OPEC bulletin

9–10/07

OPEC in the spotlight

Market stability — There's no simple answer

The September Meeting of the OPEC Conference has a special significance for the Organization. It enables the assembled Heads of Delegation of each Member Country to review the market outlook at a particularly important time of the year, with the approach of the Northern Hemisphere winter and the anticipated surge in demand for fuel for heating purposes.

Indeed, it was not so long ago — November 1998 — that the Conference decided to "realign the scheduling of its biannual Ordinary Meetings, which, henceforth, will take place in the months of March and September, rather than June and November."

The first biannual Ordinary Meeting benefits too, with March being preferable to June for holding talks ahead of the summer driving season.

The decision to make the change in scheduling nearly a decade ago is characteristic of OPEC's pragmatic approach to handling market matters and its willingness to fine-tune its decisions and actions, to reflect prevailing realities and enhance the effectiveness of its measures.

We saw this flexible, pragmatic approach to decision-making once again in Vienna on September 11, when the 145th Meeting of the Conference agreed to increase the volume of crude supplied to the market by its Member Countries, excluding Angola and Iraq, by 500,000 barrels a day, with effect from November 1.

The Conference went further than this, re-emphasising the readiness of its Members to respond swiftly to any developments which might jeopardize oil market stability and these countries' interests. For this purpose, in addition to the Organization continuing to monitor vigilantly supply and demand fundamentals, the Conference agreed to reassess the market situation at its 146th (Extraordinary) Meeting in Abu Dhabi on December 5.

To an outsider, the whole idea of OPEC's Oil and Energy Ministers flying to Vienna or some other city to meet for perhaps just a few hours, discuss the oil market outlook and reach a decision, which could have a significant impact on market stability, could ring a few alarm bells. This would be understandable, if the process were as simple as this.

But simple it is not.

Each Meeting of the Conference — whether Ordinary or Extraordinary — is the culmination of a process that is both complex and ongoing, right up to the point of the Meeting and then continuing afterwards.

No stone is left unturned by the OPEC Secretariat in seeking to provide the Conference of Ministers with the latest research and analysis on the market outlook and other essential topics for each Meeting. This involves intensive monitoring of every key aspect of global oil market activity, modelling market trends, preparing extensive, wide-ranging reports and analyses, participating in countless internal and external meetings, with experts from both inside and outside OPEC, and then bringing it all together in a series of high-level meetings at the Secretariat in the final build-up to the Conference itself.

Preparatory work for the recent 145th Conference included examining the recent evolution of market fundamentals, prices and volatility, assessing the key drivers, and analysing OPEC's latest projections for the rest of 2007 and for 2008, as well as reviewing issues further afield, such as the turbulence in international financial markets, with its possible consequences for upcoming world oil demand.

When viewed in this light, it is clear that the Meeting of the Conference, the supreme authority of the Organization, is only part of the OPEC decision-making process, albeit a very important one.

Moreover, the process is enriched by the profound collective philosophy of the Organization, which is well summed-up by the concluding press release: "Recognizing the importance of maintaining oil market stability for the benefit of the world economy, the Conference reaffirmed its longstanding commitment to ensuring sound supply fundamentals at all times and to offering an adequate level of spare capacity for the benefit of the world at large, with reasonable prices to both producers and consumers that are consistent with the need for healthy global economic growth and conducive to the timely expansion of upstream and downstream capacity."

Consumers should rest assured that OPEC takes its market-stabilization measures extremely seriously. It is a tough challenge. And OPEC is prepared to rise to the challenge, time and time again, even though this is never a simple task and requires a flexible, pragmatic approach to stay abreast of events in the constantly evolving global energy landscape.

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Media coverage of the 145th OPEC Conference in Vienna *(see p4)*.
Photo: OPEC

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

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The OPEC Bulletin welcomes letters and comments on articles included in the Bulletin, as well as contributions on oil and energy issues in general.

Please send your letters to: obletters@opec.org

Contributions

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

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OPEC's decision to boost production reflects concern over market uncertainty

by Jerry Haylins

L–r: Abdalla Salem El-Badri, OPEC Secretary General; Mohamed Hamel, Head of OPEC's Energy Studies Department; Dr Hasan M Qabazard, Director of OPEC's Research Division.

OPEC's decision to increase its production ceiling by 500,000 barrels per day (excluding Angola and Iraq) from November 1, reflects the Organization's concern over the level of uncertainty currently prevailing in the international oil market.

That was the message conveyed to media representatives and analysts by OPEC Secretary General ***Abdalla Salem El-Badri*** *at a press conference held after the 145th Meeting of the OPEC Conference in Vienna on September 11.*

El-Badri was referring to uncertainty over the future supply and demand outlook exacerbated by recent turmoil in the financial markets, continuing geopolitical tensions, as well as a potential threat to output levels in some oil-producing countries.

"OPEC is concerned (about the market) and what the Organization is seeing at this time is not very clear. We do not want to add to the problems and our message to the consumers is that we care — hence the increase in production," he replied when asked what message the 500,000 b/d addition to OPEC supply would send to the market.

Both Iraq and new OPEC Member Angola are not subject to the new agreement, which sees the Organization's production target for ten Members reach 27.253 million b/d.

Asked about Angola being assigned a production quota in the future, El-Badri said he had addressed this issue during a recent visit he and experts from the OPEC Secretariat in Vienna made to the African country.

"After the discussions, it was agreed that by the beginning of 2008, Angola would have a quota. We do not have a target at this time," he announced.

Earlier, a communique issued at the end of the one-day OPEC Meeting, affirmed that in recognizing the importance of maintaining oil market stability for the benefit of the world economy, "the Conference reaffirmed its long-standing commitment to ensuring sound supply fundamentals at all times and to offering an adequate level of spare capacity for the benefit of the world at large."

It said the Ministers were fully cognizant of the fact that the high-demand winter period in the Northern Hemisphere necessitates keeping the market adequately supplied with crude.

Intense discussions

Asked at the press conference why OPEC took the action to increase output when Ministers had indicated a decision to the contrary before the talks, El-Badri explained that OPEC Ministers hold intense discussions amongst themselves at such Conferences.

"That is why OPEC has survived for 47 years — every-

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

Mohamed Bin Dhaen Al Hamli (r), OPEC Conference President, and Minister of Energy of the UAE, with Hossein Kazempour Ardebili, Iranian Governor for OPEC and Chairman of the OPEC Board of Governors.

Dr Hussain Al-Sharistani (l), Minister of Oil, Iraq, with Tariq Aqrawi, Iraqi Ambassador to Austria.

one listens to everyone else's arguments and then the right decision is taken," he affirmed.

The Conference communiqué stressed that Ministers were keen to sustain a market with "reasonable prices to both producers and consumers that are consistent with the need for healthy global economic growth and conducive to the timely expansion of upstream and downstream capacity."

It recorded the readiness of Member Countries to swiftly respond to any developments that might jeopardize oil market stability and their interests.

Asked at the press conference what OPEC thought was a fair price for both producers and consumers, El-Badri replied that the Organization does not decide on the price of oil.

"We do not have a price target. That is left to the market. We are happy with a price that is reasonable for us and reasonable for the consumer. By talking to each other (producers and consumers) we can reach a price that we can both live with," he stated.

During their deliberations, the Ministers reviewed the current oil market situation and prospects for the immediate future. They pointed to the comfortable build-up in inventory levels, especially those of crude, which was the result of actions taken by OPEC Member Countries to increase production over the past several years.

Dr Shokri M Ghanem (r), Chairman of the People's Committee, Socialist People's Libyan Arab Jamahiriya with HRH Prince Abdulaziz Bin Salman (c), Assistant Minister of Petroleum and Mineral Resources of Saudi Arabia; and Dr Ahmed Al Menesi, Libyan Ambassador to Austria.

Ali I Naimi, Minister of Petroleum and Mineral Resources, Saudi Arabia.

However, looking at the downstream sector, the Conference highlighted the continuing tightness in product markets, especially in the United States, a situation that "continues to affect the level of product stocks and prices."

Ministers also observed the recent shift of the forward market into backwardation and its implications on stocks.

Dr Hasan M Qabazard, the Director of the OPEC Secretariat's Research Division, which provides the Conference with valuable and timely information on the state of the oil market, told the press conference that the decision taken by the Conference was really not that difficult after sitting down and looking at the facts.

Odein Ajumogobia (SAN), Nigerian Minister of State for Energy (Petroleum), with Mohammed S Barkindo (r), Advisor to the Minister.

Dr Hussain Al-Sharistani, Minister of Oil, Iraq.

Desidério da Graça Veríssimo e Costa (c), Angolan Minister of Petroleum; Félix Manuel Ferreira (l), Angolan Governor for OPEC; and Fidelino Loy de Figueiredo, Angolan Ambassador to Austria.

He noted that the Ministers had looked at the world economy in great detail, especially the downside risks going onto 2008. Another big factor was the stock levels in the industrialized countries and how the market had gone into backwardation, which was seen as potentially promoting a decrease in stocks. They were also aware that oil prices remained high.

In highlighting the value of his Division's data support to the decision-making process of OPEC, Qabazard said the Organization's research arm employs a network of consultants that cover the whole market internationally and across continents.

Vigilance

"We also have our own experts who follow events minute-by-minute, day-by-day and we have several market reports that we have developed over the years — daily, weekly and monthly reports, as well as the longer-term outlook."

All of this data, he said, is delivered to the Ministers for an easier decision-making process.

"I am very proud of our studies. Our numbers are accurate and reflect the market to a very large extent. We are proud to see 12 Ministers acting on the numbers the Secretariat produces," he added.

The Conference communique went on to issue an assurance that OPEC will continue to "vigilantly monitor" supply and demand fundamentals and reassess the market situation at its 146th (Extraordinary) Meeting, to be convened in Abu Dhabi, the United Arab Emirates (UAE), in December.

Regarding OPEC's calls for leading consumers to guarantee security of demand for the Organization's crude, El-Badri told the press briefing that the Organization was very concerned with this issue because Members are investing a lot of money — in the region of $130 billion for some140 projects — to ensure a comfortable production capacity cushion is in existence at all times in the years ahead.

"It is important that we know the level of demand in the future so that the money is not wasted. OPEC Member Countries also need to spend in other areas, such as education, housing, and healthcare. They do not want a situation where new production capacity remains idle," he said.

Earlier, OPEC Conference President Mohamed Bin Dhaen Al Hamli, UAE Minister of Energy, set the scene for the Ministers' discussions during his opening address to the Meeting.

He said that with oil prices strengthening and then falling since they last met in Conference six months ago, it demonstrated once again the underlying volatility in the international oil market, the effect of this on producers and consumers and the difficulties it creates for making sound investment planning for the future.

In addition, continuing uncertainties about the world oil demand outlook, exacerbated by recent turmoil in the financial markets, is adding to the difficulties, he said.

Abdullah bin Hamad Al Attiyah (c), Deputy Premier and Minister of Energy and Industry, Qatar; Ali Mohammed Al-Hammadi (r), Qatari Governor for OPEC; and Abdulla H Salatt, Advisor to the Minister.

Dr Chakib Khelil, Algerian Minister of Energy and Mines.

