uplifting the communities we serve."

Such statements are far from window dressing: corporate social investment (CSI) forms an integral component of the Blue philosophy. "We believe we have a responsibility to plough back some of our profits into the community," said Van Niekerk. Thus, Blue allocates ten per cent of its annual earnings to a comprehensive CSI programme that funds projects, ranging from the purchase of equipment for hospitals and schools, to sports' sponsorship and charity work.

Hands-on approach

"We never give cash, as there is always the chance it will not reach the end user," noted Van Niekerk. "Instead, we take a hands-on approach and actively encourage staff to get physically involved. Another key principle is that we will not allocate funding to emotion-driven lost causes, or to communities that are not prepared to work to help themselves," he explained.

As part of its CSI programme, Blue also runs financial "road shows" to help educate people on how to handle money wisely.

As far as the future is concerned, Blue has big plans for expansion. "For this, we are looking at countries that have economic and political stability and good foreign exchange movements. We are also interested to see what is being spent on infrastructure development and on uplifting the people."

Steps have already been taken by Blue to move into Ghana and, further north, into Egypt, where the company

"We understand that our customers ... want to be treated with dignity and respect, and borrow in an environment that is upmarket and professional."

— Van Niekerk

Van Niekerk attributed Blue's success to its many competitive advantages, chief of which is the state-of-the-art IT system that links all of the company's branches via a satellite network to its head office in Johannesburg, where all loan decisions are made on the main server.

Once a loan is approved, the originating branch — wherever it might be — can print out a computer-generated cheque for the customer to cash immediately. Under this system, small loans can be turned around in under one hour.

According to Van Niekerk, it is this kind of service that has elevated his company above all its competitors. "People want the best when it comes to service, and that is what we aim to give them. We understand that our customers are working people with families and aspirations. They want to be treated with dignity and respect, and they want to borrow in an environment that is upmarket and professional. Above all, they want to be dealt with quickly and efficiently and to walk out with money in their hand," he stated.

Another of Blue's advantages is its pricing policy.

will be the first registered micro-financier. Egypt will also be Blue's first foray into an Islamic country and the company is developing some Sharia compliant products specifically for the Egyptian market.

"If we get it right there, we would hope to then move into some other North African countries," revealed Van Niekerk. He points out however that expansion is not always straightforward, due to the red tape involved in getting the necessary licence.

"As a foreign company, we need government support to come in and set up a financial services operation. And, where possible, we like governments to give us access to the civil service payroll, so that we can deduct loan repayments directly from source. All this can take as long as three years," added Van Niekerk.

Blue also has plans to attract more female customers. Unlike the Asia and Latin America experiences, where the majority of micro-borrowers are women, loan seekers in Africa are predominantly men. Van Niekerk ascribed this to the comparatively large number of civil servants on the continent, a situation that has created a formally employed market with a strong male bias.

"However, we think this spread is likely to change. And, when it does, we will be ready with products that will be attractive to female entrepreneurs."

Van Niekerk is confident that Blue will continue to grow at its current pace for at least another five to six years and reports that the company is beefing up its resources, both financial and human, accordingly.

He admits, however, that this is not an easy task in the current economic climate. "Blue's biggest challenge right now is to attract new investors, in order to raise the capital needed to support the company's growth and meet the demands of the market," he said.

With the commercial banks largely cash strapped, Blue's corporate finance team is talking with development finance institutions, like OFID, as well as with sovereign funds and private equity funds.

"OFID's $15 million loan has come at the perfect time and is a great boost. The funds will allow us to channel additional capital into about six or seven of our countries where there is greatest need. They will be used to provide small business credits, as well as education and home improvement loans," he said.

Mary O Lyimo, a teacher from Dar es Salaam, Tanzania, watched proudly as her two nephews completed school. However, her joy was short-lived as the two boys couldn't find jobs and were soon on their way to becoming vagrants on the city streets. With the intention of creating work for them by starting a small business, Mary put a business plan together, but as she did not have the collateral sought by commercial financial services, her applications were declined. Despondently, she walked through the doors of Blue. As a gainfully employed person who could afford a loan she was granted the equivalent of $800 to pay off over 36 months. With this money, Mary rented three hectares of land and planted aubergines. Soon she was reaping the benefits and could employ both her nephews full time while continuing her work as a teacher. As her business grew, Mary was able to buy herself a light commercial vehicle to transport her produce to the market. At present she has branched out and is growing chillies and a health herb too.

Source: Blue Financial Services

Isaac Khonde Kanguya of Livingstone, Zambia used his loan from Blue to manufacture good quality ox-drawn carts to transport goods and people. Transport in rural areas is often very expensive in Zambia, and Isaac came up with the idea of the carts to provide a cheaper alternative. Isaac's carts do not require fuel, so they have become extremely popular and he has received orders from villages more than 150 km away. Isaac either sells the carts or exchanges them for cattle. So far he has managed to collect and sell 16 herds of cattle and has made more than four times the original loan amount applied for. Isaac employs two people to build the carts and recently obtained his biggest order to date for 25 units. With the profits from his cart business, Isaac has been able to complete the construction of his own house and is building two other houses, as well as a block of three flats.

Source: Blue Financial Services

Photographs, unless otherwise credited, Blue Financial Services.

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

August 2009

Crude oil price movements

The OPEC Reference Basket price fell by $3.77/barrel, or six per cent, to stand at $64.59/b in July. The market lost ground following bearish data about US consumer confidence and jobless claims, as well as an improvement in the value of the US dollar against other currencies.

As a result, the oil market lost ground and prices started falling across the board in the first half of July. These circumstances counteracted any upward impact from a reported disruption in Nigerian crude supplies.

It resulted in the OPEC Basket falling from an average of $68.23/b in the week ended July 3 to $61.61/b in the week ended July 17. US benchmark crude WTI and North Sea Brent prices fell from $68.97/b and $67.65/b, respectively, to $61.30/b and $61.20/b. The price of Dubai crude fell from $69/b to $62/b over the same period.

Market sentiment improved in the second half of the month under review, due to bullish reports about corporate earnings, robust home sales in the US, refinery snags and increasing optimism about an economic recovery, which led to higher equity prices and a depreciation of the US dollar versus other currencies. These events also triggered a fresh influx of passive investment into the energy market, lifting crude prices.

The OPEC Basket rose significantly in the last two weeks of July to average $67.66/b in the week ended July 31. WTI and Brent crude followed a similar trend, rising to $66.96/b and $67.66/b, respectively, from $61/b in the middle of the month. Similarly, the price of Dubai crude jumped from $62/b to over $71/b.

"Despite the positive developments in crude prices, the market is fundamentally weak, as crude stock-draws, especially in the US, were reversed in the last weeks of July, due to slowing refinery utilization rates and higher crude imports," commented the OPEC report.

"Additionally, increasing middle-distillate stocks are the major challenge for refiners across the globe, which could encourage refiners to further cut runs with the end of the driving season. This situation may cause a further deterioration in crude market fundamentals and cap any upward price movement.

"However, oil market sentiment and prices over the very short to near term will largely depend on micro-economic and macro-economic developments, which should have a positive impact on riskier assets, including oil prices," it added.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report noted that commodity prices plummeted by 4.7 per cent in July, and were 44.7 per cent lower than the year-ago level. This occurred on the back of a 6.8 per cent drop in energy prices and a one per cent decline in non-fuel commodity prices month-on-month.

"It must be noted that the monthly figures mask the high volatility in commodity markets on a weekly and daily basis," it said.

Most commodity prices experienced a drop during the first half of July, but recovered strongly during the third and fourth weeks of the month, following higher-than-expected growth in Chinese GDP in the second quarter, compared with the first three months of the year, as well as a weaker US dollar in July.

"However, it can be said that, despite the inflow of some positive macroeconomic data from China, commodity markets are still affected by macroeconomic concerns, due to uncertainties over the recovery of the OECD economies," said the report.

"This is essential for the sustained recovery of commodity prices, since Chinese demand is expected to improve in the second half of 2009.

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

However, there are some doubts about the sustainability of Chinese growth as the government could move to reign in excessive lending," it added.

The energy price commodity index (crude oil, natural gas and coal) in July dropped sharply by 6.8 per cent, compared with 16 per cent growth the previous month. Crude oil went down by 6.5 per cent, while the Henry Hub natural gas price fell by 10.8 per cent m-o-m. The price of natural gas declined, especially at the end of the month, due to sluggish fundamentals and a modestly bearish storage report.

"There seems to be a consensus among observers of the market about the weight of weak demand in the next month on natural gas prices," observed the report.

Non-energy commodity prices dropped by one per cent in July, which compared unfavorably with the 3.7 per cent growth seen in June. There was a deceleration of growth in all the major sub-indices, but food prices continued showing a poor performance, declining by 5.4 per cent m-o-m in July and being mainly responsible for the negative growth seen in the non-energy commodity price index.

The industrial metal price index grew by three per cent in July, which represented a deceleration compared with a month earlier, which saw 7.1 per cent growth amid high volatility.

"This path is linked to the trends in equity and economic data development, despite the fact that Chinese imports continued robust last month. Prices for this complex declined mainly during the first half of July after the first 'green shoots' of a global economic recovery in June became apparent and markets became skeptical on information that the global economic recovery may take longer than expected with some macroeconomic indicators suggesting no real improvement in either consumer confidence, or industrial activity in the OECD," said the report.

It stated that if China reduces industrial metal imports and if economic confidence does not improve, the outlook for commodity prices in the second half of the year could be bearish.

"There is consensus among major observers that imports in China of industrial metals will be lower in the second half of 2009, due to high growth in the first six months. Commodity prices found considerable support from strong Chinese imports, but this strong metal demand is related to the impact of the fiscal-induced growth and stocking policy in China, while global demand remained very weak."

Total London Metal Exchange inventories increased by 3.2 per cent in July, compared with 4.2 per cent the previous month. Although inventories increased the most in the first half of July, they were still high at the end of the month amid macroeconomic concern and unclear signals of a recovery in global demand. Industrial metal prices continued mirroring the movement seen in equities and therefore saw high volatility.

Copper prices increased at a slower pace of 4.5 per cent in July, compared with 9.1 per cent the previous month, while aluminium prices climbed by 5.5 per cent, compared with 8.3 per cent a month earlier.

Zinc prices grew by 1.8 per cent in July, compared with 4.3 per cent the previous month, whereas nickel prices increased by 7.1 per cent, compared with 17.2 per cent the previous month.

The World Bank's agricultural price index declined by 3.9 per cent in July, which was more than the 0.3 per cent drop seen a month earlier. The decline was as a result of a drop in almost all items.

The IMF food price index dropped by 5.4 per cent in July with the corn market experiencing one of the worst performances, in line with bearish supply news.

Gold prices fell by 1.2 per cent in July, compared with growth of 1.8 per cent in June, which could have been related to a sustained collapse in gold imports from India.

World oil demand

In its review of the market, the report said that demand for OPEC crude in 2009 has been revised down slightly to stand at 28.4m b/d, representing a strong contraction of 2.3m b/d from the previous year.

On a quarterly basis, demand for OPEC crude this year is now estimated at 28.3m b/d, 28.0m b/d, 28.6m b/d and 28.9m b/d, respectively.

"Demand for OPEC crude in the first half of the year is estimated to have fallen by a substantial 2.9m b/d, compared with the same period last year, although this decline is expected to narrow in the fourth quarter to a loss of 1.4m b/d," said the report.

Demand for OPEC crude in 2009 has been revised down slightly to stand at 28.4m b/d, representing a strong contraction of 2.3m b/d from the previous year.

Demand for OPEC crude in 2010 is forecast to average 28.0m b/d. This represents a drop of 500,000 b/d from the current year and the third consecutive annual decline.

"As the decline is much smaller than in the previous year, the figure can be seen as a sign of recovery. On a quarterly basis, demand for OPEC crude next year is expected at 27.8m b/d, 27.2m b/d, 28.3m b/d and 28.6m b/d, respectively," added the report.

It noted that although US oil demand is still showing a massive reduction, increases elsewhere in the world have helped to partially offset the decline, leading to no change in world oil demand growth.

Chinese oil demand has picked up after a devastating contraction in the first quarter of the year. Furthermore, India's oil demand grew by more than 13.6 per cent in June, as against 0.6 per cent in May.

OECD oil demand is forecast to decline by 1.9m b/d this year, while non-OECD oil demand is forecast to inch up by 200,000 b/d,

resulting in a total world decline in demand of 1.6m b/d in 2009.

Although the first half of the year saw a plunge of 2.7m b/d in total world oil demand, the second half is forecast to see a lesser decline of only 600,000 b/d.

Despite this reduced demand for energy, European biodiesel production capacity has grown strongly in 2009.

"Demand declined, not only because of the economic downturn, but also because of a reversal in government policy in various countries. In Germany alone, an increased tax on 'green' fuels has slashed biodiesel demand so far this year," said the report.

Given the dim outlook for the European economy, OECD Europe oil demand is forecast to decline by 2.9 per cent, or 440,000 b/d y-o-y, in 2009.

It stated that one goal of US subsidies is to push more biofuel blends into the country's gasoline pool. "However, automakers are protesting the latest move to increase the ethanol blend above ten per cent. Manufacturers are concerned that the blend will not only negatively affect auto performance, but could also potentially damage engines."

In a new effort to increase usage of renewables, China is gearing up to build huge solar and wind farms via massive subsidies, ranging between 50 per cent and 70 per cent. "However, this effort is not expected to dent the country's usage of fossil fuels."

US oil demand has maintained the relative strength seen in June. For the second consecutive month, US gasoline consumption not only stemmed its decline, but climbed to show growth of 0.6 per cent in July year-on-year.

"Summer driving has not only halted the decline, but also contributed to a more positive demand number. Of course, this latest growth is much weaker than the normal trend of one per cent. Recent achievement in the auto industry has been greater in comparison with the past 12 months," observed the report.