Eng Mohammed Abdullah Al-Aleem, Minister of Electricity and Water, Acting Minister of Oil of Kuwait.

Rafael Ramírez (l), Minister of Energy and Petroleum of Venezuela with Ing Iván A Orellana, Venezuelan Governor for OPEC.

HRH Prince Abdulaziz Bin Salman (l), Assistant Minister of Petroleum and Mineral Resources of Saudi Arabia; with Abdalla Salem El-Badri, OPEC Secretary General.

Dr Purnomo Yusgiantoro, Minister of Energy and Mineral Resources, Indonesia.

Gholamhossein Nozari (r), Iranian Acting Minister of Petroleum; with Dr Ali Asghar Soltanieh, Iranian Ambassador, Permanent Representative to the United Nations (Vienna) and UNIDO.

"Since the last Ministerial Conference, OPEC has continued to carefully monitor the oil market. We can say, without any doubt, that the present price levels are not the result of a shortage of crude. The market remains well-supplied, commercial stocks are at healthy levels and the level of upstream spare capacity has increased," he told delegates.

Market fundamentals

Al Hamli reiterated that OPEC will continue monitoring oil market developments and act in a timely and adequate manner, should there be indications of a shortage of crude.

"Indeed, we shall carefully review the market outlook at today's meeting, especially for the coming months, as the Northern Hemisphere winter approaches. This will include examining the recent evolution of market fundamentals, prices and volatility, assessing the key drivers, and analysing OPEC's latest projections for the rest of 2007 and for 2008," he explained.

"We shall also be assessing the turbulence in international financial markets, as this may have an impact on the world economic growth and, consequently, oil demand."

Al Hamli said the past six months have witnessed significant developments in other energy and energy-related areas which concern OPEC.

"These will feature in our discussions too. I refer, in particular, to the heightened global awareness of climate change-related issues and the ongoing formal and informal related multilateral discussions. We will also discuss

Dr Chakib Khelil (l), Algerian Minister of Energy and Mines, was elected OPEC Conference President for 2008. Pictured here with Hamid Dahmani, Algerian Governor for OPEC.

Desidério da Graça Veríssimo e Costa (l), Angolan Minister of Petroleum, was elected Alternate OPEC Conference President for 2008. Seen here with Eng Manuel Vicente, Chairman of Sonangol.

Dr Falah J Alamri, OPEC Governor for Iraq, was elected Chairman of the OPEC Board of Governors for 2008.

Siham Abdulrazzak Razzouqi, Kuwaiti Governor for OPEC, was elected Alternate Chairman of the OPEC Board of Governors for 2008.

other multilateral issues, such as trade and sustainable development.

"These are all major issues in their own right, and yet they are all closely connected to each other," he affirmed.

"Of most significance to us meeting here today is that they all have a strong association with future energy fundamentals and present many challenges and opportunities for the oil sector," he added.

At its plenary session, the Conference elected Dr Chakib Khelil, Minister of Energy and Mines of Algeria, as President of the OPEC Conference for one year, with effect from January1, 2008, and Desidério da Graça Verissímo e Costa, Minister of Petroleum of Angola, as Alternate President.

In addition, Dr Falah J Alamri, Governor for Iraq, was elected Chairman of the Board of Governors for 2008, with Siham A Razzouqi, Governor for Kuwait, chosen as Alternate Chairman.

The Conference decided that its next Ordinary Meeting will convene in Vienna, on March 5, 2008.

Odein Ajumogobia (SAN), Nigerian Minister of State for Energy (Petroleum), before the opening session of the OPEC Conference.

Dr Purnomo Yusgiantoro (r), Minister of Energy and Mineral Resources, Indonesia; Triyono Wibowo (l), Indonesian Ambassador to Austria; and Dr Maizar Rahman, Indonesian Governor for OPEC.

Mohamed Bin Dhaen Al Hamli (c), OPEC Conference President, and Minister of Energy of the United Arab Emirates; with Abdalla Salem El-Badri (r), OPEC Secretary General; and Hossein Kazempour Ardebili, Iranian Governor for OPEC and Chairman of the OPEC Board of Governors.

Gholamhossein Nozari (r), Iranian Acting Minister of Petroleum speaking to media representatives before the opening session.

Taous Feroukhi, Algerian Ambassador to Austria.

HRH Prince Abdulaziz Bin Salman (r), Assistant Minister of Petroleum and Mineral Resources of Saudi Arabia; with Dr Majid A Al-Moneef (c), Saudi Arabian Governor for OPEC; and Ali H Twairqi, Head of the Office of the Minister of Petroleum and Mineral Resources of Saudi Arabia.

Mohamed Bin Dhaen Al Hamli (l), OPEC Conference President, and Minister of Energy of the United Arab Emirates; with Ali Obaid Al Yabhouni, UAE Governor for OPEC.

Observers pledge commitment to OPEC's actions

Egypt

Eng Sameh Fahmy

Eng Sameh Fahmy, Egyptian Petroleum Minister, told the plenary session of the OPEC Conference that his country supports decisions taken by OPEC to achieve market stability.

He stressed that Egypt shares the views, vision and action plans made by OPEC to maintain oil market stability through reasonable and fair prices for both producers and consumers, and ones that ensure security of supply and demand that are needed to support development plans throughout the world.

"I believe OPEC has always been successful to a large extent in stabilizing prices through controlling its production. OPEC, as the most significant and experienced player involved in the oil industry, has been keen on all occasions to send the right message to the consumers that it has the willingness as well as the ability to act in order to reduce market fears, whatever the challenges may be."

Fahmy said OPEC has always maintained a keen interest in exploring the future trends for oil from both a supply and demand perspective to help establish the nature, scope and scale of the challenges and opportunities that might lie ahead.

"The success in achieving stability and moderation in prices requires the full support and cooperation of all players in the oil market, from both the producers and consumers. Since all sides gain from market stability and fair prices, so then must all parties contribute to it."

In referring to the ongoing dialogue between Egypt and the European Union on both bilateral and regional levels, Fahmy said that within this context and in recognition of the importance of energy security and the promotion of access to reliable and affordable energy resources, the Egyptian government and the European Commission are organizing a ministerial-level conference on EU-Africa and Middle East regional energy cooperation in November.

"This conference will provide the opportunity to discuss and promote regional cooperation on energy security between the EU, the Middle East and Africa and to identify areas in which we could all benefit through cooperation," he stated.

Turning to the oil market in general, Fahmy said the long-term forecast is that the current trend of growing energy demand worldwide will continue. Latest world energy production forecasts for 2030 reveal that energy use is expected to continue to grow with oil and gas dominating the energy mix.

"However, this energy has to be used in a more efficient way and to be accessible and affordable to a larger share of the world's population," he maintained.

He noted that growing energy demand has been coupled with several challenging factors affecting the market, namely limited refining capacity worldwide, the inaccuracy of historical future oil supply and demand data, a scarcity of qualified contractors for oil and gas projects, the inability to cope with the growing requirements of oil and gas materials for planned projects in a timely manner and within a reasonable cost, underinvestment in oil and gas projects and overpriced offshore and onshore rig rates.

He said that increasing attention is being paid to the issue of energy security and it has become one of the top issues on the global agenda, being discussed at the highest levels.

Energy security, he said, is affected by the rate of oil and gas discoveries, development programmes, production rates, transmission and required investments for projects.

"These factors can jeopardize economic development and poverty elimination," he affirmed.

Fahmy noted that several international studies and forecasts estimate that today's energy resources are adequate to meet the projected global growth in energy demand in the coming decades.

"However, more reserves will need to be proved. The exact cost of finding and exploiting energy resources over the coming decades is uncertain, but it will certainly be sustainable," he maintained.

He said that cumulative energy sector investment needs have been put at about $20 trillion over the next 25 years, 50 per cent of which will be in developing countries.

"Financing the required investment will be one of the significant challenges facing the energy industry at large. Securing reliable and affordable energy will depend on adequate investments. Without a sizeable increase in Middle East and African investments a shortfall in produc-

tion capacity will emerge and prices will rise and become more volatile," he said.

Moreover, noted Fahmy, the expected increase in demand for oil products will translate into a need for more refining capacity.

"Therefore, it is essential to pay more attention to the downstream sector as this is also a key element of the supply chain and ultimately market stability.

"Availing the required finance, mitigating the production risk and having mechanisms for sustaining fair market prices are vital issues for implementing strategic energy projects needed to cope with the expected increase in energy demand," he added.

Mexico

Raul Cardoso, Managing Director, Pemex, PMI Madrid, and representing the Mexican energy minister, said that gatherings such as the OPEC Conference provide a welcome opportunity for enhanced dialogue within the producing countries and to assess the situation in the world oil market, which is key to the development of a healthy world economy.

"Mexico looks forward to continue its collaboration with both OPEC and non-OPEC members in the evolution of the world energy market and the identification of measures conducted for the stability and affordability of oil prices for the wellbeing of producers and consumers alike," he said.

Salim M Al-Riyami

Looking briefly at prices, Cardoso said that during the last 12 months, a notable variation was witnessed in the oil price.

In July 2006 the price of WTI was at $74/b. Over the following six months it deceased to sit at $54/b in January 2007. In the ensuing months it has increased again.

"Considering this behaviour, the close relationship between supply and demand remains fundamental," he said.

Cardoso noted that Mexico is producing around 3.2m b/d of crude and condensates and the Mexican government is working to replace reserve and production levels.

"This action is consistent with the country's goal of energy policy which entails meeting competitively and efficiently the energy needs of the country without jeopardizing environmental sustainability."

Raul Cardoso

Oman

Salim M Al-Riyami, Oman's Ambasador to Austria, speaking on behalf of the Omani petroleum minister, pointed out that OPEC was established to cooperate and coordinate on the international oil market. Its meetings aim to maintain stability in the world energy market.

He said that although OPEC does not set oil prices or control the oil markets, it does influence both by altering production quotas in its Member Countries, who together produce about one-third of the world's crude oil.

"OPEC is committed to securing order and stability in the international oil market with secure supplies and reasonable prices," he stressed.

Al-Riyami maintained that the international oil market is "for the time being" stable, healthy and balanced.

"Any further changes in the (OPEC) production ceiling should only be undertaken after careful review of the market." he affirmed.

Al-Riyami said that as a non-OPEC country, Oman always takes note of OPEC's policies and decisions and remains committed to the Organization.

"In this context, the Sultan of Oman praises the efforts of the decisions of OPEC Countries to bring harmony and stability to the oil market, in order to achieve a fair price that serves the interests of both consumers and producers.

"We think that OPEC should continue to play its effective role in order to achieve sustainable order and stability in the market in the years ahead," he added.

Russia

Andrey G Reus, Russia's Deputy Minister of Industry and Energy, reminded delegates that Russia has been taking part in OPEC meetings as an Observer since 1998, which reflects its strong stand in favour of strengthening constructive cooperation with the Organization, coupled with Russia's high respect for the principles and role adopted by OPEC.

Andrey G Reus

"We believe that one of the most promising areas of such cooperation could be coordination in our respective strategy papers. We are convinced that the continuous exchange of views between the key players of the global energy market and the energy strategies could contribute to sustainable development of the world energy markets," he said.

He said his country has already accumulated some positive experience in this regard. "I have in mind the comparative analysis of the Russian and European Union (EU) energy strategies, which might be of interest to OPEC Member Countries. We are open for such consultations."