US oil demand saw its previous declining pattern halted, which kept the July contraction below 1m b/d. July weekly data showed a decline of only 3.9 per cent, or 770,000 b/d, y-o-y.

"Not only has summer gasoline shown a better performance, but industrial products have also reduced their steep decline to some degree."

However, the first seven months of 2009 still experienced a decline of 1.25m b/d, with a negative performance for all products. Total US oil demand for the year is forecast to decline by 900,000 b/d.

Mexican oil demand, which saw its recent decline halved in June, is now anticipated to show some improvement in the last quarter of the year, leading to a decline of only 81,000 b/d y-o-y in 2009.

As in the US, Canadian June oil demand data continued its negative pattern to show a drop in oil use by 60,000 b/d y-o-y. Most of this decline was as a result of less fuel being used by the industrial sector since the start of the economic crisis. Canadian oil consumption is forecast to be almost flat in 2009.

Hence, North America's oil demand is forecast to decline by 1.0m b/d y-o-y in 2009 to average 23.2m b/d.

European energy consumption is suffering from the continent's anaemic economy. Despite some improvement, OECD Europe oil demand is still showing a contraction in almost all products, mainly industrial products. June's total oil demand is estimated at a negative 400,000 b/d y-o-y, but better than what was seen in May by almost a third.

Germany, the largest oil-consuming country in Europe, is expected to see its second-quarter oil demand return to positive territory, after a three per cent rise in the usage of oil products in May. The growth was mostly attributed to diesel use, not only in transport, but also in the industrial and agricultural sectors.

Despite a three per cent decline in France's GDP this year, the country's June oil demand showed minor growth of 0.6 per cent after two consecutive months of declining oil consumption.

Given the dim outlook for the European economy, OECD Europe oil demand is forecast to decline by 2.9 per cent, or 440,000 b/d y-o-y, in 2009.

South Korean oil demand is forecast to grow by 0.7 per cent, or 14,000 b/d, in 2009, y-o-y. The second half of the year might bring better economic activity in the Pacific, which will result in greater oil demand. Gasoline experienced 3.5 per cent growth in the first half of 2009, as a result of summer driving, pushing the country's oil demand up slightly by 1.2 per cent.

Australian oil demand has been in the negative since the start of the year, but reached a new low in May, plunging by more than four per cent y-o-y. It is expected that Australia's oil demand will show some moderate positive performance in the second part of the year, which will be enough to offset the decline in the first half.

Japan has managed to cut its oil usage loss by more than half. The country's June oil demand fell by only 200,000 b/d, versus 500,000 b/d the previous month. It is anticipated that Japanese oil consumption will fall by 400,000 b/d this year.

Given the weak Japanese economy, OECD Pacific oil demand is forecast to decline by 400,000 b/d in 2009 to average 7.6m b/d.

India's oil demand, which has been performing moderately since the start of the year, picked up pace in June to mark a high for the year. Gasoline consumption alone grew by a record 37.5 per cent, adding another 85,000 b/d to the country's oil demand pool. Diesel consumption growth was more than double that of gasoline, reaching 200,000 b/d in June to average 1.2m b/d. Agricultural and industrial usage were the reasons behind this strong growth. Indian oil demand is anticipated to grow by four per cent this year.

While Indonesian oil demand is not anticipated to be in the negative, due to the partial

removal of price subsidies and fuel substitution, the country's oil demand will be almost flat this year.

Unlike most of the world, the Middle East has kept its oil demand on the positive side this year, not only because of the massive energy-intensive projects in the region, but also because of transport fuel subsidies. However, due to the global economic turmoil, Middle East oil demand is estimated to show growth of only around three per cent, or 200,000 b/d y-o-y, in 2009, which is almost half that of the previous year.

Oil demand in the Group of Developing Countries has suffered from the current downturn in economic activity. Hence, Developing Countries' oil demand growth is forecast at 300,000 b/d y-o-y in 2009, averaging 25.5m b/d.

All of Latin America's countries, except Venezuela, burned less oil in May, leading to total negative consumption of 73,000 b/d y-o-y. Given the poor economic situation this year, the region's oil demand will grow by only 0.3 per cent in 2009.

Despite the price increase in petroleum products, Chinese apparent oil demand grew by 2.6 per cent y-o-y in June. Following a steep decline in the first quarter, the government implemented stimulus plans which kicked in and increased the usage of energy in the second quarter. Industrial oil use, along with transport and agriculture, has pushed demand up in the second quarter and is expected to maintain the same trend until the end of the year. However, due to the poor performance seen in the first quarter, China's oil demand is forecast to grow by only 100,000 b/d y-o-y in 2009 to average 8.05m b/d.

Looking to 2010, the OPEC report said that, due to the late arrival of the economic recovery next year, oil demand growth is expected to increase by 500,000 b/d.

"As in recent years, most of the growth will take place in the non-OECD region, mainly China, India, the Middle East and Latin America. The bulk of oil demand will come from the industrial, transport and petrochemical sectors. The agricultural sector will show a moderate increase in fuel usage, mainly in the developing world," it said.

The report noted that, apart from the world economy, the main factors that might play an important role in next year's oil demand are oil prices, taxes and the removal of price subsidies.

"As a result of the expected improved economic performance, US gasoline demand will be back in the growing mode, but will remain the wild card in 2010."

Industrial fuel – mainly diesel and naphtha – will contribute the most growth to world oil demand in 2010. Coming out of a very low base in 2009, gasoline and jet fuel consumption will show small increases, due mainly to the growing transport sector in non-OECD countries, and the slight rise in consumption in North America and the Pacific.

World oil demand is anticipated to see growth of 500,000 b/d, y-o-y, to average 84.4m b/d in 2010.

"There are variables affecting the 2010 oil demand forecast which might contribute as much as 300,000 b/d to oil consumption next year. The situation in the US is the wild card for the coming year."

The report said that the upper range for world oil demand growth is forecast at 800,000 b/d, which will reflect strong oil demand growth in the US as a result of a rapid and healthy economic recovery.

"It is suggested that a quick recovery in the US economy, along with a stronger dollar value, will lead to cheaper oil. A healthy US economy will speed up the recovery in other economies as well. Also, a stronger recovery in China might call for an additional 100,000 b/d of energy."

The report said that another important factor that might affect world oil demand is the price of natural gas. "Should natural gas prices in 2010 move to the high side, then fuel oil consumption would increase worldwide as a result of reduced fuel switching.

"On the other hand, should there be a delay in a US economic recovery, this would lead to a downward revision in total world oil demand."

The report pointed out that the financial turmoil and the crisis in the world economy have affected oil demand in the first half of 2009 and will continue to do so next year as the recovery in the world economy is expected to take place at a slower pace than initially anticipated.

World oil demand is anticipated to see growth of 500,000 b/d, y-o-y, to average 84.4m b/d in 2010.

As oil demand in OECD countries is expected to continue to contract, non-OECD countries will contribute 100 per cent of expected oil demand growth. Two of the OECD regions (Europe and the Pacific) are forecast to use less oil, contracting by 500,000 b/d; however North America is forecast to halt its oil demand decline and record an increase of 200,000 b/d next year.

Reduced transportation, along with a weak industrial sector, and hence low demand for motor gasoline, diesel and naphtha, will be the main factors behind plunging oil demand in both OECD Europe and the Pacific. Winter oil demand growth will only partly offset the decline in other products. Furthermore, the decline in OECD Pacific oil demand will be attributed mainly to Japan.

"Apart from the world economic crisis, higher energy costs and taxes, energy conservation, efficiency, alternative fuels and other factors are the main reasons for the decline in OECD demand," said the report.

As a result of the anticipated timing of the economic recovery in the US, North America's oil demand is forecast to increase by only 200,000 b/d y-o-y in 2010, to average 23.4m b/d.

Middle East oil demand growth is estimated at 220,000 b/d in 2010. Energy intensive projects are keeping the region's oil demand on the rise. Furthermore, controlled transport fuel retail prices are expected to keep demand healthy.

"Given stable energy consumption within the region, should economic activity pick up pace, then the region's oil demand growth might be stronger than this forecast," observed the report.

Like the Middle East, Indian oil demand growth is estimated at 100,000 b/d for 2010.

China's apparent oil demand is forecast to grow by 300,000 b/d y-o-y in 2010, almost 250,000 b/d higher than the estimate for the current year.

Although the agriculture and transport sectors are expected to be strong in India next year, the partial removal of price subsidies and other governmental policies are downside risks for oil demand growth.

Chinese oil demand growth in 2010 is estimated to be the highest worldwide. The country is currently trying to minimize the negative effects of the world economic crisis by introducing several measures to support its economy. The increase in retail fuel prices, biofuels usage and the building of more electric powered inter-city and intra-city railroads will to some degree affect consumption of transport fuel next year.

"China is also planning to increase the use of nuclear and hydropower plants which will negatively influence the consumption of coal and oil. It should be noted, however, that other sectors in China, which serve as major energy drivers – such as industrial production, in-land cargo, agriculture, construction, transportation, and fishing – will show stronger growth in 2010 than in 2009."

The report said that China is trying to achieve its pre-set goal to reduce energy intensity by five per cent in 2010 through the implementation of various efficiency agendas.

China's apparent oil demand is forecast to grow by 300,000 b/d y-o-y in 2010, almost 250,000 b/d higher than the estimate for the current year.

Asia is expected to contribute the most to next year's oil demand growth. However, the removal of price subsidies will, to a certain degree, reduce the continent's oil demand.

Indonesia is the second-highest oil-consuming country in the Other Asia region and is planning to reduce its energy subsidies by three per cent in 2010. This will lead to an increase in fuel costs of more than eight per cent. A number of Asian countries are planning various measures to partially remove price subsidies next year.

World oil supply

Preliminary figures indicate that global oil supply increased by 760,000 b/d to average 83.81m b/d in July.

Non-OPEC supply experienced growth of 530,000 b/d, while OPEC crude production also moved higher. The share of OPEC crude oil in global production decreased slightly in July to 34.2 per cent. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Meanwhile, non-OPEC supply is forecast to grow by 270,000 b/d over the previous year to average 50.74m b/d in 2009. The expected increase represents an upward revision of 40,000 b/d, compared with the previous month's assessment. This month saw a few upward and downward revisions to non-OPEC supply in the first and second quarters, mainly on the back of updated production data, as well as some historical revisions. On a quarterly basis, non-OPEC supply in 2009 now stands at 51.00m b/d, 50.38m b/d, 50.56m b/d and 51.02m b/d, respectively.

Total oil supply from the OECD region this year is forecast to average 19.35m b/d, indicating a decline of around 280,000 b/d from the previous year, and representing an upward revision of 30,000 b/d from the previous OPEC estimate.

The US, Mexico, Canada, Norway, the UK and Australia all experienced revisions. On a quarterly basis, OECD oil supply this year is expected to average 19.97m b/d, 19.06m b/d, 19.09m b/d and 19.28m b/d, respectively.

"North America is seen as the only OECD region set to grow in 2009 and this will be more than offset by the declines in OECD Western Europe and the Pacific," observed the report.

US oil supply is anticipated to increase by 280,000 b/d over the previous year to average 7.78m b/d in 2009, indicating an upward revision of 20,000 b/d from the previous OPEC estimate. Upward revisions took place in the first and second quarters of 2009 to adjust for newly updated production figures.

"US supply growth remains the highest among all non-OPEC countries in 2009, supported by various project start-ups and ramp-ups, such as Atlantic, Blind Faith, Dorado, King South, Shenzi, Tahiti, and Thunder Hawk, with the latter reported to have started in July and expected to peak at 45,000 b/d by the end of the year," said the report.

Additionally, improving margins for ethanol production have supported the restart of some idle capacity, which have helped total growth. Preliminary data for July shows that total US production stood at 7.69m b/d, which is slightly lower than the previous estimate.

Canadian oil supply is forecast to show a minor decline of 30,000 b/d compared with the previous year to average 3.22m b/d in 2009, indicating a small downward revision of 9,000 b/d from the previous estimate.

The anticipated drop in supply is expected on the back of slow ramp-ups of oil sands production and natural declines in mature conventional production areas. The downward

revision came despite reports that the Foster Creek oil sands project will add 90,000 b/d to supply by the end of the year.

The slowdown in upstream activities in Canada is backed by reports pointing to a 44 per cent drop in well completion in the first half of 2009, compared with the previous year.

Oil supply from Mexico is seen declining by 210,000 b/d compared with the previous year to average 2.96m b/d in 2009, relatively unchanged from the previous estimate.

OECD Western Europe oil supply is projected to decline by 320,000 b/d from the previous year to average 4.76m b/d in 2009.

"This represents the deepest decline among non-OPEC regions," observed the report. Supply from all major producing countries in the region is seen to drop in 2009 on the back of natural decline. The quarterly figures of supply in 2009 are forecast at 5.15m b/d, 4.71m b/d, 4.51m b/d and 4.67m b/d, respectively.

Norway's oil supply is estimated to drop by 150,000 b/d from the previous year to average 2.30m b/d in 2009, steady from the previous month, while oil supply from the UK is expected to decline by 90,000 b/d from the previous year to average 1.51m b/d in 2009, indicating an upward revision of 43,000 b/d.

Denmark's supply is forecast to fall by 20,000 b/d in 2009 to average 260,000 b/d, on the back of declines in mature production, while Other Western Europe supply is estimated to fall by 50,000 b/d this year on the back of natural decline and reduced biofuels production.

The OECD Asia Pacific region's supply is slated to decline by 10,000 b/d from the previous year to average 620,000 b/d in 2009, representing a downward revision of 10,000 b/d from the previous estimate. On a quarterly basis, total oil supply from this region in 2009 is estimated to average 640,000 b/d, 600,000 b/d, 650,000 b/d and 600,000 b/d, respectively.