Reus said his country, on a regular basis, informs OPEC Members of the key results of efforts aimed at implementing the Russian energy strategy until 2020, which is now in the process of being reviewed to 2030, "which will take into consideration the new challenges the world is facing today."

He stated: "It is a completely transparent process as we are intending to use the results of consultations with our partners as an input for this work. Russia is contributing significantly to enhancing energy security and stability of supply."

Reus told delegates that his country's oil production in 2006 was 480 million tons, up by 2.1 per cent from 2005. Between January and July 2007, output grew by 2.9 per cent, although Russia "is not aiming to maximize its production."

He said the country has achieved sustainable progress in implementing a number of infrastructure development projects aimed at the diversification of hydrocarbons export routes. "Last year we completed a major project for boosting supplies to Western Europe and enhanced the capacities of the Baltic pipelines."

Reus said the country is also making strong efforts to increase domestic oil refining, in terms of both quantity and quality. Crude oil refining from January to July this year amounted to 131.5 million tons, up by 5.4 per cent over the same period in 2006.

"We welcome foreign investors into the country's oil and gas projects and we are providing the most favourable conditions," he stressed.

Reus noted that the oil and gas sector is currently accounting for about 20 per cent of all investments in the Russian economy.

"Russia respects the principles of data transparency, developing energy dialogues with all countries. This is the way to ensure a stable functioning of the energy markets, secure transport routes, the mitigation of fuel price fluctuations and ultimately to achieve the stable development of national and world economies." he concluded.

Pictured at the press conference (l–r): Dr Hasan M Qabazard, Director, Research Division; Abdalla Salem El-Badri, OPEC Secretary General; and Dr Omar Farouk Ibrahim, Head of the Secretariat's Public Relations and Information Department.

Abdalla Salem El-Badri, OPEC Secretary General being interviewed after the press conference.

Gholamhossein Nozari

Iran's Acting Petroleum Minister

Iranian President Mahmoud Ahmadinejad, has appointed Gholamhossein Nozari, Deputy Minister of Petroleum and Managing Director of the National Iranian Oil Company (NIOC), as Acting Minister of Petroleum.

Nozari, who headed his country's delegation to the 145th Meeting of the OPEC Conference in Vienna, Austria, in September, replaced Sayed Kazem Vaziri Hamaneh.

Nozari, born in Kazeroon, Iran, in 1954, has an MA in Management which he attained at Tehran University. He also studied Petroleum and Earth Science Engineering at the Shahid Chamran University, in Ahwaz.

He has held or holds high-ranking positions in several firms, including Managing Director of the Iranian Central Oil Fields Company, Chairman of the Board at both the North Drilling Company and the National Iranian Drilling Company, a Director at the Petroleum Engineering Development Company, where he is also Manager of Production Expansion Schemes, and a Member of Recruitment and Director at the National Iranian South Oil Company.

Of his professional associations, as a Member of Parliament he was Vice Chairman of the Government's Energy Committee between 1992 and 1996 and served on the Budget Committee between 1996 and 2000. Nozari is a Member of the MPs Forum in Fars Province.

Odein Ajumogobia (SAN)

Nigerian Minister of State for Energy (Petroleum)

Odein Ajumogobia (SAN) has been appointed Nigeria's Minister of State for Energy (Petroleum) by the country's President, Umaru Musa Yar'Adua.

Ajumogobia, a Harvard trained lawyer, is a Senior Advocate of Nigeria. From 2003–07, he was Attorney General and Commissioner for Justice of Rivers State, Nigeria. In 1984, he was the founding partner of the Ajumogobia and Okeke Barristers and Solicitors firm, which has grown to become the largest full service law firm in Nigeria with offices in Lagos, Port Harcourt and Abuja.

Born in Lagos, Nigeria in 1956, he attended the University of Lagos, where he was awarded top honours for his academic excellence. After attending the Nigerian Law School in Lagos in 1979, he was admitted to the Nigerian Bar.

In 1988, at Harvard Law School, he undertook courses in International Commercial Arbitration, International Business Transactions and Conflict of Laws and International Law. He also wrote a research paper on legal limitations of the extent of foreign money obligations.

Ajumogobia became a Fellow of the Chartered Institute of Arbitrators of London in 1996.

An author of several publications, he is a member of numerous law institutions and bodies and holds many distinctions. A keen pianist and an active sportsman, Ajumogobia is married with four children.

Secretariat reports vital for OPEC's decision-making process

At each and every OPEC Conference, Member Countries' Oil and Energy Ministers rely on detailed, accurate and timely information from the OPEC Secretariat regarding the current oil market situation and the prognosis for the immediate future. It is this essential data that ultimately informs the decisions made by OPEC in its continuing efforts to maintain a balance between supply and demand and keep oil prices at a reasonable level for both producers and consumers.

The following report on oil market developments is one such example of the wealth of information made available to the Ministers at their 145th Meeting of the OPEC Conference in Vienna. It was delivered to the Conference by Mohammad Alipour-Jeddi *(pictured left)*, Head of the Petroleum Market Analysis Department (PMAD), at the Secretariat.

The OPEC Reference Basket rose steadily between March and the end of July to reach a record high level of $73.67 a barrel on July 20 as gasoline supply concerns in the United States, persistent refinery outages particularly over the driving season, and geopolitical developments in the Middle East and West Africa pressured the market higher.

In August, the Basket fell by over $6/b in the first two weeks of the month before recovering to $71.99/b on September 6. The factors supporting current price levels include geopolitical concerns, the potential for storms in the Gulf of Mexico, open interest volume in the crude futures market, a recent drawdown observed in US commercial stocks and a perceived tightness in the product market in the fourth quarter.

Two recent developments in the market should be highlighted. The first is the recent shift of the forward market into backwardation, which should be closely monitored given the implications this could have on crude stock developments and, consequently, the oil market and crude oil prices.

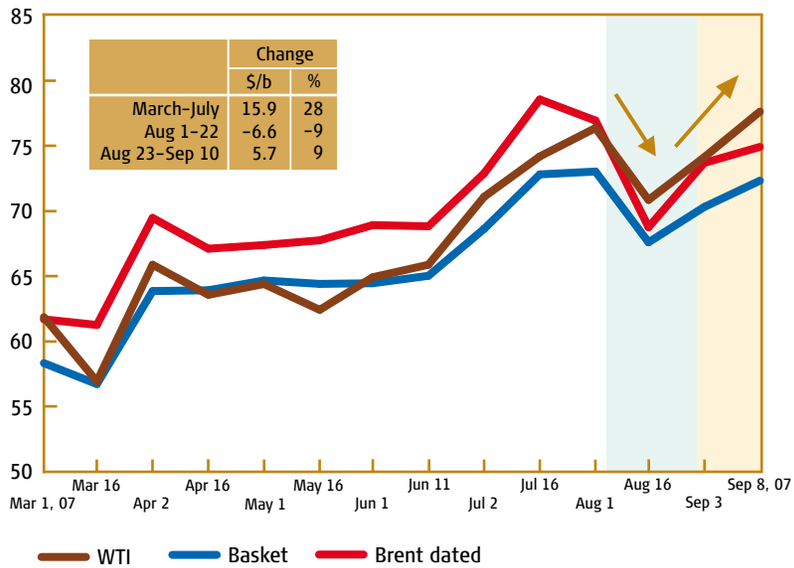
The second development is the unusual premium for Dated Brent to WTI which persisted between March and July, due to a reduction in North Sea output which strengthened Brent prices, while WTI moved lower on increased crude oil stock levels in Cushing, which resulted from the prolonged outage at the McKee refinery and increased pipeline inflows from Canada.

However, this situation reverted back to normal in early August with WTI returning to a premium to Dated Brent.

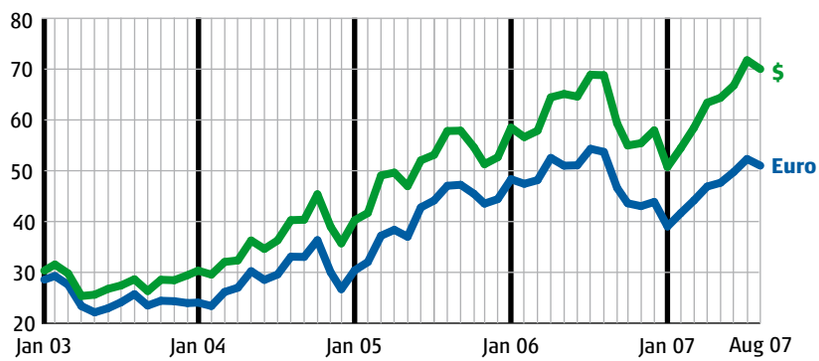
The world economy is expected to grow by five per cent in 2007 and continue at the same level in 2008. However, in the light of the recent turmoil in the financial sector, downside risks have increased considerably.

As it is still too early to gauge the extent of the negative effects of the current financial crunch on economic prospects in the US and globally, there is a need to continue to carefully monitor further developments in the financial markets and their impact on the real economy.

Oil price developments since March Ministerial Conference *($/b)*

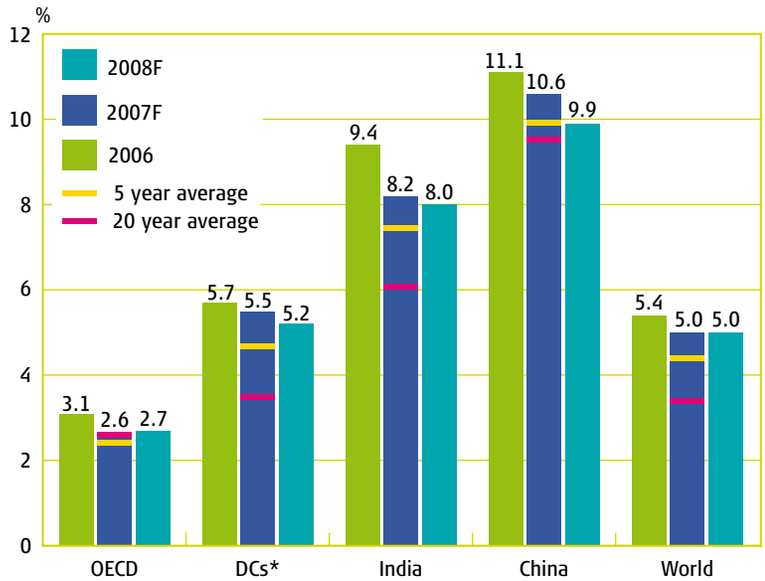


OPEC Reference Basket value considerably lower in euros than in US dollars



Oil price rise between January 2003 and August 2007: **$ 131% – Euro 79%**

While continued robust growth in the world economy expected, downside risks have increased significantly *(percentage annual changes in real GDP growth in PPP terms)*



Much will depend on the efforts of monetary authorities to contain the crisis as well as the reaction of consumers, businesses and financial institutions in the coming months.

World oil demand is estimated to grow at 1.3 million barrels per day in 2007. For 2008, world oil demand is expected to continue to grow at 1.3m b/d.

Transport and industrial fuels are expected to show the strongest sectoral growth in 2008, while non-OECD countries will continue to account for the vast majority of total world oil demand growth.

OECD oil demand growth is expected to come primarily from North America. The main downside risk for the second half of this year is seen to be the emerging fallout from the sub-prime mortgage sector.

Non-OPEC supply is expected to grow by 0.9m b/d in 2007, of which 152,000 b/d will be biofuels. For 2008, non-OPEC supply is forecast to grow by 1.1m b/d, of which 213,000 b/d will be biofuels.

As in recent years, the main contributors to non-OPEC supply growth in 2008 are expected to be Russia, Azerbaijan, Brazil and Canada, while US production is also expected to rebound.

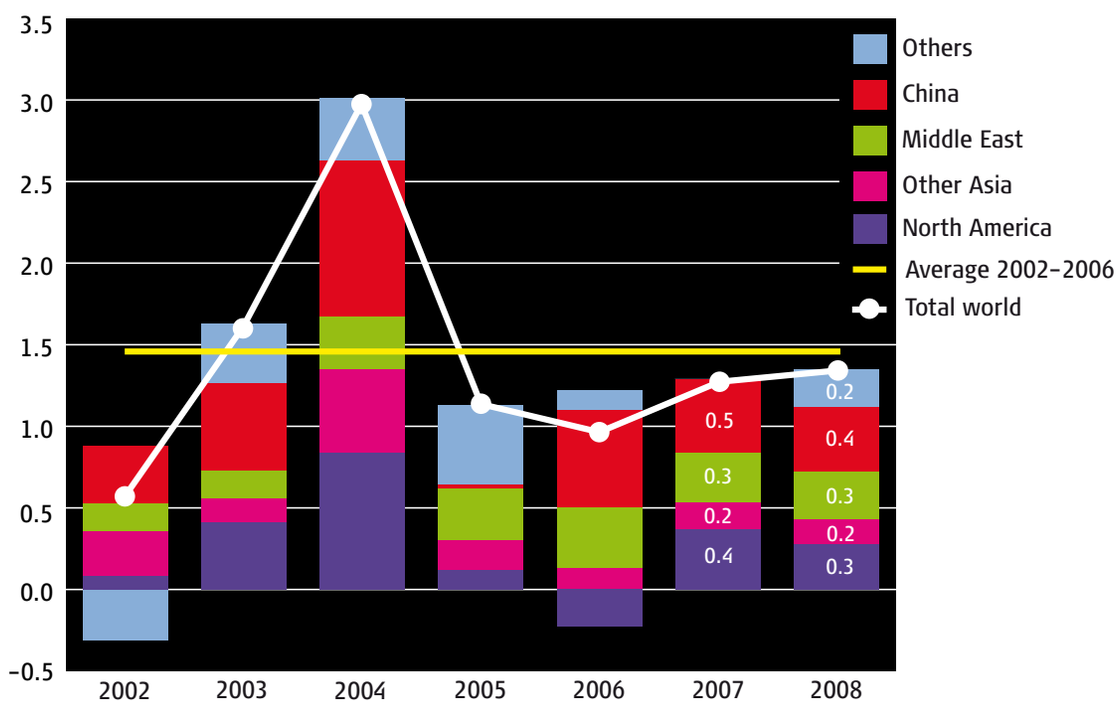
It should be noted that large uncertainties exist regarding the outlook for non-OPEC supply, given the continuing impact of project delays, the higher cost of services, deeper- and heavier-than-planned field maintenance and field shutdowns in the North Sea.

Downward revisions of 350,000 b/d to the initial non-OPEC supply forecast for 2007 serve as an indication of the degree of uncertainty affecting non-OPEC supply.

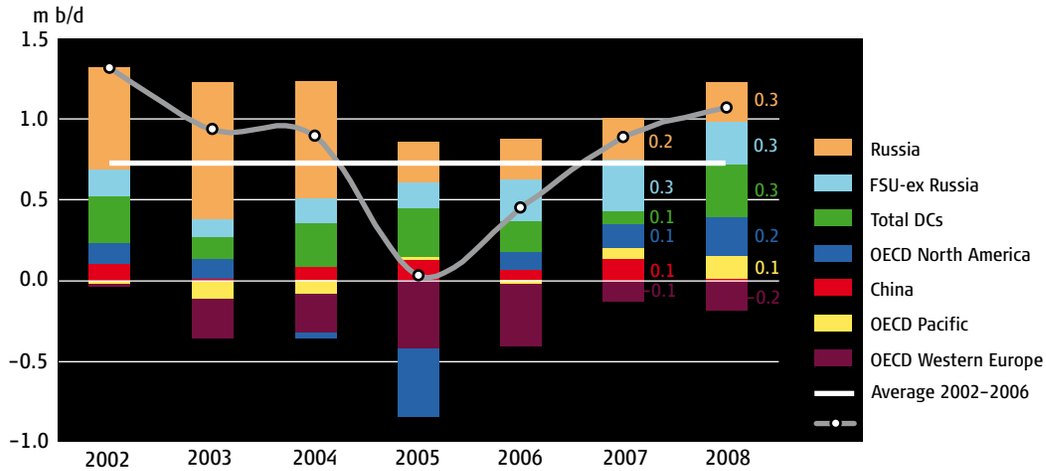
Additionally, OPEC NGLs and non-conventional oils are expected to increase, growing by 300,000 b/d to 4.4m b/d in 2007 and by 520,000 b/d to 4.9m b/d in 2008.

The US product market continues to suffer from an ongoing tightness which could provide support for refin-

Oil demand growth to continue at 1.3m b/d *(year-on-year change)*



Non-OPEC supply growth continued moving higher *(year-on-year change)*



ery economics and crude oil prices in the near term.

Refinery utilization has recently improved in most regions, rising to 86.3 per cent in Europe and 90 per cent in Asia and the US. However, due to scheduled refinery maintenance, utilization rates may decline by around five per cent in the Atlantic Basin and by around three per cent in Asia over the next two months.

By the end of 2007, an additional 1.5m b/d of refining capacity is expected to complete maintenance, but could be lower if refinery glitches persist.

In 2008, expected increases in distillation capacity, hydrotreating capacity and conversion capacity are likely to have a positive impact on crude oil demand and stock levels.

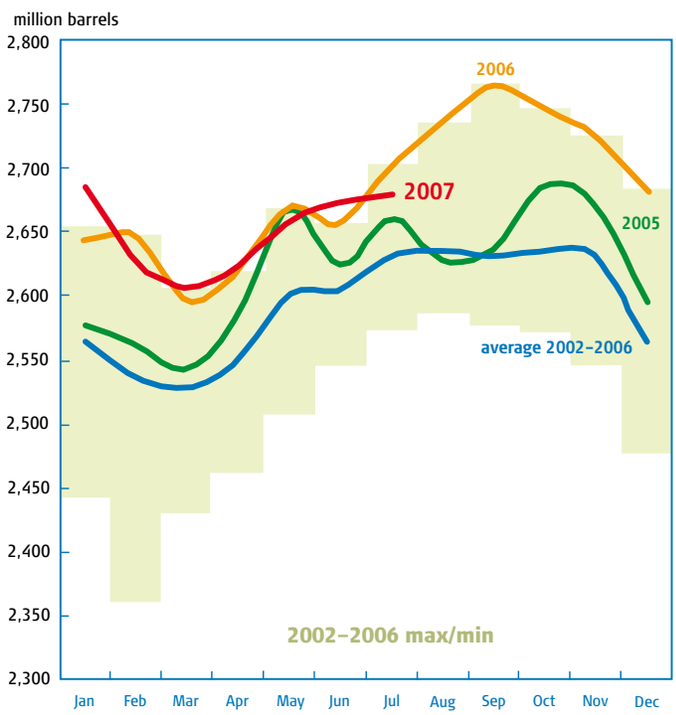
As of June 2007, total OECD commercial stock levels were at 2,673 million barrels, or 67m b above the five-year average. This corresponds to 54 days of forward cover, or half a day higher than the five-year average. Crude oil inventories accounted for 51m b of the overhang.

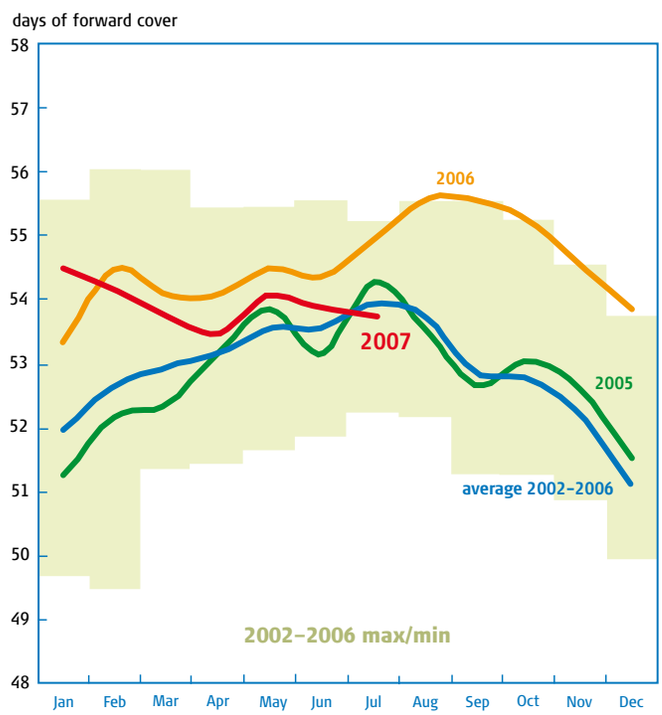
In terms of net imports, at the end of the first quarter, total OECD stocks corresponded to the equivalent of 121 days, well above the 90 day requirement.

The most recent data in the US shows that by the end of August, crude oil inventories had declined by 25m b over a two-month period, narrowing the surplus with the five-year average to around 30m b. Additionally, market backwardation may encourage further crude stock draws in the coming months.

Large uncertainties surrounding both non-OPEC supply and world oil demand in the second half of 2007 and in 2008 result in even larger uncertainties on demand for OPEC crude.

OECD commercial oil stocks *(at month-end)*





Secretary General pays maiden visit to Angola

by Omar Ibrahim

Eight months after Angola became a full member of the Organization of the Petroleum Exporting Countries (OPEC), the country hosted the first high-level Secretariat delegation to Luanda, the capital. The four-day visit led by ***Abdalla Salem El-Badri****, OPEC Secretary General, was aimed at familiarizing both the Secretary General and the Secretariat with the Organization's newest Member Country, briefing Angolan officials on the works of the Secretariat, exchanging information and data on the oil industry, and seeking the support of the Angolans for the Secretariat as it works to fulfil its mandate. In addition, according to El-Badri, his delegation hoped to use the opportunity to get to know officials from the Angolan Ministry of Petroleum and the national oil company, SONANGOL, with whom the Secretariat staff will be interacting in the course of their work.*

Newest OPEC Member hosts high-level Secretariat delegation

Above left: During the visit, Abdalla Salem El-Badri (l), OPEC Secretary General, was received in audience by Angolan President, Jose Eduardo dos Santos.

Above: An informal meeting between the OPEC Secretary General and Desidério da Graça Veríssimo e Costa, Angolan Minister of Petroleum, at the hotel Talatona, on the first day of the visit.