Australia's supply is forecast to show a drop of 10,000 b/d from the previous year to average 530,000 b/d in 2009, indicating a downward revision of 10,000 b/d compared with last month's OPEC assessment.

Oil supply from the Developing Countries is expected to increase by 350,000 b/d over the previous year to average 12.68m b/d in 2009, indicating an upward revision of 10,000 b/d from last month's forecast.

The projected increase is coming from Latin America, Other Asia and Africa, while Middle East supply is seen to decline in 2009. On a quarterly basis, Developing Countries' supply this year is forecast to stand at 12.47m b/d, 12.45m b/d, 12.87m b/d and 12.93m b/d, respectively.

Other Asia's supply is forecast to increase by 50,000 b/d over the previous year to average 3.79m b/d in 2009, indicating a downward revision of 5,000 b/d from the previous estimate.

The downward revision came on the back of an adjustment to actual production figures in the second quarter for India, Malaysia and Thailand. Oil supply from Thailand, Vietnam, and India is expected to show minor growth, with supply from India supported by the Mangala development. On a quarterly basis, Other Asia supply in 2009 is expected to average 3.71m b/d, 3.70m b/d, 3.88m b/d and 3.89m b/d, respectively.

Oil supply from Latin America is anticipated to increase by 280,000 b/d over the previous year to average 4.47m b/d in 2009, representing an upward revision of 21,000 b/d from the previous forecast, following adjustments due to actual production and historical figures.

"Latin America is expected to see the highest regional growth among all non-OPEC regions," said the report.

Brazil's oil supply is the backbone of supply growth in this region with a forecast increase of 210,000 b/d in 2009. A long list of projects is supporting supply growth in Brazil, among which the Praque das Conchas project started up in July.

Colombia's oil supply is estimated to increase by 60,000 b/d in 2009 to average 650,000 b/d with recent production levels showing healthy levels of growth. On a quarterly basis, Latin American supply in 2009 stands at 4.40m b/d, 4.42m b/d, 4.52m b/d and 4.54m b/d, respectively.

Oil supply from the Middle East is foreseen to decline by 10,000 b/d from the previous year to average 1.64m b/d in 2009. Supply from Syria and Yemen is expected to experience a decline of 10,000 b/d and 30,000 b/d, respectively, mainly due to natural decline, while Omani oil supply is seen rising by 30,000 b/d, supported by various efforts to arrest declining production from mature fields. On a quarterly basis, Middle East oil supply in 2009 is expected to average 1.63m b/d, 1.61m b/d, 1.67m b/d and 1.67m b/d, respectively.

OECD Western Europe oil supply is projected to decline by 320,000 b/d from the previous year to average 4.76m b/d in 2009.

Africa is estimated to see an increase in supply of 30,000 b/d over the previous year to average 2.77m b/d in 2009, unchanged from the previous estimate. Growth is supported by a supply increase from Congo and Gabon. The quarterly distribution average for 2009 now stands at 2.73m b/d in the first and second quarters, while the third and fourth quarters stand at 2.80m b/d and 2.83m b/d, respectively.

FSU oil supply in 2009 is expected to increase by 160,000 b/d over the previous year to average 12.72m b/d, indicating an upward revision of 50,000 b/d, compared with the previous month. Supply from Azerbaijan and Kazakhstan are seen supporting higher growth, while Russian supply is now expected to remain flat with the 2008 level. On a quarterly basis, total FSU oil supply this year is expected to average 12.63m b/d, 12.89m b/d, 12.58m b/d and 12.79m b/d, respectively.

Russian oil supply is projected to remain flat from the previous year and average 9.78m

b/d in 2009, indicating an upward revision of 40,000 b/d from the previous estimate. On a quarterly basis, Russian oil supply in 2009 is forecast to average 9.78m b/d, 9.88m b/d, 9.74m b/d and 9.74m b/d, respectively. Preliminary figures indicate that Russia's oil production stood at 9.90m b/d in July, slightly higher than the previous month.

Oil supply from Kazakhstan is expected to increase by 80,000 b/d from the 2008 figure to average 1.49m b/d in 2009, representing an upward revision of 8,000 b/d from the previous estimate. Quarterly supply figures for 2009 are currently expected at 1.48m b/d, 1.51m b/d, 1.40m b/d and 1.58m b/d, respectively.

OPEC crude oil production averaged 28.68m b/d in July, an increase of 160,000 b/d over the previous month, according to available secondary sources.

Azerbaijan oil supply is estimated to average 990,000 b/d in 2009, representing an increase of 90,000 b/d over the previous year and unchanged from last month. The quarterly supply breakdown for 2009 now stands at 940,000 b/d, 1.08m b/d, 960,000 b/d and 1.00m b/d, respectively

Oil supply from China in 2009 is forecast to increase slightly by 20,000 b/d over the 2008 level to average 3.86m b/d, relatively unchanged from the previous forecast. During the first half of 2009, China's oil supply fell below the figure reached in the same period last year, mainly due to the fact that many operators trimmed supply in an effort to cut costs.

"However, growth is anticipated during the second half of the year to balance the annual figure," commented the OPEC report. The quarterly supply figures for China in 2009 are expected to average 3.80m b/d, 3.86m b/d, 3.90m b/d and 3.89m b/d, respectively.

Other Europe oil supply is expected to decline slightly by 10,000 b/d to average 140,000 b/d in 2009.

Turning to 2010, the report stated that non-OPEC oil supply next year is forecast to grow by 430,000 b/d to average 51.17m b/d, representing an upward revision of 100,000 b/d over the previous OPEC forecast. Revisions to the historical data and higher expectations for Russian supply were the main reasons behind this upward adjustment. On a quarterly basis, non-OPEC supply in 2010 is expected to average 51.25m b/d, 50.89m b/d, 50.98m b/d and 51.55m b/d, respectively.

Russia's oil supply in 2010 is now expected to average 9.73m b/d, indicating a decline of 50,000 b/d from the current year and representing an upward revision of 100,000 b/d from last month's assessment.

OPEC oil production

OPEC crude oil production averaged 28.68m b/d in July, an increase of 160,000 b/d over the previous month, according to available secondary sources. Most of the increase came from Angola, Iraq and Saudi Arabia. OPEC crude production, not including Iraq, stood at 26.20m b/d in July, an increase of 105,000 b/d over the previous month.

Output of OPEC NGLs and non-conventional oils are forecast to average 4.73m b/d in 2009, an increase of 410,000 b/d over the previous year. In 2010, production of OPEC NGLs is expected to average 5.27m b/d, representing growth of around 540,000 b/d over the current year.

Downstream activity

Looking downstream, the OPEC report pointed out that refinery run cuts, made at the peak of the driving season, coupled with increasing optimism about the economic recovery and its positive impact on product demand, have improved product market sentiment somewhat and provided support for refining margins.

"However, due to ample product stocks, especially for distillates, the current sentiment of the product market is expected to soften further as the driving season comes to an end and with the start-up of autumn refinery maintenance. This could also have a negative impact on crude fundamentals in the future," it said.

Refining margins for WTI crude on the US Gulf Coast rose by 94¢ to $6.22/b in July from $5.28/b the previous month.

"Refining margins in the US may fall with the end of the driving season and the decline in gasoline demand."

The European refinery performance was slightly weaker with refining margins for Brent crude in Rotterdam falling marginally in July to $3.07/b from $3.14/b the previous month.

Dubai crude oil refining margins in Singapore increased by 34¢ to reach $1.61/b in the month under review from $1.27/b the previous month.

"Asian refining is currently much lower than typical seasonal levels and refiners have been forced to trim throughputs as much as economically feasible," the report observed.

Looking ahead, it said that with the arrival of the shoulder season, slowing demand and a decreased likelihood of product supply disruptions amid forecasts for a moderate hurricane season along the US Gulf Coast, the impact of product market developments on crude prices is expected to be limited over the coming months.

Ample distillate stocks and increasing idle refining capacity also contribute to the bearish outlook.

"At the peak of the driving season, refiners usually try to increase throughput levels, particularly in the US and Europe. But due to the continuation of slowing demand, in tandem with the ongoing economic crisis, refiners unseasonably cut throughput levels across the board in July," the report affirmed.

The refinery utilization rate in the US declined slightly by 0.6 per cent to reach 85.9

per cent in July from 86.5 per cent the previous month.

In Europe, refinery utilization rates fell by 0.2 per cent to reach 80.8 per cent from 81.1 per cent in June.

In Asia, despite the completion of major refinery maintenance, refinery throughputs have not yet increased, as an overhang of light product supplies and low refining margins have dampened refinery activities. Refinery utilization rates in Japan fell by 0.7 per cent to 77.9 per cent from 78.6 per cent the previous month.

"Looking ahead, with the approaching end of the driving season and the arrival of seasonal autumn maintenance, as well as the huge stocks of middle distillates across the globe, refinery utilization rates are expected to remain low next month.

"Furthermore, the persisting economic crisis and its adverse effects on demand should have a negative impact on refinery operation in the months ahead," maintained the report.

Higher demand for gasoline has combined with early refinery utilization cuts to provide support for gasoline prices, overshadowing the adverse effects of gasoline stock-builds in July. Refinery outages and fewer gasoline arbitrage cargoes from Europe have also contributed to lifting gasoline prices. Many gasoline cargoes were exported from North West Europe to the Mediterranean area or West Africa, rather than the US in July. With the approaching end to the driving season, the gasoline market is expected to lose ground in the near future.

The middle distillate market remained weak as US distillate stocks rose to around 169m b, a gain of 32.4m b over the same period last year and the highest level since 1985.

"A distillate stock-draw in the last week of July surprised market players and lifted distillate prices, but there are doubts about the sustainability of distillate stock-draws in the near future amid sluggish demand from the industrial sectors," the report noted.

Jet fuel prices weakened significantly in the month. By the end of the holiday season, demand for jet fuel from the aviation industries is expected to deteriorate further and exert more pressure on the jet fuel market.

US fuel oil stocks fell early in July and the current situation in the market may see it tighten further in the future amid slowing refinery output and export opportunities to South America and Asia.

The European gasoline market was supported by arbitrage opportunities to the US, increasing exports to West Africa and tightness in the Mediterranean region.

Naphtha prices rose amid continued arbitrage opportunities to Asia. However, naphtha trade in Europe was very quiet, due to a lack of demand from gasoline blender and petrochemical units as a feedstock.

The European distillate market remained fundamentally weak, forcing refiners to cut runs. However, smaller arbitrage imports from the US and Asia, as well as the closure of a Russian diesel pipeline, mitigated the bearish sentiment.

Moreover, distillate stock-draws in the US in the last week of July, along with a narrowing contango level and fewer arbitrage cargoes, have lifted benchmark ICE gasoil prices. However, due to high distillate stocks, European distillate prices are not expected to increase in the future. German residential heating oil stocks rose to 64 per cent of capacity in July, well above the typical levels seen over the last 20 years.

Oil trade

According to preliminary data, US crude oil imports increased in July to average 9.46m b/d, some three per cent, or 264,000 b/d, higher compared with the previous month. However, they were six per cent, or 640,000 b/d, lower than in July 2008.

July's crude oil imports bring US average imports for the first seven months of 2009 to 9.38m b/d, five per cent, or 480,000 b/d, lower than in the same period a year earlier.

US oil product imports declined marginally in July by less than one per cent, or 19,000 b/d, compared with the previous month, to average 2.61m b/d, 12 per cent lower than in the same month last year.

Finished motor gasoline imports stood at 262,000 b/d, seven per cent lower than in the month before and 13 per cent down from July 2008. Average gasoline imports during the first seven months of 2009 were 25 per cent lower, compared with the same period a year earlier.

Distillate fuel oil imports were steady in July, compared with the previous month, averaging 205,000 b/d. "This level of imports indicates a 25 per cent increase compared with the same month last year, while average distillate fuel oil imports during the first seven months of 2009 were 15 per cent higher than in the same period a year earlier," said the report.

US crude oil imports increased in July to average 9.46m b/d, some three per cent, or 264,000 b/d, higher compared with the previous month.

Residual fuel oil imports in July amounted to 255,000 b/d, 23 per cent lower than in the previous month and seven per cent down from July 2008. However, average residual fuel oil imports during the first seven months of 2009 were steady compared with the same period last year, at 320,000 b/d.

Jet fuel imports in July averaged 99,000 b/d, up from 74,000 b/d the previous month and 19,000 b/d higher compared with a year earlier.

US product exports were one per cent, or 26,000 b/d, higher in July than in the previous month, averaging 1.86m b/d. But they were some 15 per cent, or 183,000 b/d, lower compared with the level seen a year earlier. US product exports during the first seven months of 2009 averaged 1.71m b/d, nine per cent lower than in the same period of 2008.

As a result, US net oil imports in July were two per cent, or 219,000 b/d, higher compared with the previous month, reaching 10.18m b/d. The 264,000 b/d increase in net crude oil imports in July was accompanied by a 45,000 b/d decline in net product imports, both compared with the previous month.

US' July net oil imports were eight per cent lower than a year earlier, while average net oil imports during the first seven months of 2009 stood six per cent lower, compared with the same period last year.

US commercial oil inventories continued their upward trend in July, jumping a further 11m b to move above 1,120m b at the end of the month — the highest level since July 1990.

Stock movements

Concerning stock movements, the OPEC report said that US commercial oil inventories continued their upward trend in July, jumping a further 11m b to move above 1,120m b at the end of the month – the highest level since July 1990.

"This level implies an overhang of around 98m b, or ten per cent, with the average of the previous five years. Similarly to the previous month, the build was again driven by oil products, while crude stocks continued to decline for the third consecutive month," it said.

Crude oil stocks fell by a marginal 700,000 b, compared with nearly 12m b in June, to move slightly below 350m b for the first time so far this year. Despite the three consecutive draws, crude oil stocks remained above the upper end of the five-year range, with an overhang of around 35m b with the seasonal average.