Receiving the delegation at the headquarters of the Ministry of Petroleum in Luanda, the Angolan Minister and head of delegation to OPEC, Desidério da Graça Veríssimo e Costa, expressed happiness that the Secretary General was able to find time to come to Luanda, despite his very tight schedule. Briefing the delegation and some Ministry and SONANGOL officials on Angola's journey to OPEC, the Minister said that Angola had given very thoughtful consideration to its membership of OPEC before formally applying to join

Secretariat officials visited Sonangol Exploration and Production (E&P) and Sonangol Integrated Logistic Services (SONILS).

L–r: Luís Neves, Angolan National Representative to OPEC; Abdalla Salem El-Badri, OPEC Secretary General; Anibal Silva, Angolan Vice-Minister of Petroleum; Dr Nimat Al-Soof, Upstream Oil Industry Analyst in OPEC's Energy Studies Dept.

Anibal Silva, Angolan Vice Minister of Petroleum, who conducted a tour of Sonangol Exploration and Production (E&P).

Sebastiao Pai Querido Gaspar Martins, Chairman, Sonangol Pesquisa & Producao.

The Secretariat team pictured during their tour of Sonangol Integrated Logistic Services.

the Organization last year. He revealed that Angola's interest in OPEC dates back to the 1980s when it first indicated interest in joining the Organization. He noted that although Angola did not become a full member at that time, it acquired an observer status and for two decades became a constant face at OPEC Conferences. The Minister assured the OPEC Secretary General of his support and that of his country to the Organization as it works to fulfil its mandate.

The OPEC delegation gave a presentation on recent oil market developments, the world oil outlook, and OPEC's medium to long-term perspectives on the market. In addition, a presentation on the Joint Oil Data Initiative (JODI) was made. The Secretariat team briefed their Angolan colleagues on the OPEC Reference Basket price and how it is calculated, and sought to include an Angolan crude stream in the basket of crudes. Girrasol was made the choice crude for Angola.

Left: OPEC and Angolan representatives attend a briefing on the duties of Sonangol Exploration and Production (E&P) by Sebastiao Pai Querido Gaspar Martins.

L–r: Félix Manuel Ferreira, Angolan Governor for OPEC; Abdalla Salem El-Badri, OPEC Secretary General; and Georges Chikoti, Angolan Vice Foreign Minister.

Anibal Silva (l), Angolan Vice Minister of Petroleum; with Fernando Fonseca, General Manager, Sonangol Integral Logistic Services.

Desidério da Graça Veríssimo e Costa (l), Angolan Minister of Petroleum, shaking hands with Abdalla Salem El-Badri, OPEC Secretary General.

Jose Pedro de Morais (second from left), Angolan Minister of Finance welcoming the OPEC Secretary General (second from right).

Group photo at the gala dinner on the final day of the tour hosted by the Minister of Petroleum of Angola

Left and below: The Talatona convention centre with some of the displayed artefacts.

In his concluding remarks, El-Badri noted that Angola's decision to join OPEC could not have come at a better time. "The oil industry, as we all know, has been undergoing fundamental changes in the last few years. Some of the challenges thrown up by these changes are best tackled collectively. Strength, the wise say, lies in unity. Angola, like all other OPEC Member Countries, is heavily reliant on oil revenue to fulfil its obligation to its people. It cannot therefore afford to leave key decisions about the world oil market to others."

The Secretary General assured the Minister and Angolan officials of the OPEC Secretariat's readiness at all times to provide support to its Member Countries to make informed decisions about the oil industry.

The Angolan delegation made presentations on the country's oil sector with special emphasis on their capacity expansion programmes in both the downstream and upstream sectors of the industry. They also made presentations on their data collection system.

The OPEC team visited SONILS, the SONANGOL Integrated Logistics Services and the Exploration and Production Directorate, where they were given a briefing and shown around the facilities of the company.

Talks with ministers

In continuation of the visit, El-Badri paid a courtesy call on the Minister of Finance, Jose Pedro de Morais, and the Vice Foreign Minister, Georges Chikoti, where he briefed the ministers about preparations for the Third OPEC Summit, scheduled to be held on November 17–18, in Riyadh, Saudi Arabia. Other top government officials who received the delegation included Anibal Silva, Vice Minister of Petroleum, and Manuel Vicente, President of Sonangol.

Meeting the Angolan President

During the visit, the Secretary General was received in audience by President Jose Eduardo dos Santos, where El-Badri reviewed the oil market with the President and once again assured the Angolan President of the preparedness of the OPEC Secretariat to avail Angola, as a full Member of OPEC, its expertise in oil matters.

Press conference held for local and international media representatives.

Pictures taken during local trips organized for the Secretariat officials show the geographic and cultural splendour of OPEC's newest Member.

OPEC publications: testament to providing oil market transparency

L-r: Fuad Al-Zayer, Head of OPEC's Data Services Department, Dr Hasan M Qabazard, Director of the Research Division, and Mohamed Hamel, Head of the Energy Studies Department.

OPEC's Annual Statistical Bulletin (ASB) and World Oil Outlook, publications that were both released this summer, are "testaments" to the Organization's dedication to providing transparent information, according to Dr Hasan M Qabazard, Director of the Research Division at the OPEC Secretariat in Vienna.

Addressing a press briefing marking the official release of the publications, he said both the ASB and World Oil Outlook were products of the Secretariat's extensive research programme, which spans all aspects of the oil industry and oil market.

"Our researchers follow the international oil market very closely and provide up-to-date analysis and information for the decision-making process at the Secretariat and for the Organization as a whole," he explained.

"Both publications are testament to our dedication to the promotion of oil industry transparency and are guided by the availability of accurate and timely data and information."

Qabazard said that the Secretariat had, in the past, produced a medium- to long-term outlook of the oil scene globally. Such results and analyses had given an insight into the important issues that might confront both producing countries and the oil industry in the future.

Historical data

The ASB, first published in 1965, gives a comprehensive guide of oil, gas and energy data with a big emphasis on OPEC Member Countries. In helping to introduce more transparency, it is one of the oldest publications in the oil industry that has such credibility and offers such depth.

"The ASB covers historical data that serves as reference material for analysts. It is the only publication of its kind that gathers in one place, statistical information and data on every facet of the oil and gas industries. For the researcher, it is a very valuable and time-saving document which has been made easy to use through the different formats it is presented in," commented Qabazard.

Consumers urged to do more to untighten product markets

Fuad Al-Zayer, Head of the Secretariat's Data Services Department, which is responsible for producing the ASB, said that what makes the publication unique in the industry is not its comprehensive nature, but the fact that the majority of information published in it comes from direct sources in Member Countries.

"We interact with the Ministries so that official numbers from Member Countries are used. We do this through annual questionnaires and through personal visits," he added.

Al-Zayer said that in the early years, the ASB was published as an in-house document. But then it was developed and improved and distributed to the public.

Platform

Turning to the World Oil Outlook, a comprehensive document that looked at trends around the world concerning supply and demand scenarios, imports and exports, Qabazard said that it not only assists in attaining the goals of the Secretariat, but also provides a platform from which to review, analyze and evaluate different scenarios as to how the oil scene may develop in the future.

"While the Outlook is not a new publication at the Secretariat, this media presentation is the first time OPEC is inviting the public to look at the world energy market through its own eyes," he said.

OPEC will continue to invest in expanding its production capacities, both upstream and downstream, but it can only do so much.

That was the message the Director of OPEC's Research Division, **Dr Hasan M Qabazard,** had for the industrialized consuming countries, who he urged to do more to "untighten" their product markets.

"As developing countries, OPEC Member States have huge social, educational and health needs and the divergence of funds from these needs to the oil industry needs to be well thought out," he told newsmen at the ASB/World Oil Outlook press briefing.

Fielding a question about the so-called 'contract' between producers and consumers over crude and product supplies, Qabazard noted that OPEC was doing its share in the upstream, as well as downstream sectors of the oil industry.

Member Countries had huge refining capacities which were far beyond their requirements. In addition, they had plans for huge expansions, with projects in Kuwait and Saudi Arabia, in particular.

"But we can only do so much with our investments and I think it is on the part of the consumers to untighten their product markets. We can see today that they do have a tight refining system that is barely meeting demand. They need to invest more."

Qabazard pointed out that unfortunately the consumers are reluctant to build refineries in their own backyards, but at the same time expect OPEC producers to build plants in their countries. "I think the consumers need to build more refineries," he affirmed.

Mohamed Hamel, Head of the Energy Studies Department at the OPEC Secretariat, told the briefing that OPEC Member Countries are expected to invest more than $60 billion in refineries by 2012.

This, he said, will boost the Organization's distillation capacity by around 3 million barrels/day, In addition, some OPEC national oil companies are investing in consuming countries and have embarked on joint-venture refinery projects.

However, he pointed out that current policy announcements made in the United States and the European Union, calling for a large increase in the use of biofuels, was creating uncertainty as far as investments in the downstream are concerned.

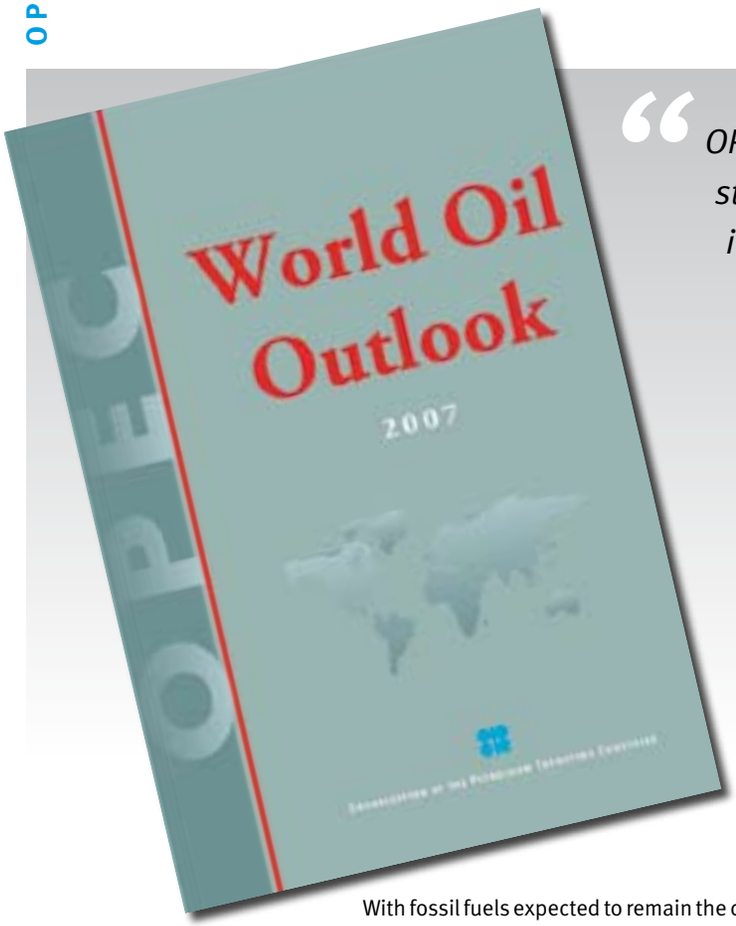
"This is not giving the right signals to the industry at the time there is a need for additional investments in this sector," he stressed.