"The draw in crude oil inventories was due to lower imports, rather than stronger demand from refineries, which continue to operate at lower seasonal rates," the report observed.

In contrast, oil product stocks added a further 12m b in July and remained well above the upper end of the five-year range.

Gasoline stocks moved against their seasonal trend and added 1.7m b at the peak of the driving season when stocks usually fall. "This reflects the very weak demand. At 213m b, gasoline stocks are still some 6m b above the five-year average and last year's level."

Distillate inventories jumped by 6.5m b to 161.5m b in the month under review and remained extremely high with an overhang of more than 30m b, or 24 per cent.

"This highest level of distillate stocks since 1983 is attributed to the sluggish demand which continues to suffer from the economic crisis. Distillate stocks are expected to remain very comfortable in the coming months to add more bearishness to the crude oil market," warned the report.

Similarly, jet fuel oil stocks jumped by 4.7m b in July to reach a high level of 46.6m b on the back of lower demand, again due to a lack of economic activity, while residual fuel oil stocks lost 3.7m b to stand at 33.6m b.

Due to low demand, all the components of commercial oil stocks are high. Crude oil inventories correspond to almost 24 days, 3.5 days higher than the seasonal average, while gasoline stocks are at 23 days, 1.5 days higher than the seasonal average. However, distillate stocks continued to correspond to 48 days, some 16 days, or 50 per cent, higher than the average of the previous five years.

On the other hand, the US Strategic Petroleum Reserve (SPR) increased by a further 700,000 b in July to move above 724m b, which corresponds to almost the total capacity of 727m b. With this level, the objective of filling the SPR to capacity is almost reached before the schedule fixed by the Department of Energy.

In Japan, preliminary data shows that the country's crude oil inventories dropped significantly in July by around 9m b, which could be attributed to a fall in imports, while oil product stocks recovered from their loss in June and rose by around 5m b as domestic sales remained weak.

September 2009

Crude oil price movements

A combination of bullish reports on the US manufacturing sector and European banking industry, as well as a relatively strong performance of the Chinese economy, boosted market sentiment and lifted oil prices in early August. The depreciation of the US dollar and a rally in equity prices on improved GDP growth in the second quarter also supported crude price.

The OPEC Reference Basket rose to above $72/b on August 13 from $66.42/b on July 30. The prices of WTI and Dated Brent also jumped – to $71.01/b and $73.76/b, respectively, from $67.12/b and $68.90/b on July 30. Dubai crude prices increased to $72.31/b from $68.90/b. In the middle of August, market sentiment changed slightly, following bullish reports on US jobless claims, which triggered more interest in the dollar and dampened traders' interest in commodities.

This development, along with technical sell-offs for profit-taking, exerted downward pressure on crude prices. The OPEC Basket declined by some $4/b over a few days to stand at $68.04/b on August 17. WTI and Brent crude followed the same trend, slipping to $66.66/b and $68.87/b, respectively. Similarly, Dubai crude fell to $68.42/b.

Market sentiment again turned positive after bullish statements by policymakers about the US economy and improvements in the financial markets, as well as an increase in German and French GDP growth figures in the second quarter. This bullish sentiment was furthered by large crude stock-draws in the US. Following these developments, the OPEC Basket price

surged to above $70/b and remained around that level up to the end of August. WTI and Dated Brent crude rose to above $73/b in the latter part of the month, while Dubai crude also improved to above $70/b.

"Since market fundamentals are still weak, it is expected that in the absence of a major shift in economic sentiment, the volatile circumstances in the market will persist," commented the OPEC report.

Commodity markets

Looking at trends in selected commodity markets, the OPEC report noted that the IMF commodity price index jumped by 7.6 per cent in August, but was still 33.4 per cent lower than a year earlier.

Both energy and non-fuel commodity prices saw positive monthly growth rates of 5.8 per cent and 8.8 per cent, respectively. The positive outcome was partly due to a 1.3 per cent drop in the value of the US dollar versus the euro and several supply constraints, especially in industrial metals and agricultural products.

The recovery in risk appetite seen at the beginning of July continued at a stronger pace into August, despite concerns over US regulatory norms. However, according to recently published CFTC data, index investors are not a key factor in explaining price development in any commodity market.

"The inflow of macroeconomic data as a whole remains positive for commodity demand and the recent moderation in commodity returns seen in late August may only represent a temporary phenomenon," said the report.

"Nevertheless, as already pointed out in our previous report, more indicators on the real economic recovery, especially in the OECD region, are essential for the sustained recovery of commodity prices as Chinese demand is expected to ameliorate in the second half of 2009," it added.

The IMF energy price commodity index (crude oil, natural gas and coal) rose by 8.8 per cent m-o-m in August, compared with 6.8 per cent negative growth in the previous month, reflecting a 10.8 per cent gain in crude oil prices as the Henry Hub (HH) natural gas price fell by 7.4 per cent, compared with a 10.8 per cent drop in July.

The HH gas price plunged by 7.4 per cent m-o-m in August, 62 per cent lower than a year earlier, owing to sluggish industrial demand, strong production and large inventories.

Non-energy commodity prices rose by 5.8 per cent m-o-m in August, which compared with a 0.7 per cent drop in July. "This favourable development was mainly ascribed to industrial metal prices as recovery in the food index remains fragile," commented the report.

The industrial metal price index surged by more than 12 per cent in the month under review, but volatility was very high. Prices for this commodity group increased mainly in early August, supported by supply constraints, but dropped over the second half of August amid improving macroeconomic data.

Concerns remain on slower imports from China of industrial metals in the second half of the year, due to the high growth in the first six months and a lack of recovery in global demand.

Total London Metal Exchange (LME) inventories increased by 3.8 per cent m-o-m in August, compared with a rise of 3.2 per cent in July.

Aluminium prices climbed by 15.1 per cent m-o-m in August, compared with 5.5 per cent a month earlier, but as with other industrial metals markets, high volatility was a feature during the month.

Copper prices increased by 17.9 per cent m-o-m in August, mainly on supply constraints, such as impending labour negotiations, while nickel prices soared by 20.9 per cent, compared with 7.2 per cent in the previous month amid extremely high volatility.

Zinc prices increased at the high rate of 15.1 per cent m-o-m in August, but in the wake of the rest of the industrial metals complex, this price rebound was very volatile with no definite price trend.

The World Bank agricultural price index rebounded by 4.4 per cent m-o-m in August after a drop of 3.9 per cent the previous month.

The IMF food price index improved by 1.5 per cent m-o-m in August, due to large gains in a few commodities, such as sugar, rubber and vegetable oils. The grain markets continued to remain bearish.

Gold prices rose by 1.6 per cent m-o-m in August, an improvement compared with the negative growth seen in July and driven by the US dollar's devaluation.

World oil demand

In its review of the market, the OPEC report said that world oil demand was projected to incur growth of 500,000 b/d y-o-y to average 84.6m b/d in 2010.

It stated that the US was playing a significant role in world oil demand, showing a comeback and reducing the contraction from 700,000 b/d in July to almost flat in August.

Since market fundamentals are still weak, it is expected that in the absence of a major shift in economic sentiment, the volatile circumstances in the market will persist.

"This is due to improved economic activity, summer driving consumption and the low base in the same month of 2008. An increase in industrial production greatly reduced the deficit in industrial fuel consumption," it said.

Furthermore, oil demand was strong in most of the non-OECD regions, especially China, India and the Middle East.

Given the major changes in US oil consumption, OECD oil demand was estimated to have declined by only 900,000 b/d in August, up from minus 1.8m b/d in July.

"This massive change in OECD oil demand

has reduced the total world oil demand contraction to only 200,000 b/d in August. This is the best performance for oil demand since the decline began in early 2008," the report stated.

Demand for OPEC crude in 2009 was estimated at 28.5m b/d, representing a strong decline of 2.3m b/d from the previous year. On a quarterly basis, demand for OPEC crude this year is estimated at 28.3m b/d, 28.0m b/d, 28.6m b/d and 29.2m b/d, respectively.

For 2010, demand for the Organization's crude was forecast to average 28.1m b/d, representing an upward revision of around 80,000 b/d from the previous OPEC assessment.

For 2010, demand for the Organization's crude was forecast to average 28.1m b/d, representing an upward revision of around 80,000 b/d from the previous OPEC assessment.

"This represents a drop of 500,000 b/d from the current year and the third consecutive annual decline. As the decline is much smaller than in the previous year, the figure can be seen as a sign of recovery," the report commented.

On a quarterly basis, demand for OPEC crude in 2010 is expected at 27.7m b/d, 27.3m b/d, 28.5m b/d and 28.7m b/d, respectively.

Non-OECD oil demand was forecast to have inched up by 700,000 b/d in August, leading to a total world decline of 1.6m b/d, averaging 84.1m b/d in 2009.

Although the first half of the year showed a drop of 2.7m b/d in total world oil demand, the second half is forecast to decline by only 500,000 b/d.

In OECD North America, US oil demand not only maintained the partial strength seen in July, but managed to climb to an almost flat level. US August weekly oil demand data revealed that the country's total consumption was almost the same as last year.

"It is the first time that US oil demand achieved such a level in the past 25 months, due to higher consumption of industrial fuel and to improved economic activity."

The US oil demand contraction bottomed out in May and since then the country has been increasing its y-o-y consumption of oil. It is anticipated that US oil demand in the third and fourth quarters will erase most of its contraction to a nearly flat level. However, the total year's oil demand will be within the range of minus 800,000 b/d.

Mexican oil demand is still suffering from a downturn of economic activity. Not only did the country's y-o-y July oil demand decline by a strong six per cent, but also the average for the first seven months of the year declined by the same rate. Most of the loss came as a result of declining manufacturing activities.

As a result of better-than-expected oil consumption in the US, North America's oil demand for the third quarter has been revised up by 100,000 b/d, leading to a forecast total annual decline of 900,000 b/d y-o-y in 2009 to average 23.2m b/d.

In OECD Europe, energy consumption is being highly affected by the continent's crumpled economy. Unlike the US, European oil demand is not showing any improvement; hence forecast oil demand of minus 500,000 b/d is valid for the year.

The OECD Europe oil demand contraction in July is relatively the same as was seen in June. Given this dim picture for the European economy, OECD Europe oil demand is forecast to decline by three per cent, or 460,000 b/d, to average 14.9m b/d in 2009.

In the OECD Pacific, contrary to most OECD countries, South Korea's oil demand is showing positive y-o-y growth so far this year. Despite negative GDP, South Korea's oil demand is forecast to achieve minor growth in 2009.

"On the other hand, the largest oil-consuming OECD country in the Pacific – Japan – is suffering from the economic downturn, leading to a devastating oil demand contraction so far in the year," said the report.

Oil demand in Japan declined by 12.7 per cent in July. All of the decline was in industrial fuel; however, growth in transport fuel did not offset the massive decline in the country's other fuel usage.

Given the weak Japanese economy, OECD Pacific oil demand is forecast to decline by 400,000 b/d in 2009 to average 7.6m b/d.

In the Group of Developing Countries, Indian oil demand performed strongly in July, growing by 4.5 per cent and leading to almost five per cent growth in the first seven months of the year.

"Although year-to-date oil usage grew by a half a percentage point more than our initial forecast, the coming months should level out, leading to overall growth of 4.6 per cent in 2009," the OPEC report forecast.

For the first time since the beginning of the year, Thailand consumed more oil y-o-y. Transport fuel (gasoline and diesel) consumption caused the country's oil demand to grow by 2.1 per cent in June.

The Middle East has kept its oil demand on the positive side this year, not only because of the region's massive energy-intensive projects, but also because of subsidized transportation fuel.

However, due to the global economic turmoil, Middle East oil demand is estimated to show growth of around three per cent, or 200,000 b/d, y-o-y in 2009, which is almost half of what was seen in the previous year.

Oil demand in the Developing Countries is suffering from the current downturn in economic activity; hence the group's oil demand growth is forecast at 300,000 b/d, y-o-y, in 2009 to average 25.5m b/d.

China's oil demand grew sharply in July, adding 300,000 b/d y-o-y. An estimated 200,000 b/d of oil was used to top the country's strategic storage. Growth in oil demand in the second half of the year is expected to more than offset the sharp decline that was seen in the first quarter. China's oil demand is forecast to grow by 100,000 b/d to average 8.1m b/d in 2009.

Looking at world oil demand in 2010, the OPEC report said that in anticipation of a slow

economic recovery, world oil demand growth was expected to amount to 500,000 b/d.

"As seen in recent years, most of the growth will take place in the non-OECD region, mainly China, India, the Middle East and Latin America. The bulk of oil demand will come from the industrial, transport and petrochemical sectors.

"The agricultural sector will show some moderate fuel usage growth, primarily in the developing world. The main factors, besides the world economy, that might play an important role in next year's oil demand are oil prices, taxes and the removal of price subsidies," said the report.

The expected economic recovery in the US is causing North America's oil demand to switch from negative to positive, adding 200,000 b/d in 2010. However, the other OECD regions are projected to stay in the red for the whole year.

OECD oil demand is forecast to contract by 300,000 b/d in 2010. Oil demand growth in the Middle East and India is estimated at a combined 300,000 b/d for 2010. China, on the other hand, is expected to see its oil demand growth increase by 300,000 b/d.

World oil supply

Preliminary figures show that world oil supply averaged 83.98m b/d in August, which was around 370,000 b/d lower than in the previous month. OPEC crude supply was estimated to have a 34.3 per cent share in global supply, slightly higher than the previous month, due to the increase in OPEC crude production and lower non-OPEC supply. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production, according to secondary sources.

Meanwhile, non-OPEC oil supply is expected to average 50.81m b/d in 2009, representing growth of 340,000 b/d over the previous year and an upward revision of 70,000 b/d from the previous OPEC assessment. Strong production levels in various countries necessitated the upward revisions, raising the question of whether these healthy levels will persist over the coming months. On a quarterly basis, non-OPEC supply in 2009 now stands at 51.00m b/d, 50.55m b/d, 50.74m b/d and 50.93m b/d, respectively.

Total OECD oil supply this year is expected to average 19.47m b/d, indicating a decline of 160,000 b/d from the previous year. Oil supply from North America is estimated to increase by 110,000 b/d to average 14.03m b/d.

OECD Western Europe supply is forecast to drop by 260,000 b/d in 2009, while OECD Pacific supply is estimated to remain flat.

The expected decline in supply from OECD Western Europe is foreseen to more than offset the growth in North America in 2009. On a quarterly basis, OECD supply in 2009 now stands at 19.97m b/d, 19.22m b/d, 19.31m b/d and 19.40m b/d, respectively.

Oil supply from the US is forecast to grow by 350,000 b/d in 2009 over the previous year to average 7.85m b/d, indicating an upward revision of 70,000 b/d from the previous month.

"The current supply estimate for the US represents the highest annual increase among all non-OPEC countries in 2009. The healthy level of production experienced in the second quarter required upward revisions to adjust for actual supply figures," said the report.

Additionally, the fast ramp-up of recent start-up projects further supported the upward revision in the third quarter. Among the recent start-ups is the Tahiti field, where oil was first produced in May this year. Latest reports show production of more than 125,000 b/d. Preliminary data for August shows US total supply stood at 7.77m b/d, slightly lower than the previous estimate.

Oil supply from Canada is expected to average 3.22m b/d in 2009, a decline of 30,000 b/d over a year earlier, relatively unchanged from the previous month. Canada's supply is foreseen to pick up in the third quarter on the back of ramp-ups in its oil sands development.

Mexico's oil supply is estimated to drop by 210,000 b/d from the previous year to average 2.96m b/d in 2009, unchanged from a month earlier.

In Western Europe, oil supply is expected to drop by 260,000 b/d from the previous year to average 4.81m b/d in 2009, representing an upward revision of 50,000 b/d from a month earlier. OECD Western Europe supply is expected to have 2009 quarterly figures of 5.15m b/d, 4.71m b/d, 4.61m b/d and 4.78m b/d, respectively.

Preliminary figures show that world oil supply averaged 83.98m b/d in August, which was around 370,000 b/d lower than in the previous month.

Oil supply from Norway is anticipated to average 2.34m b/d in 2009, indicating a decline of 110,000 b/d from a year earlier and representing an upward revision of 44,000 b/d from the previous forecast.

UK oil supply is forecast to decline by 90,000 b/d over the previous year to average 1.51m b/d in 2009, relatively unchanged from last month.

Oil supply from Denmark is projected to average 270,000 b/d in 2009, a decline of 10,000 b/d over a year earlier and an upward revision of 10,000 b/d compared with the previous forecast.

Other Western Europe supply is expected to decline by 50,000 b/d in 2009 to average 690,000 b/d.

Oil supply from the OECD Asia Pacific region is seen to remain unchanged over a year earlier to average 630,000 b/d in 2009, representing a minor upward revision of 6,000 b/d from the previous month. On a quarterly basis, total oil supply from this region is expected to average 640,000 b/d, 610,000 b/d, 640,000 b/d and 630,000 b/d, respectively.

Oil supply from Australia is projected to remain unchanged to average 540,000 b/d in 2009, indicating an upward revision of 9,000 b/d from a month earlier.

The Developing Countries are expected to increase oil supply by 220,000 b/d over the previous year to average 12.55m b/d in 2009. The growth forecast is supported mainly by Latin America, while Other Asia and Africa are seen remaining relatively flat. Middle East supply is estimated to decline. On a quarterly basis, total oil supply in the Developing Countries in 2009 is seen at 12.47m b/d, 12.46m b/d, 12.66m b/d and 12.62m b/d, respectively.

Total OPEC crude oil production averaged 28.83m b/d in August, up by 92,000 b/d from the previous month, according to secondary sources.

Other Asia oil supply is likely to remain flat, compared with the previous year, and average 3.74m b/d in 2009, indicating a downward revision of 50,000 b/d from last month's OPEC report. The supply forecast for Brunei, Indonesia and Malaysia was revised down by 10,000 b/d, 25,000 b/d and 15,000 b/d, respectively.

Oil supply from India, Thailand and Vietnam are estimated to grow by 10,000 b/d, 10,000 b/d and 20,000 b/d, respectively. On a quarterly basis, Other Asia oil supply in 2009 is expected to average 3.71m b/d, 3.70m b/d, 3.80m b/d and 3.77m b/d, respectively.

Latin America oil supply is forecast to average 4.42m b/d in 2009, representing growth of 230,000 b/d over the previous year and indicating a downward revision of 55,000 b/d from last month's OPEC assessment. The downward adjustments were due to Argentina and Brazil. On a quarterly basis, Latin America supply for this year stands at 4.40m b/d, 4.42m b/d, 4.43m b/d and 4.42m b/d, respectively.

Middle East oil supply is estimated to average 1.64m b/d in 2009, a decline of 20,000 b/d from the previous year and representing a downward revision of 5,000 b/d from a month earlier. On a quarterly basis, Middle East supply in 2009 is expected to average 1.63m b/d, 1.61m b/d, 1.65m b/d and 1.65m b/d, respectively.

Oil supply from Africa is expected to grow by a minor 10,000 b/d from a year earlier to average 2.75m b/d in 2009, a downward revision of 20,000 b/d from the previous month. The quarterly distribution average for Africa in 2009 now stands at 2.73m b/d, 2.73m b/d, 2.77m b/d and 2.78m b/d, respectively.

Other Europe oil supply is estimated to decline by 10,000 b/d to average 140,000 b/d in 2009.

FSU oil supply is projected to grow by 230,000 b/d over the previous year to average 12.79m b/d in 2009, indicating an upward revision of 71,000 b/d from last month's OPEC report.

The supply forecasts of the major producing countries in the FSU now indicate growth in 2009. Azerbaijan is leading so far and Russia is forecast to move from decline to relatively minor growth. On a quarterly basis, total oil supply in the FSU for 2009 is expected to average 12.63m b/d, 12.90m b/d, 12.75m b/d and 12.89m b/d, respectively.

Oil supply from Russia in 2009 is forecast to increase by 50,000 b/d, compared with a year earlier, to average 9.83m b/d, indicating an upward revision of 50,000 b/d from OPEC's last assessment. On a quarterly basis, Russian oil supply this year is seen to average 9.78m b/d, 9.88m b/d, 9.89m b/d and 9.79m b/d, respectively. Preliminary figures indicate that Russia's oil supply stood at 9.97m b/d in August, higher than the previous month.

In the Caspian region, Kazakh oil supply is forecast to grow by 80,000 b/d over a year earlier to average 1.49m b/d in 2009, unchanged from the previous month. The quarterly supply figures for this year are currently estimated at 1.48m b/d, 1.51m b/d, 1.40m b/d and 1.58m b/d, respectively.

Oil supply from Azerbaijan is expected to increase by 110,000 b/d over a year earlier to average 1.01m b/d in 2009, representing an upward revision of 20,000 b/d from the previous month. The quarterly supply breakdown for this country now stands at 940,000 b/d, 1.08m b/d, 990,000 b/d and 1.05m b/d, respectively.

China's oil supply is anticipated to average 3.86m b/d in 2009, which represents minor growth of 20,000 b/d over a year earlier and unchanged from last month's OPEC report. The quarterly figures for this country in 2009 are seen to average 3.80m b/d, 3.86m b/d, 3.90m b/d and 3.89m b/d, respectively.

In looking at forecasts for 2010, the OPEC report said non-OPEC supply is expected to increase by 420,000 b/d over 2009 to average 51.22m b/d next year, indicating an upward revision of 55,000 b/d from the previous month's report. On a quarterly basis, non-OPEC supply in 2010 is anticipated to average 51.31m b/d, 50.93m b/d, 51.02m b/d and 51.63m b/d, respectively.

Non-OPEC's supply growth in 2010 has decreased slightly by 10,000 b/d from last month's OPEC figure, due partially to the revisions carried out to the 2009 supply estimates.

OPEC oil production

Total OPEC crude oil production averaged 28.83m b/d in August, up by 92,000 b/d from the previous month, according to secondary sources. OPEC production, not including Iraq, in the month under review stood at 26.33m b/d, up by 115,000 b/d from the previous month. Most Member Countries' crude oil production experienced minor increases, ranging from minus 23,000 b/d to plus 23,000 b/d, while production in Ecuador and Iraq declined slightly.

Output of OPEC NGLs and non-conventional oils are expected to average 4.73m b/d in 2009, representing growth of 410,000 b/d over the previous year. In 2010, production of OPEC NGLs is forecast to average 5.27m b/d for an increase of 540,000 b/d over the current year.

Alternative fuels

The OPEC report said that low oil prices were hurting revenue generation in the biofuels industry.

"Although the industry has previously enjoyed a combination of higher oil prices, along with government subsidies, low energy demand and prices have reduced some biofuels plant utilization rates to only 40 per cent so far this year," it noted.

The US government is pushing hydrogen and fuel cell technologies to be part of the country's alternative energy mix via massive subsidies. Given strong investments, the hydrogen industry is hoping to get hydrogen vehicle showrooms ready by 2015 and expand the network of fuelling stations in the regions where those vehicles will be introduced.

"Today, there are 73 hydrogen stations in North America. Recent studies compared more than 15 of the most promising fuel and vehicle alternatives and concluded that a mix of alternative vehicles eventually dominated by hydrogen cars is a possible way to cut US greenhouse gas pollution," said the report.

Downstream activity

Looking downstream, the OPEC report said that, in August, ample distillate stocks had dampened product market sentiment and overshadowed positive developments in other components of the barrel complex.

"With the end of driving season and slowing gasoline cracks over the recent weeks, there is a risk that refinery economics will lose further ground, encouraging refiners to trim typical seasonal runs in the coming months. This situation, along with the start of autumn maintenance schedules, is not likely to be sufficient to provide support for the crude oil market," it stated.

Refining margins for WTI crude on the US Gulf Coast increased marginally by 4¢ to $6.26/b in August from $6.22/b the previous month.

European refinery performance was relatively poor in August and refining margins for Brent crude in Rotterdam slipped to $2.65/b from $3.07/b in July.

Dubai crude oil refining margins in Singapore rose by 73¢/b to reach 34¢/b in August from minus 39¢/b the previous month.

"Generally, refining margins in Asia – with the exception of China which benefits from its exceptional domestic product pricing mechanism — look unhealthy, which may encourage refiners to trim their throughputs as much as economically feasible," the OPEC report observed.

Looking ahead, it said, amid the end of the driving season, slowing gasoline cracks, the start of autumn refinery maintenance schedules and prevailing bearish fundamentals for middle distillates, as well as ample idle refining capacity, product market developments are not expected to be sufficient to provide a lift to crude prices in the coming months.

Weak refining margins undermined refinery runs during the peak driving season and refiners have been running at much lower-than-typical seasonal levels in recent months. Persistent concerns about large product stocks resulting from the ongoing economic crisis and slowing product demand have encouraged refiners to be more alert and follow a smart operational approach in recent months.

The refinery utilization rate in the US declined by 1.2 per cent, compared with the previous month, to reach 84.7 per cent in August from 85.9 per cent in July.

In Europe, refinery utilization rates rose by 1.8 per cent and reached 81.8 per cent from 80 per cent in July.

In Asia, refinery throughputs soared in China, but remained relatively muted in other countries. Refinery utilization rates in Japan rose by 2.2 per cent to 80.1 per cent in August from 77.9 per cent in July.

"Looking ahead, with the end of the driving season, the start of seasonal maintenance, as well as the huge stocks of middle distillates across the world, refinery utilization rates are expected to rise significantly in the coming months," commented the report.

Oil trade

According to latest official data, US crude oil imports in August declined to average 9.1m b/d, some four per cent, or 400,000 b/d, lower compared with the previous month and 12 per cent, or 1.19m b/d, down from the same month last year.

"August crude oil imports bring US average imports for the first eight months of 2009 to about 9.34m b/d, six per cent, or 560,000 b/d, lower compared with the same period a year earlier," the report said.

US product imports also declined in August — by eight per cent, or 159,000 b/d, compared with the previous month, to average 2.36m b/d, 15 per cent lower than the same month last year.

Finished motor gasoline imports stood at 296,000 b/d, an increase of 13 per cent over the month before and 44 per cent higher than the same month last year. Average gasoline imports during the first eight months of 2009 were 250,000 b/d, a decline of 30 per cent from the same period a year earlier.

Distillate fuel oil imports in August stood at 167,000 b/d, compared with 201,000 b/d in July. This level of imports indicates a 53 per cent increase compared with the same month last year. Average distillate fuel oil imports during the first eight months of 2009 were 13 per cent higher than in the same period of 2008.

Residual fuel oil imports in August were estimated at 266,000 b/d, compared with 229,000 b/d the previous month and 334,000 b/d in the same month last year. Average residual fuel oil imports during the first eight months of 2009 were steady, compared with the same period last year.

Jet fuel imports in August averaged 89,000 b/d, down from 99,000 b/d the previous month, but 13,000 b/d higher compared with the same period a year earlier.

US oil product exports were two per cent lower in August, compared with the previous month, averaging 1.82m b/d. On a y-o-y basis, this volume of product exports is about ten per cent, or 204,000 b/d, lower compared with a year earlier.

US product exports during the first eight months of 2009 averaged 1.73m b/d, a decline of nine per cent from the same period last year.