Fuad Al-Zayer, Head of the Secretariat's Data Services Department, noted that when one looks at the top oil companies today, such as ExxonMobil, Total, BP and Shell, most of their investments are still being made in the upstream sector.

"In fact, six times as much investment is being made in the upstream than in downstream activities. We are not saying that they should not continue to invest in the upstream, but they should be doing more in the downstream sector," he affirmed.

OPEC's new Oil Outlook

Highlighting Member Countries' growing importance to future global economic welfare



"OPEC is committed to supporting oil market stability in the coming years, as reaffirmed in its Long-Term Strategy ... yet a broad, practised commitment from all players in working towards such stability is imperative. As an industry we have to be inclusive: to think and plan ahead and to look at the needs and responsibilities of oil producers and consumers, oil exporters and importers, developed and developing nations, and present and future generations."

— Abdalla Salem El-Badri, OPEC Secretary General, writing in the new OPEC publication the World Oil Outlook

With fossil fuels expected to remain the dominant energy source in the years ahead, OPEC Member Countries could be called upon to supply around 38 million barrels per day of crude oil to help satisfy global energy requirements by 2020, rising to a near 50m b/d by 2030.

The growing importance OPEC producers will have in fuelling the forecast expansion in the world economy in the future is highlighted in a new publication just issued by the Organization's Secretariat in Vienna.

The World Oil Outlook for 2007 paints a widely-accepted view that demand for energy will continue to grow apace with economic prosperity with crude expected to maintain its leading position in the energy mix.

"Energy use has been central to the development of the world economy over many centuries and remains crucial for alleviating poverty, expanding economic opportunities, providing light, heat and mobility, and enhancing the welfare of us all," comments OPEC Secretary General Abdalla Salem El-Badri in a foreword to the 140-page book.

He stresses that fossil fuels provide more than 90 per cent of the world's total commercial energy needs, with oil leading the way. And with OPEC holding some 80 per cent of the planet's known crude oil reserves, its Members have a vested interest in securing a healthy future for the industry, from both a supply and demand perspective.

The publication is divided into two sections. The first looks at the medium- to long-term reference case outlook for oil supply and demand to 2030, containing scenarios that unveil the uncertainties that exist. The second part focuses

on the downstream sector, identifying likely additional refining capacity requirements and investment needs.

"It is hoped that this publication focuses attention upon some of the priority issues, both today and in the future, particularly on those challenges and opportunities associated with our growing global energy interdependence," states El-Badri.

Interdependence

El-Badri explains that the approach to the development of the oil outlook takes into account many diverse elements that "will shape our oil and energy futures". This includes the global economy, policy developments, technological innovation and diffusion, resource availability, the scope for efficiency gains, inter-fuel competition and investment activity.

"Up front, we need to take on board the reality of a strong and increasing energy and economic interdependence between nations and recognize that energy security is a two-way street. It is important to the economic growth and prosperity of consuming/importing countries, but also crucial to the development and social progress of producing/exporting countries."

On the demand side, El-Badri points out that there are genuine concerns over how the considerable uncertainties might affect demand for OPEC oil.

"The uncertainties signify a heavy burden of investment risk — for the oil industry as a whole and for OPEC Member Countries specifically. On the supply side, we need to look along the entire supply chain, as the downstream sector is a key element for market stability," says El-Badri.

He notes that any easing in refining tightness will depend on the evolution of refinery capacity expansion and demand growth. "In this regard, however, more needs to be done to make sure the downstream sector does not lag behind, particularly given recent announcements indicating policy pushes for an expanded use of biofuels, furthering unease amongst downstream investors."

El-Badri affirms that energy efficiency is a key objective, while there are also benefits to be had from diversity in the energy mix. Realism is required in order to set priorities and find the appropriate solutions to the world's energy and environmental challenges.

"In this regard, it is essential that given the anticipated increase in fossil fuels use, as painted by all scenarios, all the necessary human and financial means are channelled towards developing, deploying and transferring cleaner fossil fuel technologies."

This, says El-Badri, includes the existing technology of carbon capture and storage, which has a large potential for reducing net greenhouse gas emissions, at relatively low cost. To this end, developed countries bearing the historical responsibility and with the means at their disposal, should take the lead.

"These short vignettes covering some of the issues also have to be placed in the context of sustainable development, with due attention paid to the three intertwined and mutually-supportive pillars, namely economic growth, social development and the protection of the environment. We need to remember that the overriding global priority is the eradication of poverty, facilitated by improved access to modern energy services."

El-Badri concedes that it is never easy predicting the future, but it is clearly beneficial to explore contrasting potential developments.

"OPEC does not hold out any of the scenarios investigated in this outlook as forecasts of the energy future. Rather, they are indicators as to how the energy landscape may evolve and they point to the need to be flexible and adaptive," he adds.

The oil report represents a new and worthwhile venture for the OPEC Secretariat, which has produced a medium- to long-term outlook of the global oil scene for many years. The results of these studies and analyses have offered a valuable insight into the many important issues oil producers and the oil industry in general have to deal with and face in the future. It all forms part of the Organization's commitment to supporting market stability, which remains a key guiding objective.

The new World Oil Outlook further advances this process and provides a platform from which to review, analyse and evaluate scenarios as to how the oil scene may develop in the years ahead.

"This should help create a forum for discussion that will hopefully aid dialogue and cooperation amongst all stakeholders, something on which OPEC places much credence," says El-Badri in the foreword.

The publication's oil supply and demand outlook and scenarios benefit from the use of an in-house econometric model, the OPEC World Energy Model (OWEM), which has been operational at the Secretariat since 1990. This model has continuously evolved to reflect the ever-changing features of the oil sector, taking advantage of the technical advances made and data availability.

The Outlook's downstream assessments use an adapted version of a large-scale linear programming model, the World Oil Refining Logistics Demand Model

(WORLD), which provides detailed information about crude and non-crude supply and movements, refining activity and expansions, product demand and trade and associated refining investments.

Energy poverty

Looking to that future, the Outlook refers to a reference case, whereby with average forecast global economic growth of 3.5 per cent a year and oil prices remaining in a $50–60/b range, global oil demand is set to rise from 83m b/d in 2005 to 118m b/d by 2030. This projection also assumes that there is no departure from existing forecast trends concerning energy policies and technology.

OECD countries, currently accounting for close to 60 per cent of world oil demand, are expected to see further growth of 4m b/d by 2030, reaching 53m b/d. Developing countries account for most of the expansion in the reference case, with consumption doubling — from 29m b/d to 58m b/d. Asian developing countries alone will enjoy an increase of 20m b/d, which represents more than two-thirds of the growth in all developing states.

Mohamed Hamel, Head of the OPEC Energy Studies Department, being interviewed after the press conference.

The report stresses that energy poverty will remain an important issue with developing countries likely to consume, on average, around five times less oil per person, compared with OECD countries, up to 2030.

The surge in global oil demand will primarily be driven by the transportation sector, which is set to see boom years in many developing countries. Today, two-thirds of the global population live in countries with less than one car per 20 people. But over the next two decades or so, the number of cars is expected to rise from 700 million in 2005 to 1.2 billion by 2030, with commercial vehicles set to more than double in number.

Apart from transportation, other sources of demand increase will come from the industrial and residential sectors of developing countries, which will see combined growth of over 11m b/d of oil equivalent up to 2030.

The Outlook points out that there are sufficient oil resources on the planet to meet this scenario for future demand. Non-OPEC crude oil supply in the reference case will reach a plateau of around 48m b/d, before gradually declining from around 2020. By 2030, non-OPEC crude oil supply is expected to be just over 45m b/d.

Coming more into the picture are supplies of non-conventional oil and biofuels, where among non-OPEC countries, the most significant growth is forecast to come from the Canadian oil sands, where output is seen rising to 5m b/d in 2030, from just 1m b/d in 2005. Coal-to-liquids and gas-to-liquids are also expected to expand, but it is biofuels that are grabbing most attention.

Production of these fuels is increasing in many regions of the world, and although many uncertainties over future demand and supply exist, the OPEC Outlook estimates more than 10m b/d of non-conventional oil supply including biofuels coming from non-OPEC producers by 2030, 8m b/d more than in 2005.

Whatever projection actually comes to fruition over future oil demand, the report contends that there will always be an underlining need for substantial investment along the entire supply chain.

It stresses that expansion of non-OPEC output capacity is up to three times more costly than in OPEC Countries, with the gap forecast to widen in the years ahead. Up to 2030, total upstream investment requirements are put at $2.4 trillion, which does not take into account the necessary spending on infrastructure.

Downside risks

Concerning prices, the Outlook contends that in today's interdependent world, both economic growth and oil demand are more resilient to higher oil prices than previously thought. There is also a general perception that higher prices can be expected in the long-term.

The report notes that downside risks to future oil demand levels are more substantial than the upside

potential. A range of issues, in particular energy and environmental policies in the consuming countries, as well as technological developments, have the tendency to reduce demand projections.

This uncertainty translates into a range of possible levels of future investment necessary in OPEC Member Countries. Just up to 2010, this uncertainty has a price tag of $50bn for required investment in the upstream sector, a figure that rises to $140bn by 2015.

In addition, the expected increase in demand for oil products means that a rising volume of crude will need to be refined.

"Therefore, it is essential to focus attention on the downstream sector as this is also a key element of the supply chain, and ultimately, of market stability," says the report in its executive summary.

It states that there is also a move towards lighter and cleaner products. "To meet this type of demand, the downstream sector will require significant investment to ensure that sufficient distillation capacity is in place, supported by adequate conversion, desulphurization, as well as all other secondary processes and facilities," says the study.

The reference case scenario for refining capacity expansion estimates that over 7m b/d of new capacity — out of 14m b/d of announced projects — will be added to the global refining system by 2012. Almost 70 per cent of this will be in the Middle East and the Asia-Pacific. Again, several factors will add to the downside risk in the reference case, including rising construction costs, combined with the difficulty in finding skilled labour and experienced professionals.

"The risk is further exacerbated by the reluctance of refiners to expedite the implementation of projects in the light of the rapidly changing policies that put a strong emphasis on developing alternative fuels that compete directly with refined products," observes the Outlook.

The total required investment in refinery processing to 2020 is projected to be $450bn in the reference case. Of this, $110bn comprises the cost of known projects, $110bn covers the further required process unit additions and $230bn covers ongoing maintenance and replacement. The Asia-Pacific requires the highest level of investment in new units to 2020, with China accounting for around 75 per cent of the Asia-Pacific total.

The Outlook states that environmentally driven regulations will also play an important role in respect to the quality specifications of refined products.

"Clearly, this trend is set to continue in the future, creating a potential for market fragmentation unless regulations are introduced in a coordinated manner. Therefore, future quality regulations should, as much as possible, ensure the fungibility of fuels to avoid shortages and prevent unnecessary volatility in product and crude oil markets," says the report.

The team that worked on the World Oil Outlook (l-r): Garry Brennand, Dr Nimat Al-Soof, Anne Rechbach (back), Andrea Birnbach, Ramiro Ramirez (back), Dr Hasan M Qabazard, Abdalla El-Badri, OPEC Secretary General, Mohamel Hamel, Dr Fuad Siala, James Griffin, Dr Jan Ban.