As a result, US net oil imports in August were six per cent, or 560,000 b/d, lower, compared with the previous month, at an average of 9.6m b/d. The 402,000 b/d decline in net crude oil imports in August was accompanied by a 158,000 b/d decline in net product imports. August net oil imports were 13 per cent lower compared with a year earlier and average net oil imports during the first eight months of 2009 stood at 10.4m b/d, a decline of six per cent from the same period last year.

Stock movements

Concerning stock movements, the OPEC report said that US commercial oil inventories fell by more than 22m b in August to stand at 1,098m b, but remained almost 80m b above the five-year average.

"It is worth noting that the overhang has been shrinking since March, when it reached 114m b. The draw in inventories in August was the first since September 2008 when stocks fell by a minor 1.4m b, after increasing between April and August 2008. Both crude oil and products dropped," it said.

Crude oil stocks followed the seasonal trend and fell by almost 9.9m b, the second largest draw this year after June, to stand at 340m b. The draw in crude oil stocks did not reflect an increase in demand, as refinery throughputs declined again, but came as a result of a strong drop in imports, which fell by 400,000 b/d. However, at 340m b, crude oil inventories remained 32m b above the five-year average and 38m b higher than a year earlier.

Product stocks moved against the seasonal trend, falling by 12.4m b for the first time in seven months and representing the largest draw since March 2008.

Despite the draw, product stocks remained at high levels, well above the upper end of the five-year range.

"The picture is mixed within products with gasoline declining for the second consecutive month and distillates continuing the upward trend," said the report.

Gasoline stocks dropped by a further 7.8m b on the back of a modest recovery in demand and production from refineries to stand above 205m b, keeping the overhang at around 6m b.

In contrast, weak demand let distillate inventories add a further 3.1m b to reach a new record high of almost 165m b, the highest level since January 1983, resulting in an overhang of 28m b.

Jet fuel stocks fell by 1.1m b to 45.5m b, but stayed 4.5m b higher than a year ago, while residual fuel oil inventories remained unchanged at 33.7m b.

The latest data shows that US commercial oil inventories fell by 5.1m b in the week ending September 4, the fourth draw in a row, to stand at 1,096m b.

The draw was attributed to crude oil, while products inched up by 700,000 b. Crude oil inventories fell by 5.9m b to stand at 337.5m b, which corresponds to 23 days of forward cover, compared with a seasonal average of 20 days.

Driven by sluggish demand, distillate stocks added 2m b to hit a new record of more than 165m b, resulting in a large overhang of 14 days of forward cover.

Gasoline stocks, on the other hand, moved against the seasonal trend, rising by 2.1m b to 207.2m b. This build, which put an end to six consecutive weekly draws, was driven by higher imports. Similarly, in terms of forward demand cover, gasoline stocks remained one day higher than the five-year average.

Due to limited capacity, the US Strategic Petroleum Reserve (SPR) remained unchanged for the third consecutive month at 724.1m b. This compares to total US SPR capacity of 727m b.

European (EU-15 plus Norway) total oil inventories rose by 5.5m b in August, compensating for about half of the draw in the previous month, to stand at 1,142m b, around 13m b higher than the five-year average and almost 20m b above last year's level.

"Even though the overhang with the five-year average has declined from 38m b in March, it remained comfortable when considering the slowdown in demand," said the OPEC report.

The build was attributed to products, particularly to distillates, which continued the upward trend, starting in the fourth quarter of the previous year. Product inventories rose by 4.8m b, with distillates accounting for 2.6m b to reach a record high of more than 404m b.

Weak demand let distillate stocks gain 34m b since last October over a year earlier. "However, it is worth noting that despite the upward trend, the overhang has halved to 17m b at the end of August, after standing at around 35m b during March through June."

The drop in the overhang came as the recent build was lower than the seasonal change, as refiners reduced production.

In contrast, stronger demand helped gasoline stocks to fall a minor 100,000 b in August, but they remained some 10m b, or nine per cent, below the five-year average.

Residual fuel oil stocks jumped by 2.3m b, the largest build so far this year, to stand at 114m b, the highest since the end of the first quarter, while naphtha inventories were unchanged at 27.3m b, slightly above last year's level.

On the crude side, inventories failed to follow the seasonal trend, rising by 700,000 b to stay at around 480m b, which is 8m b, or two per cent, higher than the five-year average, but 20m b, or four per cent, higher than a year earlier.

The build in crude oil inventories, which took place despite an increase in refinery runs, was supported by the recovery in North Sea production, following annual maintenance and limited opportunities for transatlantic arbitrage.

In Japan, preliminary data based on weekly changes indicates that the nation's commercial oil inventories continued their upward trend in August, adding almost 4m b with products continuing to be the main driver, accounting for almost the total build.

Table A: World crude oil demand/supply balance															*m b/d*
World demand	**2004**	**2005**	**2006**	**2007**	**2008**	**1Q09**	**2Q09**	**3Q09**	**4Q09**	**2009**	**1Q10**	**2Q10**	**3Q10**	**4Q10**	**2010**
OECD	49.5	49.8	49.5	49.2	47.6	46.6	44.7	45.1	46.5	45.7	46.0	44.2	45.0	46.5	45.4
North America	25.4	25.6	25.4	25.5	24.2	23.5	22.9	23.0	23.6	23.2	23.6	23.0	23.3	23.8	23.4
Western Europe	15.5	15.7	15.7	15.3	15.3	14.9	14.4	14.9	15.1	14.9	14.4	14.1	14.8	15.0	14.6
Pacific	8.5	8.6	8.5	8.4	8.1	8.1	7.4	7.2	7.8	7.6	7.9	7.2	7.0	7.7	7.4
Developing countries	21.8	22.6	23.3	24.3	25.2	25.1	25.7	25.7	25.5	25.5	25.5	26.2	26.2	26.0	26.0
FSU	3.8	3.9	4.0	4.0	4.1	3.9	3.7	4.2	4.2	4.0	3.9	3.7	4.2	4.2	4.0
Other Europe	0.9	0.9	0.9	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8
China	6.5	6.7	7.2	7.6	8.0	7.6	8.3	8.4	8.0	8.1	7.9	8.6	8.7	8.3	8.4
(a) Total world demand	**82.5**	**83.9**	**84.9**	**86.0**	**85.6**	**83.9**	**83.2**	**84.1**	**85.0**	**84.1**	**84.1**	**83.4**	**84.9**	**85.8**	**84.6**
Non-OPEC supply															
OECD	21.3	20.5	20.2	20.1	19.6	20.0	19.2	19.3	19.4	19.5	19.5	19.2	19.0	19.4	19.3
North America	14.6	14.1	14.2	14.3	13.9	14.2	13.9	14.1	14.0	14.0	14.1	14.0	14.0	14.2	14.1
Western Europe	6.2	5.7	5.4	5.2	5.1	5.1	4.7	4.6	4.8	4.8	4.7	4.6	4.4	4.6	4.6
Pacific	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6
Developing countries	11.6	11.9	12.0	12.1	12.3	12.5	12.5	12.7	12.6	12.6	12.8	12.8	12.9	13.0	12.9
FSU	11.1	11.5	12.0	12.5	12.6	12.6	12.9	12.8	12.9	12.8	13.0	13.0	13.0	13.2	13.0
Other Europe	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.5	3.6	3.7	3.8	3.8	3.8	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9
Processing gains	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total non-OPEC supply	49.6	49.6	50.0	50.6	50.5	51.0	50.6	50.7	50.9	50.8	51.3	50.9	51.0	51.6	51.2
OPEC NGLS and non-conventionals	3.7	3.9	3.9	4.0	4.3	4.6	4.6	4.8	4.9	4.7	5.0	5.2	5.3	5.5	5.3
(b) Total non-OPEC supply and OPEC NGLS	**53.3**	**53.5**	**53.9**	**54.6**	**54.8**	**55.6**	**55.2**	**55.5**	**55.8**	**55.5**	**56.3**	**56.1**	**56.4**	**57.2**	**56.5**
OPEC crude supply and balance															
OPEC crude oil production[1]	29.6	30.7	30.5	30.2	31.2	28.4	28.4								
Total supply	82.9	84.2	84.4	84.8	86.0	84.0	83.6								
Balance[2]	0.3	0.3	-0.5	-1.2	0.4	0.1	0.4								
Stocks															
OECD closing stock level *m b*															
Commercial	2538	2585	2666	2567	2701	2743	2765								
SPR	1450	1487	1499	1524	1527	1547	1561								
Total	3988	4072	4165	4091	4228	4290	4326								
Oil-on-water	905	958	916	948	948	888	877								
Days of forward consumption in OECD															
Commercial onland stocks	51	52	54	54	59	61	61								
SPR	29	30	30	32	33	35	35								
Total	80	82	85	86	92	96	96								
Memo items															
FSU net exports	7.3	7.7	8.0	8.5	8.5	8.8	9.2	8.6	8.7	8.8	9.1	9.3	8.8	8.9	9.0
[(a) – (b)]	**29.2**	**30.4**	**31.1**	**31.4**	**30.8**	**28.3**	**28.0**	**28.6**	**29.2**	**28.5**	**27.7**	**27.3**	**28.5**	**28.7**	**28.1**

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

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

Table 1 *above, prepared by the Secretariat's Petroleum Studies Department, shows OPEC's current forecast of world supply and demand for oil and natural gas liquids.*

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables 1 and 2*** *on page 74 while* ***Graphs 1 and 2*** *(on page 75) show the evolution on a weekly basis.* ***Tables 3 to 8****, and the corresponding graphs on pages 76–77 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided courtesy of Platt's Energy Services.)*

Table 1: OPEC Reference Basket crude oil prices, 2008–2009

$/b

Crude/Member Country	2008 Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Weeks 31–35 (week ending) Jul 31	Aug 7	Aug 14	Aug 21	Aug 28
Arab Light – Saudi Arabia	113.69	97.57	69.14	50.09	38.82	41.23	40.87	46.39	50.91	57.45	69.01	64.92	71.42	67.71	71.99	71.51	70.73	71.73
Basrah Light – Iraq	109.16	94.84	67.99	49.11	37.27	39.47	39.66	44.94	51.18	56.47	68.18	64.32	70.73	67.49	71.58	70.60	70.09	70.92
Bonny Light – Nigeria	116.93	100.48	74.57	56.11	43.10	45.44	45.07	49.70	52.24	57.87	69.55	66.31	73.84	70.42	75.21	73.63	73.09	73.39
Es Sider – SP Libyan AJ	111.98	97.28	71.22	51.86	39.60	42.74	42.37	46.35	50.24	56.87	68.15	64.51	72.89	68.62	74.26	72.68	72.14	72.44
Girassol – Angola	110.26	96.68	70.63	51.76	40.30	43.43	43.33	46.98	49.72	57.36	68.92	65.02	72.66	68.89	73.89	72.62	71.87	72.20
Iran Heavy – IR Iran	108.10	93.04	66.33	47.55	36.88	39.93	39.91	44.52	50.10	56.02	68.16	64.79	71.53	67.82	72.25	72.00	70.76	71.42
Kuwait Export – Kuwait	108.84	93.15	65.88	47.13	36.47	40.00	40.34	44.91	50.16	57.93	68.73	64.74	70.97	67.40	71.53	71.35	70.17	71.08
Marine – Qatar	113.53	97.78	68.94	50.58	41.24	44.62	43.74	46.58	50.82	58.09	69.94	65.31	72.02	67.44	72.36	72.67	71.22	72.06
BCF-17* – Venezuela	110.48	96.17	65.86	40.37	31.65													
Merey* – Venezuela						37.39	38.76	39.59	43.73	52.95	61.81	60.11	65.78	63.09	65.35	64.98	66.22	66.76
Minas – Indonesia[1]	119.07	101.63	76.80	56.48	41.80													
Murban – UAE	119.50	101.32	71.52	53.05	43.15	46.27	44.71	47.75	52.33	59.58	71.50	66.80	73.51	68.75	73.85	74.24	72.65	73.53
Oriente – Ecuador	102.13	89.52	60.57	40.17	29.56	35.12	35.83	42.45	42.41	53.56	63.62	58.10	65.26	61.68	66.07	64.70	64.93	65.78
Saharan Blend – Algeria	114.33	99.48	73.02	53.86	41.35	43.89	44.07	48.40	51.69	57.27	69.15	65.21	72.94	69.32	74.31	72.73	72.19	72.49
OPEC Reference Basket	**112.41**	**96.85**	**69.16**	**49.76**	**38.60**	**41.54**	**41.41**	**45.78**	**50.20**	**56.98**	**68.36**	**64.59**	**71.35**	**67.66**	**72.04**	**71.43**	**70.70**	**71.42**

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2008–2009

$/b

Crude/country	2008 Aug	Sep	Oct	Nov	Dec	2009 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Weeks 31–35 (week ending) Jul 31	Aug 7	Aug 14	Aug 21	Aug 28
Minas – Indonesia[1]						44.98	45.04	49.06	54.11	61.69	72.71	67.23	75.88	69.79	76.33	76.14	75.21	76.03
Arab Heavy – Saudi Arabia	105.47	89.92	63.48	44.94	34.38	38.31	39.41	43.76	49.48	55.69	68.74	64.80	71.03	67.39	71.55	71.56	70.16	71.05
Brega – SP Libyan AJ	113.78	99.08	72.87	53.31	40.95	43.89	43.52	47.25	51.24	57.87	69.05	65.31	73.24	69.42	74.61	73.03	72.49	72.79
Brent – North Sea	113.03	98.13	71.87	52.51	40.35	43.59	43.07	46.55	50.44	57.27	68.55	64.61	72.84	68.72	74.21	72.63	72.09	72.39
Dubai – UAE	112.86	95.90	67.82	49.84	40.46	43.94	43.09	45.59	50.10	57.48	69.41	64.82	71.36	67.23	71.89	71.86	70.43	71.44
Ekofisk – North Sea	115.20	99.62	74.31	54.77	41.47	45.83	44.51	47.28	50.65	58.48	69.62	65.55	73.36	69.39	74.49	73.30	72.66	72.99
Iran Light – IR Iran	110.95	97.56	70.81	51.72	40.03	42.33	41.31	46.10	49.69	56.53	68.24	64.93	72.64	68.87	73.86	72.71	71.83	72.15
Isthmus – Mexico	112.63	100.15	71.96	49.77	37.27	40.15	39.39	46.98	50.38	58.51	68.52	63.70	71.04	67.56	71.88	70.33	70.88	71.47
Oman -Oman	113.28	96.13	68.34	50.04	40.91	44.28	43.52	45.83	50.16	57.59	69.47	65.08	71.59	67.86	72.11	72.16	70.78	71.55
Suez Mix – Egypt	109.32	94.76	67.57	48.86	36.66	40.08	39.44	42.89	46.26	54.33	65.35	62.15	69.53	66.05	70.94	69.57	68.62	68.98
Tia Juana Light[2] – Venez.	110.04	96.65	69.58	47.44	35.26	38.86	38.60	45.52	49.32	57.34	67.08	62.68	69.83	66.48	70.66	69.13	69.68	70.25
Urals – Russia	112.17	97.61	70.51	51.79	40.03	43.09	42.32	45.65	49.05	56.85	68.38	64.85	72.27	68.75	73.63	72.28	71.38	71.72
WTI – North America	116.58	104.15	76.62	57.12	41.45	41.50	39.08	48.00	49.82	59.21	69.68	64.23	71.05	66.96	71.44	69.83	70.76	72.48

Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the ORB has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).