Umaru Musa Yar'Adua, GCFR, Nigerian President.

Nigeria's national oil company restructures for optimum yield and capacity utilization

By Angela Agoawike

Towards the end of August, the Nigerian government of President Umar Musa Yar'Adua announced a restructuring of the country's national oil company, the Nigerian National Petroleum Corporation (NNPC). Under the move, the NNPC is to be broken up into five firms in a process called unbundling. This procedure is expected to not only make the NNPC perform more efficiently as an oil firm, but will also see the name change as it begins to operate under the mast of the Nigerian Oil Company (NOC). At the same time, the existing Department of Petroleum Resources (DPR) is to be known as the Petroleum Inspectorate Commission (PIC). Hitherto, the DPR was charged with the responsibility of overseeing the lifting of oil, gas and condensate and their export from the country's terminals, but lacked the power to enforce compliance. It is expected that this new status will make it possible for the PIC to carry out these functions a lot more effectively. The other firms that emerged from the unbundling are the Product Distribution Authority (PDA) and the newly created National Oil and Gas Assets Holding Company (NOGAHC). The unbundling is part of the administration's road map enunciated for

the energy sector by the Committee on Oil and Gas Sector Reforms (OGSR), which also recommended the setting up of an Energy Council.

According to the country's Minister of State for Energy (Petroleum), Odein Ajumogobia (SAN), the Energy Council is a high-level superintending body chaired by the country's President with the three ministers assigned to energy matters, among others, as members.

The restructuring process, said Abubakar Lawal Yar'Adua, the NNPC's Acting Group Managing Director, will come onstream in the next six months. The move is expected to strengthen the country's national oil company and make it function more effectively like some of its counterparts around the world. Specifically, NNPC officials cite the examples of the Saudi Arabian oil company, Saudi Aramco, the Malaysian oil and gas company, Petronas, and the Brazilian oil and gas company, Petrobras.

"I believe the purpose of the new policy is in line with the government's desire to make the NNPC function purely as a profit-oriented, commercial and duly capitalized limited liability company, with the right to raise funds for its projects and operations, just like its peers around the world," Yar'Adua was quoted as saying shortly after the announcement of the proposed restructuring process.

Strengthen operations

Continuing, the NNPC chief said that under the proposed arrangement, the exploration and production arm of the NNPC, the Nigerian Petroleum Development Company (NPDC), which presently produces about 70,000 barrels of crude per day, would be more empowered to raise its production capacity. Before the new policy, the Nigerian government transferred to the NPDC, operatorship of five oil blocks in what is considered a bid to strengthen its operations.

Yar'Adua restated what Ajumogobia had earlier given as reasons for the NNPC break-up. "The central theme of the reorganization is to restructure the oil company of Nigeria, the NNPC, to shore up its other roles. The NNPC has been like a guardian rather than a commercial operator and the idea is to incorporate it as a separate entity, migrate assets to it and ensure that it is driven by the profit motive," he said at a press conference in Vienna, on the sidelines of the 145th Ministerial Conference of the Organization of the Petroleum Exporting Countries (OPEC).

The restructuring, the Minister said, is with the hope of turning the country's oil industry around and moulding it in the form of Saudi Aramco. Said Ajumogobia: "Saudi Aramco is of course the ultimate goal of where we'd like to be; we are a long way from that."

The NNPC currently operates as a sector regulator, a national oil company and an oil and gas asset manager. These roles will be unbundled into separate units under the reforms. Moreover, most of the country's oil is produced by joint ventures between the state firm and international oil companies (IOCs) where both partners fund their share of investments. Unable to constantly meet its joint-venture agreements, the government often borrows from the IOCs under "alternative financing" deals to meet its obligations.

"Alternative financing is obviously attractive for the IOCs ... but it is obviously not attractive to us because of the fiscal implications," Ajumogobia said in another interview he granted a newswire.

New offshore developments are under production-sharing contracts, where the private-sector partner foots the capital bill and receives almost all the revenue in the first years of production. Ajumogobia said he did not want to see the joint ventures transformed into production-sharing agreements either.

Above: The splendid towers of NNPC headquarters in Abuja.

No doubt, there are challenges involved in the new process. Before the move, the NNPC had been plagued by allegations that ranged from politically motivated arbitrary awards of oil blocks and contracts, a lack of proper management of the country's oil refineries, and an absence of transparency in the nation's crude accounts.

All of these impediments have stood in the way of generating adequate funding for the NNPC's joint-venture arrangements with the IOCs. Ajumogobia recognizes this and so, during the press conference, told the media and oil industry analysts that the new policy

Shell Petroleum Development Company oil tanks at Bonny Island, in the Niger Delta.

is indeed, coming at a difficult time when the country is trying to confront the issue of corruption and bring perpetrators to book.

"There is also the challenge of funding and our joint-venture partners have recognized that the model we have been pursuing hasn't been efficient and so as Nigeria is going through this reform process, we are doing so in conjunction with new models and new alternative ways of funding the industry."

Another problem that has plagued the OPEC Member's energy sector is the inability to satisfy local energy needs, even as it is a net exporter of crude oil. Again, this is where the issue of misalignment comes into play. Take the case of refineries not being able to meet local demand of refined petroleum products. With three existing refineries in Port Harcourt, Warri and Kaduna, Nigeria still imports a large portion of its refined products. One reason often given for this situation is that the refineries are not functioning at full capacity.

Still, if all Nigeria's refineries are working at full capacity, said Ajumogobia, "we'd still have a shortfall of at least 45 per cent; we'd still be importing fuels. It's a little incongruous, given that we produce fuel, we have refineries and we can build the capacity to refine more."

It was in efforts to redress this misalignment that the government issued a number of licences to interested parties to build refineries. There is also the thinking that these refineries should actually be built, either privately or in partnership. Whatever it is to be is still being worked out .

Radical restructuring

In seeking to restructure the NNPC, therefore, the country's present administration is indeed embarking on a mission that could be considered radical. It is not only breaking up the mega-corporation, but in so doing is reversing the 33-year history of the Corporation, which came into being in 1977 through Decree No 33. This decree sought to place the country's oil and gas sector on the path of greatness by bringing together the then Ministry of Petroleum Resources and the Nigerian National Oil Corporation, to form the Nigerian National Petroleum Corporation (NNPC). The new corporation was charged with the "exploitation, production, transportation, processing of oil, refining, marketing of crude oil and its refined derivatives, in addition to carrying out the regulatory function hitherto performed by the Ministry."

The challenge some analysts see in the new process will be in unbundling NNPC into production, downstream

and asset-holding companies as most of its finances are intertwined. But they do concede that for it to succeed, the unbundling will have to be a thorough and painstaking exercise.

The country's President, who has been in office for a little over four months, recognizes the enormity of the problem in Nigeria's energy sector and its implications for the country's economy and standard of living.

"We must solve this problem because until we do that, we cannot address the fundamental problems of our economy, like poverty and unemployment. Even while the circumstances may be different, if we can achieve what we did in the telecoms sector, we can equally solve the power and energy problem."

Ultimate goal

In equating his expectations of the new energy policy to the telecoms sector, Yar'Adua is referring to the huge transformation of the country's telecoms industry, which has seen a massive improvement in its services, as well as in access to telecommunications.

To underline his seriousness, the President issued a warning: "My ultimate goal is to achieve what we did with the GSM. We will partner with the private sector and put in as much investment as we should. You people had better be ready to come up with your plans before I declare a state of emergency in the sector. Because once I do, I will take no excuse."

Of course, Nigerians will take no excuses too. The country requires at least 10,000 megawatts (MW) to power homes and industry and even have a little surplus for export. Today however, the state energy concern, the Power Holding Company of Nigeria (PHCN), generates less than 1,200 MW resulting in the unreliability of public power supply. This has had an adverse effect on the country's infrastructure and industries.

Aware of the situation, Yar'Adua, during his electioneering campaign, promised to chart a new road map for a greater Nigeria, including declaring an energy emergency because of the bottleneck in the supply of energy resources to the country. The new Energy Policy and the setting up of the Energy Council are, no doubt, partly in fulfillment of that promise.

One possible implication of this proposed structure, Nigerian oil industry officials believe, is that it will make the national oil company not only stronger, but will enable it, like a public and profit-oriented company, and through its strategic business unit (SBU), to go to the capital market to raise money and offer Nigerians the opportunity to buy shares in the SBUs.

While the new initiative in the oil and gas sector is yet to receive the approval of the country's National Assembly, there is already a wave of optimism in the air and Nigerians, as well as industry operators and analysts, are looking forward to the workability of the new initiatives — *write agency reports*.

Above: An oil tanker at a jetty off the commercial city of Lagos.

Left: One of many NNPC mega service stations in Nigeria.

Local content —
the platform for economic and social development

More and more OPEC Member Countries, looking to expand their oil and gas industries, are realizing the true potential of developing their indigenous workforces and sourcing their products, materials and services domestically, rather than rely on costly and often unreliable imports.

This home-grown approach — known as local content — was the subject of a conference held in London recently at which ***Dr Ibibia Lucky Worika****, Senior Legal Counsel at the OPEC Secretariat in Vienna, gave the keynote address. His speech entitled 'Managing local content in oil and gas investments for long-term success', highlights just how beneficial broadening local content can be for a developing economy.*

I should like to begin by thanking the organizers for the invitation to deliver this keynote speech on such an important topic as the management of local content in oil and gas investments. As you can probably appreciate, this is of particular relevance to oil and gas producing developing countries, as it is for the entire oil and gas industry, at the local, national and international levels. Local content has a significant role to play; a role that can, and should, provide a strong platform for a country's economic and social development.

Before I delve deeper, allow me to initially put forward a definition or explanation of the phrase 'local content in oil and gas investments'. It is not easy, but it may be said to refer generally to the aggregate indigenous human, as well as material resources, personnel, goods and services sourced and/or produced locally and available for use in oil and gas investments in a particular country. So, with this in mind, the focus for me today is to provide you with a flavour of some of the challenges and opportunities associated with this description of local content.

To lay a platform for this, I think it is appropriate for me to turn to the country I know best, Nigeria, the land where I was born. Nigeria is the leading African oil producer, with production currently around 2.2 million barrels per day, and it is also rapidly expanding its gas export industry. The importance of the petroleum industry to Nigeria cannot be under-estimated. It accounts for more than 80 per cent of government revenues, 90 per cent of foreign exchange earnings, 95 per cent of export receipts, 40 per cent of gross domestic product (GDP), and revenues are essential to the social and economic development of its citizens.

The reason I have provided you with this very brief overview of Nigeria is to underscore the importance of the petroleum industry to the country and its population. The oil and gas industry is vital to achieving sustainable development. And this is very much apparent in other OPEC Member Countries too, all of which are developing nations with expanding needs and requirements. It all points to the need for a well-defined, coherent, effectively managed and administered local content framework that positively engages and mobilizes all the relevant stakeholders — the local communities, the local industries, service companies, the national oil company, governments and the international oil companies — and in a manner that enables economic growth and social progress, while protecting the environment.