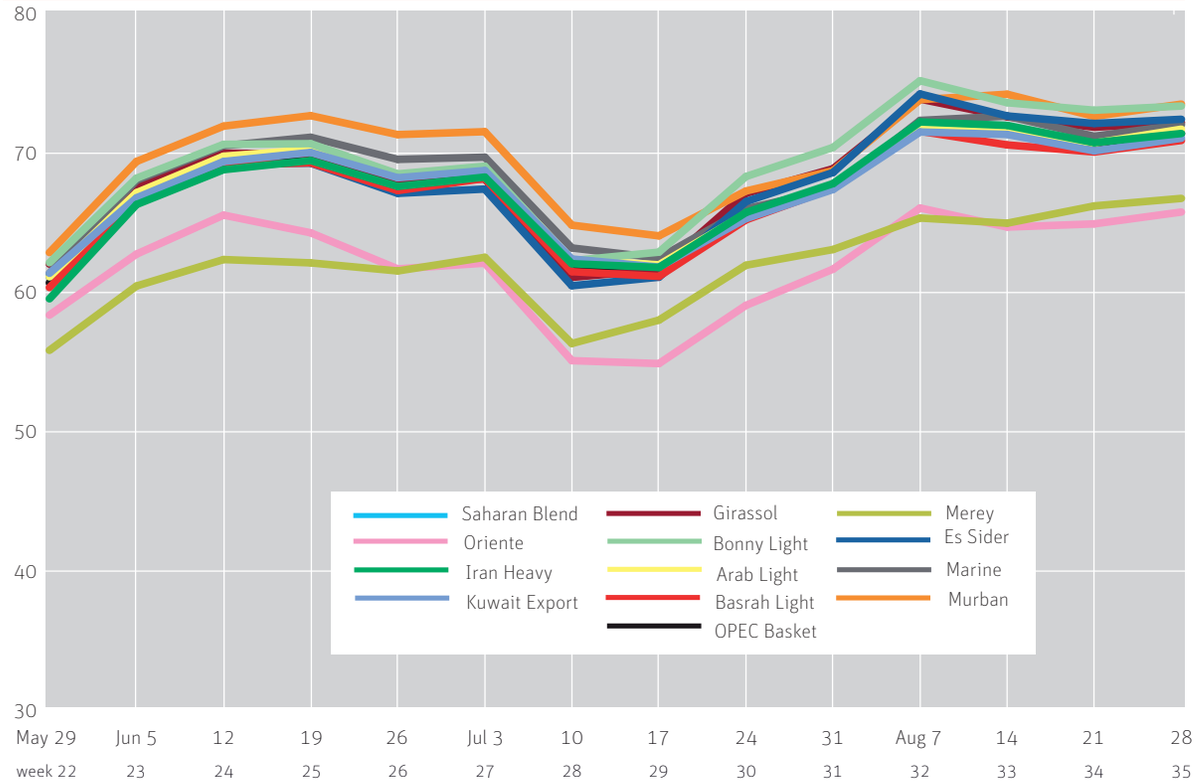
* *Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.*

1. *Indonesia suspended its OPEC Membership on December 31, 2008.*
2. *Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.*

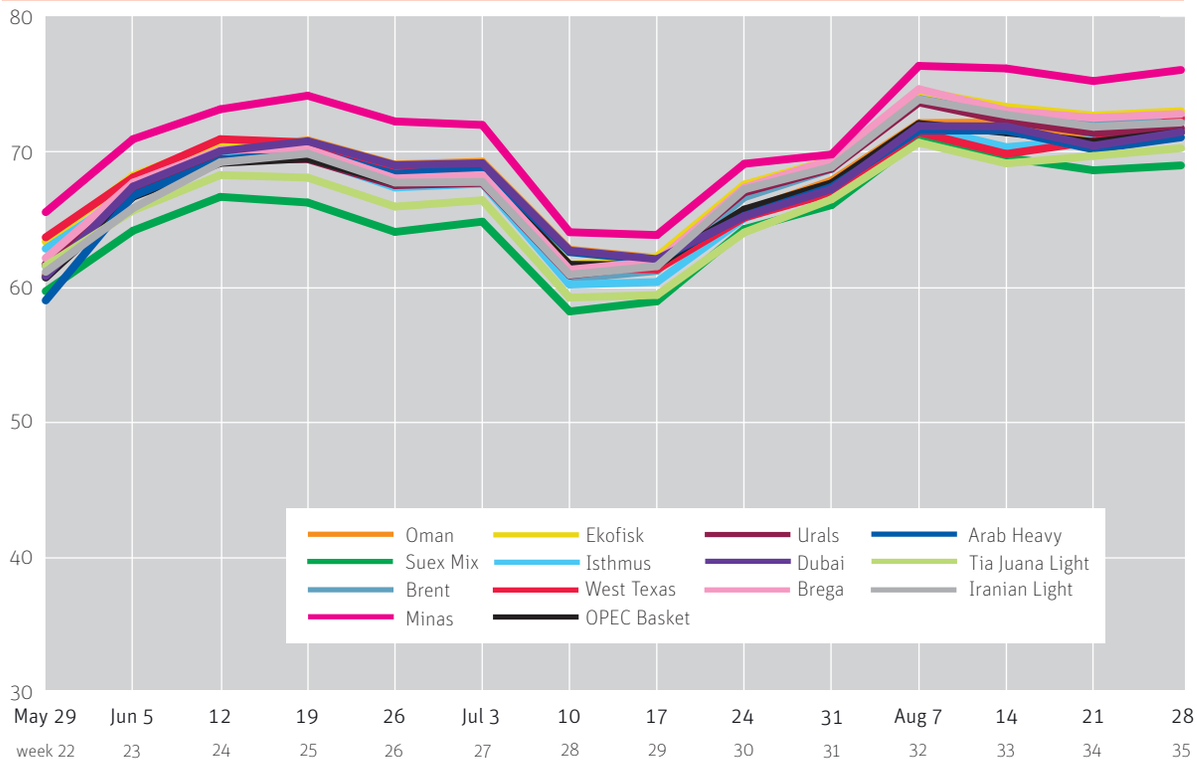
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

Graph 1: Evolution of the OPEC Reference Basket crudes (2009) *$/b*



Graph 2: Evolution of spot prices for selected non-OPEC crudes (2009) *$/b*



Note: As per the decision of the 109th ECB (held in February 2008), the OPEC Reference Basket (ORB) has been recalculated including the Ecuadorian crude Oriente retroactive as of October 19, 2007. As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie 3W June), the ORB has been calculated according to the new methodology as agreed by the 136th (Extraordinary) Meeting of the Conference. As of January 2009, the ORB excludes Minas (Indonesia).
Upon the request of Venezuela, and as per the approval of the 111th ECB, BCF-17 has been replaced by Merey as of January 2009. The ORB has been revised as of this date.

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

$/b

		naphtha	regular gasoline unleaded	premium gasoline 10ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2008	August	125.53	116.45	129.93	138.28	142.59	101.99	92.38
	September	111.21	105.00	120.10	127.29	128.97	84.40	81.22
	October	69.23	73.36	82.48	100.15	98.63	65.67	54.12
	November	39.87	49.18	55.77	80.38	79.95	44.51	31.54
	December	33.53	39.21	46.33	62.38	59.70	32.67	26.78
2009	January	44.54	41.40	45.98	59.72	61.48	34.38	33.08
	February	52.70	45.39	46.48	55.32	51.13	41.82	36.50
	March	43.82	48.36	52.02	55.90	55.33	36.43	37.29
	April	46.84	48.77	57.85	59.72	60.25	43.80	42.35
	May	52.58	59.66	70.76	64.03	64.87	50.34	51.19
	June	62.74	71.18	81.07	75.69	78.47	59.46	59.14
	July	43.75	42.79	48.83	55.32	53.89	35.81	36.50
	August	70.85	72.78	83.06	79.99	79.89	67.78	66.21

Note: Prices of premium gasoline and diesel from January 1, 2008, are with 10 ppm sulphur content.

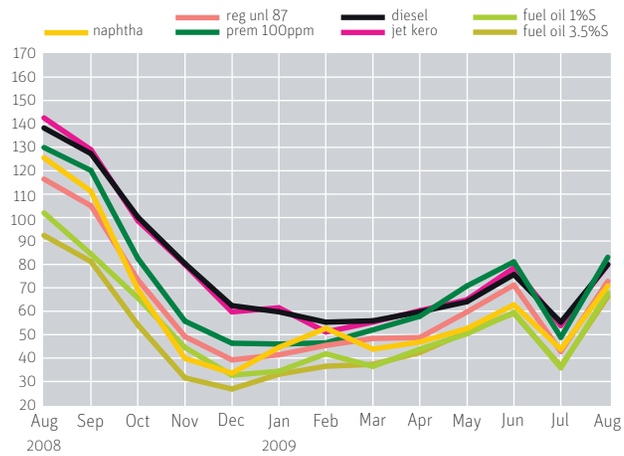


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2008	August	105.72	130.39	139.48	97.12	92.32
	September	92.57	119.15	126.54	83.12	81.69
	October	56.67	84.00	98.56	61.31	54.87
	November	31.86	56.96	78.67	43.64	29.70
	December	26.29	45.78	60.72	34.94	23.42
2009	January	36.11	44.30	59.14	36.58	32.11
	February	45.21	28.66	38.26	38.63	35.42
	March	42.05	26.66	35.59	39.37	36.74
	April	45.57	27.46	35.69	44.42	42.54
	May	50.74	32.51	42.25	52.93	50.93
	June	61.16	36.23	47.09	60.64	59.47
	July	41.92	24.42	31.74	38.63	35.42
	August	69.32	24.55	31.98	68.04	66.86

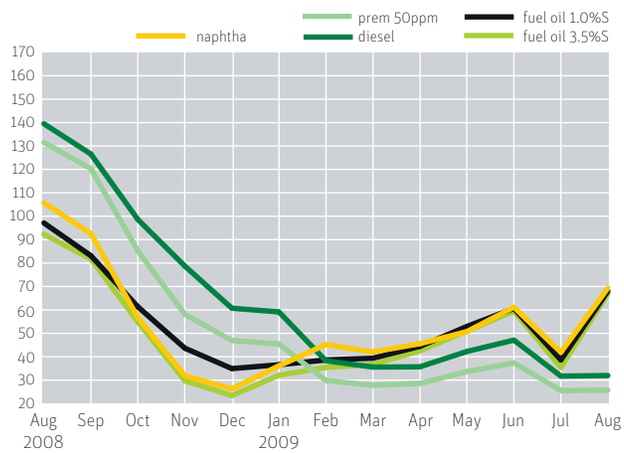
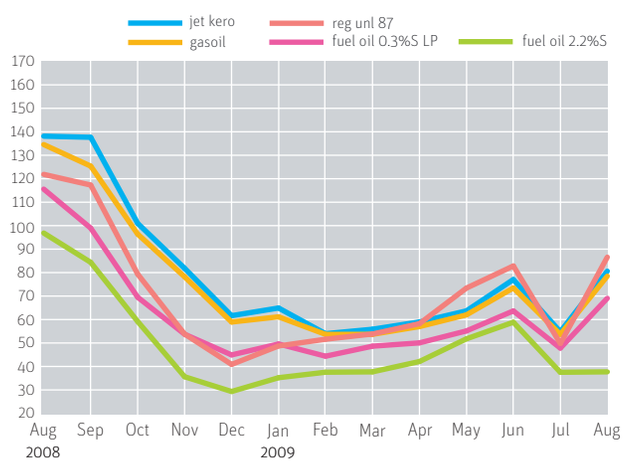


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2008	August	121.86	134.56	138.13	115.57	96.86
	September	117.30	125.38	137.65	98.95	84.37
	October	79.36	96.40	100.98	69.51	59.18
	November	53.81	78.19	81.82	53.73	35.62
	December	40.87	58.93	61.64	44.92	29.33
2009	January	48.74	61.15	64.91	49.59	35.21
	February	51.61	53.68	53.98	44.37	37.55
	March	53.83	53.69	55.86	48.64	37.70
	April	58.24	57.00	58.98	50.05	42.10
	May	73.39	61.98	63.68	55.14	51.77
	June	82.83	73.45	77.05	63.67	58.85
	July	49.78	53.68	54.79	47.82	37.52
	August	86.58	78.49	80.62	69.05	37.71



Source: Platts. Prices are average of available days.

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

$/b

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2008	August	120.15	136.29	140.10	88.27	87.52
	September	119.02	125.11	141.76	76.28	75.40
	October	68.55	94.64	99.09	52.42	51.29
	November	45.60	77.88	81.69	29.85	20.48
	December	31.78	56.26	58.88	22.46	20.48
2009	January	59.33	59.33	64.18	28.28	26.13
	February	46.49	15.95	54.21	31.66	29.92
	March	50.87	16.19	54.18	32.55	30.83
	April	51.75	18.02	59.42	36.95	35.25
	May	64.97	19.75	64.62	46.72	45.02
	June	74.02	23.47	77.63	54.73	53.24
	July	46.49	15.95	54.21	31.66	29.92
	August	74.51	24.93	80.47	64.29	62.76

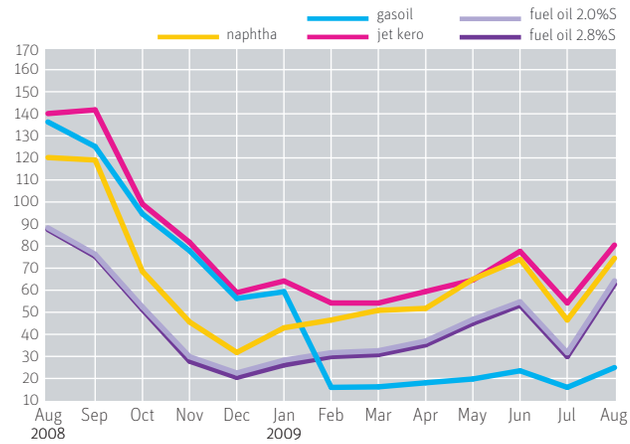


Table and Graph 7: Singapore market – spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2008	August	108.24	115.42	113.91	135.87	137.57	101.07	99.84
	September	91.89	107.02	104.75	121.57	121.42	88.23	87.77
	October	51.04	79.38	77.07	90.00	89.97	59.99	59.08
	November	28.98	48.29	47.38	75.13	58.90	36.14	35.13
	December	30.90	40.97	38.80	62.97	58.90	34.00	33.27
2009	January	41.89	50.95	47.57	61.82	60.89	37.65	37.47
	February	46.84	63.61	55.42	39.76	52.85	40.66	50.48
	March	46.53	54.20	53.14	56.20	53.34	38.70	38.05
	April	49.35	60.46	58.27	61.14	59.10	45.66	44.90
	May	54.01	68.50	65.48	66.29	64.07	54.53	53.90
	June	65.86	77.15	75.01	77.92	76.45	62.77	62.34
	July	46.84	57.97	55.42	54.59	52.85	40.66	39.76
	August	70.37	82.13	80.13	80.34	78.67	68.23	68.03

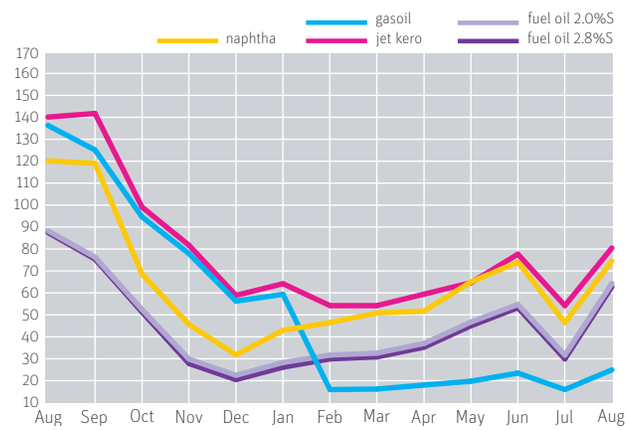
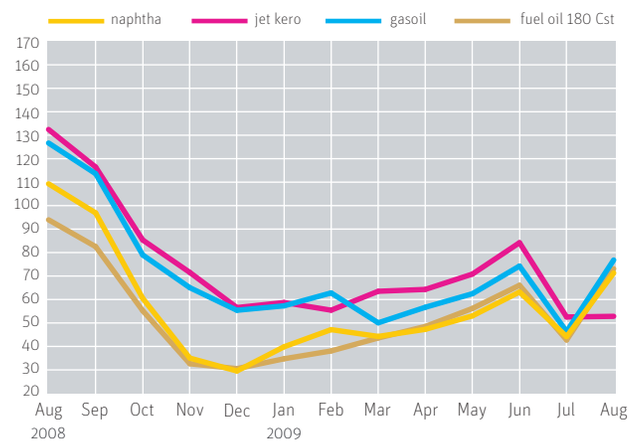


Table and Graph 8: Middle East Gulf market – spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2008	August	109.30	126.68	132.46	93.96
	September	96.88	113.61	116.44	82.53
	October	60.48	78.97	85.35	55.21
	November	35.03	65.03	71.52	32.62
	December	29.53	55.41	56.56	30.54
2009	January	39.85	57.30	58.72	34.74
	February	47.16	62.80	55.44	38.07
	March	44.26	50.06	63.50	43.60
	April	47.28	56.69	64.29	48.51
	May	53.02	62.46	70.83	56.19
	June	63.19	74.25	84.21	66.06
	July	44.19	46.34	52.55	42.73
	August	71.30	76.83	52.83	73.11



Source: Platts. Prices are average of available days.

Forthcoming events

Gas Machinery Conference 2009, October 4–6, 2009, Atlanta, GA, USA. Details: Gas Machinery Research Council, 3030 LBJ Freeway, Suite 1300, 75234 Dallas, TX, USA. Tel: +1 972 620 4024; fax: +1 972 620 1613; e-mail: mshort@gmrc.org; website: www.gmrc.org.

Production sharing contracts and international petroleum fiscal systems, October 4–6, 2009, Oman. Details: Conference Connection Administrators Pte, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; www.cconnection.org.

SPE annual technical conference and exhibition, October 4–7, 2009, New Orleans, LA, USA. Details: Society of Petroleum Engineers, PO Box 833836, Richardson, TX 75083-3836, USA. Tel: +1 972 952 393; fax: 1 972 952 9435; e-mail: spedal@spe.org; website: www.spe.org.

24th World gas conference and exhibition, October 5, 2009, Buenos Aires, Argentina. Details: CWC Associates Ltd; Regent House, Oyster Wharf, 16-18 Lombard Road, London SW11 3RF, UK. Tel: +44 207 978 000; fax: +44 207 978 0099; e-mail: sshelton@thecwcgroup.com; website: www.thecwcgroup.com.

International oil trading and price risk management, October 5–7, 2009, Singapore. Details: Conference Connection Administrators Pte, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

ERTC petrochemical conference, October 5–7, 2009, Rome, Italy. Details: Global Technology Forum, Highview House, Tattenham Crescent, Epsom Downs, Surrey KT18 5QJ, UK. Tel: +44 1737 365100; fax: +44 1737 365101; e-mail: events@gtforum.com; website: www.gtforum.com.

Onshore pipeline engineering, October 5–8, 2009, London, UK. Details: IBC Global Conferences, The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK. Tel: +44 207 017 55 18; fax: +44 207 017 47 15; email: energycustserv@informa.com; website: www.ibcenergy.com.

2nd annual Arctic shipping North America conference, October 5–8, 2009, St John's, Canada. Details: Informa Maritime & Transport Group, 69-77 Paul Street, London, EC2A 4LQ, UK. Tel: +44 207 017 5511; fax: +44 207 017 4981; e-mail: sarah-jane.adams@informa.com; website: www.lloydslistevents.com.

3rd Annual Middle East petrochemicals forum 2009, October 6–7, 2009, Doha, Qatar. Details: Jacob Fleming Group, Rossellon 174-176 Ent 1a 080 36, Barcelona, Spain. Tel: +34 934 524 27; fax: +34 934 510 532; e-mail: karina.gusalova@jacobfleming.com; website: www.jacobfleming.com.

17th Kazakhstan international oil and gas exhibition and conference, October 6–9, 2009, Almaty, Kazakhstan. Details: ITE Group Plc, Oil and Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com; website: ite-exhibitions.com.

FPSO West Africa training course, October 7–9, 2009, Accra, Ghana. Details: IBC Global Conferences; The Bookings Department, Informa UK Ltd, PO Box 406, West Byfleet KT14 6WL UK; Tel: +44 207 017 55 18; fax: +44 207 017 47 15; email: energycustserv@informa.com; website: www.ibcenergy.com.

Power Uzbekistan, October 7–9, 2009, Tashkent, Uzbekistan. Details: ITE Group plc, Oil and Gas Division, 105 Salusbury Road, London NW6 6RG, UK. Tel: +44 207 596 5233; fax: +44 207 596 5106; e-mail: oilgas@ite-exhibitions.com, website: ite-exhibitions.com.

Oil and gas project finance, October 7–9, 2009, London, UK. Details: International Faculty of Finance, 8th Floor, 29 Bressenden Place, London SW1E 5DR, UK. Tel: +44 207 017 7190; fax +44 207 017 7802; e-mail: enquiries@iirltd.co.uk; website: www.iff-training.com.

Advanced price risk management, October 8–9, 2009, Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Essentials of gas trading and risk, October 12–14, 2009, London, UK. Details: International Faculty of Finance, 8th Floor, 29 Bressenden Place, London SW1E 5DR, UK. Tel: +44 207 017 7190; fax: +44 207 017 7802; e-mail: enquiries@iirltd.co.uk; website: www.iff-training.com.

The IBIA annual convention, October 12–16, 2009, Singapore. Details: Conference Connection Administrators Pte Ltd; 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

Unconventional oil conference, October 14–15, 2009, London, UK. Details: SMi Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London, SE1 OHS, UK. Tel: +44 207 827 6000; fax: +44 207 827 6001; e-mail: client_services@smi-online.co.uk; website: www.smi-online.co.uk.

2nd Annual palm forum, October 15–16, 2009, Vienna, Austria. Details: Jacob Fleming Group, Rossellon 174-176 Ent 1a 080 36, Barcelona, Spain. Tel: +34 934 524 27; fax: +34 934 510 532; e-mail: karina.gusalova@jacobfleming.com; website: www.jacobfleming.com.

5th Annual HSE forum in oil, gas and petrochemicals, October 18–21, 2009, Doha, Qatar. Details: Jacob Fleming Group, Rossellon 174-176 Ent 1a 080 36, Barcelona, Spain. Tel: +34 934 524 27; fax: +34 934 510 532; e-mail: karina.gusalova@jacobfleming.com; website: www.jacobfleming.com.

5th Asia refining, October 20–21, 2009, Singapore. Details: Centre for Management Technology (CMT), 80 Marine Parade Road #13-02, Parkway Parade 449269 Singapore. Tel: +65 6345 7322/6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; website: www.cmtevents.com.

GCC Conference on investments in oil, gas and petrochemicals, October 20–21, 2009, Bahrain. Details: Organization of Arab Petroleum Exporting Countries (OAPEC), PO Box 20501, Safat 13066, Kuwait. Tel: +965 249 59 000; fax +965 249 59 755; e-mail: gop.investments@gmail.com; www.fgccc.org.

Oil and gas transportation in the CIS and Caspian region, October 20–22, 2009, Moscow, Russia. Details: The Exchange Ltd, 5th Floor, 86 Hatton Garden, London EC1N 8QQ, UK. Tel: +44 207 067 1800; fax: +44 207 242 2673; e-mail: marketing@theenergyexchange.co.uk; website: www.theenergyexchange.co.uk.

5th Emerging Europe energy summit, October 22–23, 2009, Prague, Czech Republic. Details: IBP Conferences, 80 Vasile Gherghel Street, 011524, Sector 1, Bucharest, Romania. Tel: +40 21 317 03 90/91/92/95; fax: +40 21 317 03 93/94; e-mail: conferences@ibpconferences.ro; website: www.doingbusiness.ro/energy2009.

Energy markets and energy derivatives, October 26–28, 2009, London, UK. Details: International Faculty of Finance, 8th Floor, 29 Bressenden Place, London SW1E 5DR, UK. Tel +44 207 017 7190; fax +44 207 017 7802; e-mail: enquiries@iirltd.co.uk; website: www.iff-training.com.

Production sharing contracts and international petroleum fiscal systems, October 26–30, 2009, Singapore. Details: Conference Connection Administrators Pte Ltd, 105 Cecil Street #07-02 The Octagon, 069534 Singapore. Tel: +65 6222 0230; fax: +65 6222 0121; e-mail: info@cconnection.org; website: www.cconnection.org.

SAOGE 2009 — the 2nd Saudi Arabian international oil and gas exhibition and conference, November 1–3, 2009. Details: SAOGE 2009 Exhibition Manager, IES srl, Z I Settevene, Via Cassia km 36,400, 01036 Nepi, VT, Italy. Tel: +39 0761 527976, +39 345 2609378; fax: +39 0761 527945; e-mail: gm@ies.co.it; website: www.ies.co.it.

Secretariat activities

Students from the Georgetown University, School of Foreign Service in Qatar, who visited the OPEC Secretariat on August 7, 2009. Here pictured with Siham Alawami *(seated right)*, OPEC's PR Specialist.

Students from the Moscow University, who visited the OPEC Secretariat on August 6, 2009.

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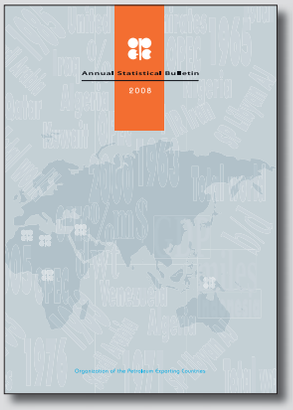

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