That is not to say that this can happen overnight. In practical terms, building up local content and getting the right regulatory framework in place is a challenge, but it can be realized, and the way forward is purposely working together with a set focus. We need to comprehensively dissect the core issues and pragmatically present answers to the problems. There is no hard and fast rule, but any framework needs to be long-term in approach with reviews periodically, and implemented in an efficient, sensitive, transparent and sustainable manner.

Capital intensive

Up front, what needs to be appreciated in the oil and gas industry is the fact that almost all major investments are capital intensive and have long lead times and pay-back periods. And long-term investment requires a clear, stable and well-structured regulatory framework for both the host country and foreign investors and is a prerequisite to maximizing investment opportunities in the oil and gas sectors. So for local content, it is essential that there are policies, laws, regulations (guidelines and standards) and contracts, as well as institutional mechanisms, for its effective management.

There are a variety of ways to achieve this. Firstly, by integrating local content legislation into a holistic national petroleum policy that articulates measurable goals and objectives. This means being part of a totality of oil and gas laws, subsidiary instruments or regulations, includ-

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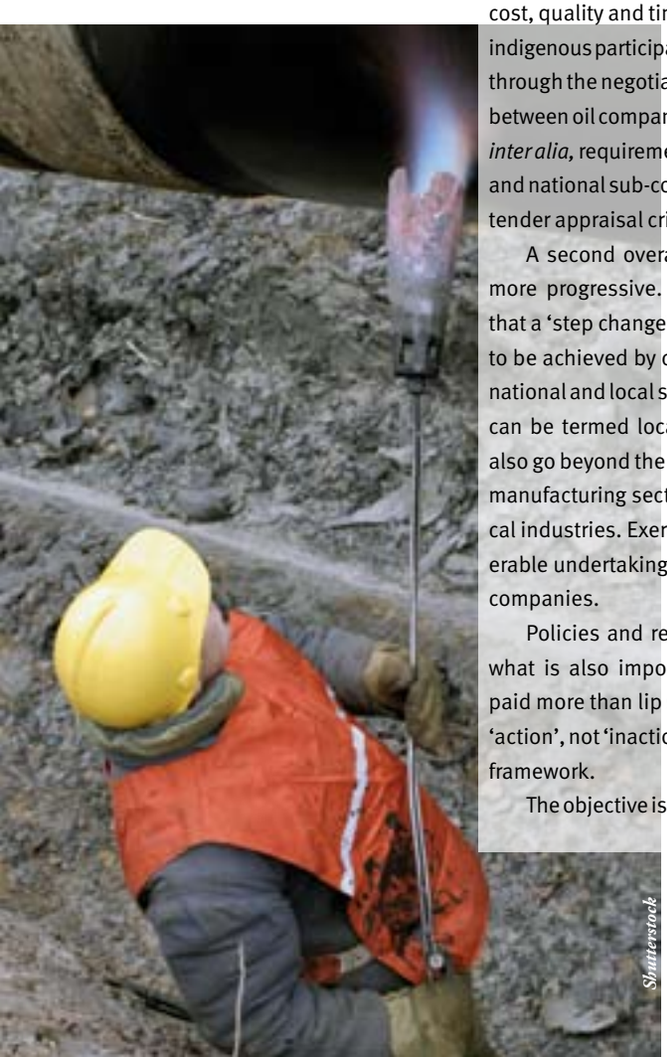
ing certain ministerial directives, guidelines and standards pursuant to petroleum regulations, which together govern activities related to the entire oil and gas industries. And secondly, by initiating a specific local content policy regulation that is standalone, but which is then utilized in conjunction with the national energy (petroleum) policy.

The key in both cases is to establish and/or strengthen the legal, regulatory, monitoring, evaluation and other relevant mechanisms for assuring the attainment of specific local content goals and policy targets. This might lead to the amendment of laws, the creation of new ones, and should aim to strengthen coordination between state and private institutions, at both the regional and national levels. The goal is a coherent framework that covers all local content issues and provides a transparent framework from which all the necessary parties can conduct future contract negotiations.

More progressive

From the viewpoint of public policy initiatives, two quite distinct policies for achieving higher local content targets stand out. The first is where the state requires oil companies to give greater preference to those nationals and national suppliers who can compete internationally on cost, quality and timeliness, what can be termed local or indigenous participation. The policy is commonly delivered through the negotiated terms of host country agreements between oil companies and government, and manifest as, *inter alia,* requirements for joint ventures between foreign and national sub-contractors, lower pre-qualification and tender appraisal criteria than applied to foreign bidders.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A second overall local content policy is potentially more progressive. A number of governments propose that a 'step change' in local content capture is only likely to be achieved by consciously building the capability of national and local skills to access the opportunities, what can be termed local capability development. This may also go beyond the oil and gas industry and integrate the manufacturing sector, for example, the steel and chemical industries. Exercising this policy may involve considerable undertakings on the part of oil and gas operating companies.

Policies and regulations are all well and good, but what is also important is making sure that these are paid more than lip service. These laws need to be about 'action', not 'inaction'. This requires a strong institutional framework.

The objective is to have a strong institution, preferably with no vested interests, managing local content policy. Again this might be part of a regulator that oversees the entire industry, or a specific institution that monitors local content policy. Whichever is preferred, it needs to be part of an intricate network of institutional arrangements to monitor and enforce compliance.

Allow me to quickly return to Nigeria and spotlight on some of the issues related to the Niger Delta, with local content specifically in mind. I would like to stress that the government is doing everything humanly possible to resolve the Niger Delta anxieties, and ongoing high-level dialogue on such issues as local content and involvement in the oil industry signals hope for a peaceful and sustained resolution. For example, the government has concluded plans to ensure that oil firms use local resources in their operations. It has been recognized that in some areas, local participation is very low and the neglect of local oil workers' welfare could be viewed as a driving force behind some of the unrest.

The objectives of the Nigerian local content policy are to promote a framework that ensures active local participation without compromising standards; to promote value adding in Nigeria through utilization of local raw materials and human resources; to promote steady, measurable and sustainable growth of Nigerian content; and, to significantly increase the contribution of expenditures in the upstream sector to GDP over a defined period of time.

It is hopeful that local content development would ensure that the quantum or percentage of locally produced materials, personnel, goods and services rendered to the industry are increased, thereby generating more employment and economic empowerment.

And as I mentioned earlier, the key in all this are strong and robust frameworks and policies, and institutions that make sure local content measures are implemented. This is something the Nigerian government has put in place and will continue to refine and review over time.

National development

Other OPEC Member Countries also have local content frameworks, policies and institutions in place. Allow me to provide you with some examples and benefits:

In Venezuela, the Organic Law of Hydrocarbon, which basically deals with oil and petroleum activities, imparts that the National Executive shall adopt measures aimed at the creation of national capital to stimulate the incorporation and consolidation of companies engaged in the

operation, service rendering, manufacturing and supply of goods of national origin. This includes local human resources. In recent gas licences in Venezuela, it has also been established that operators 'must' implement policies in order to encourage national development and the employment of Venezuelan workers.

In Indonesia, a number of government policies in the oil and gas industry are specifically focused on boosting the employment of local people and improving the competitiveness of local industries. This includes local staff being placed on overseas assignments with International Oil Companies to help develop expertise.

In Saudi Arabia, the government's local content policy has over the years produced a host of local companies, such as pipe plants, heat exchanger manufacturing facilities and valve producing plants, which combined produce steel and iron pipes for oil and gas pipe lines, as well as various other important services to the petroleum industry. Preferential treatment to local manufacturers is, however, subject to the business meeting written standards and specifications. In recent years, many local manufacturers have been able to obtain ISO certification with their products meeting API standards, as well as Saudi Aramco's specifications.

To help actualize local content, it is also essential that host producing countries play a major role in terms of helping develop well-trained local staff through various institutions and training centres. For example, there is Iran's Research Institute of Petroleum Industry (RIPI), which is a leading research organization engaged in a wide range of research, technical and consultancy activities, as well as helping recruit and train human resources, such as Iranian scientists and engineers. Elsewhere, there is the Nigeria Petroleum Training Institute (PTI) and the Petroleum Training Centre in Kuwait, both of which invest in the education and training of local resources. And in Angola, the national oil company Sonangol is part of a joint venture that has set up Sonamet, which was conceived with the prime purpose of facilitating the transfer of engineering expertise, in order to strengthen basic oil industry know-how among Angolans, and to build a trained local workforce. There are also plenty of other similar institutions in other OPEC Member Countries.

From the perspective of investors, enlightened self-interest should be a guide in them taking advantage of such institutions and supporting research and development (R&D) in oil and gas in their respective host countries. And in turn, where carefully formulated and effectively implemented, advancing local content could reduce overall costs, improve corporate image and legitimacy, and by implication, lead to stable and secure investments. It should, indeed, be a thing of pride to be associated with building local capacity and contributing in no small measure to economic development and sustained growth by patronizing the production of local goods and services that meets with international standards.


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The key issue is that for some countries, particularly developing ones and those with oil and gas resources, local content must in many respects, be viewed as a must. It is vital that the host country and its population witness benefits from these resources. To achieve this requires a coherent, stable and consistent regulatory and institutional framework that provides clarity for all parties. This objective is not something that requires discussion — it is a must. What does require discussion is how to achieve this aim and I look forward to hearing from many presenters today about how their governments and institutions are developing such a platform.

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

Algeria recovers stability, provides substantial investment opportunities — Bouteflika

Algiers — Algerian President, Abdelaziz Bouteflika, has said that his country has recovered stability after a decade-long national tragedy, adding that Algeria now provides substantial investment opportunities. "After a decade-long national tragedy marred by a wave of barbaric terrorism, and in spite of the latest odious atrocities, Algeria has recovered stability," he said at a lunch party held in honour of Malta's President, Edward Fennech-Adami. Separately, in Cairo, Trade Minister, El-Hachemi Djaaboub, stressed that Algeria offers important opportunities to foreign companies willing to invest in the country. *APS*

US study holds Algeria up as example of eliminating gas flaring

Algiers — Algeria was held up as an example in the elimination of gas-flare emissions by a new United States study carried out as part of a meteorology plan, published in the Financial Times. "Some countries have considerably cut down the volume of gas-flare emissions over the past years, but the blue ribbon should be given to Algeria, a model of the countries that managed to put an end to gas-flare emissions," the study asserted. Besides Algeria, the study mentioned, as other model countries, Mexico, Indonesia and some European nations, especially North Sea producers. *APS*

Sonatrach exports worth nearly $27 billion in first half of 2007

Algiers — The Algerian national energy company, Sonatrach, recorded export turnover amounting to 1,980 billion Algerian dinars ($26.81 billion) in the first half of this year, down by one per cent from the same period of 2006, according to the company's figures. Sonatrach exports during the period reached 67.86 million tons of oil equivalent, down by three per cent compared with the first half of 2006. *APS*

Sonangol announces oil discovery in Gimbôa area

Luanda — Angola's National Oil Company (Sonangol EP) and Sonangol Research and Production SA (Sonangol P&P) have announced the discovery of additional oil reserves at the Gimboa area, in the deep waters of Block 4/05. They said oil has been found in the miocenic wells of two adjacent compartments, following evaluation on the 4-31-11 well located in the western part of the block, at a depth of about 458 metres. After tests, the well produced 5,346 barrels of oil per day. Technical studies for evaluating the extent of the reserves is now underway. The Gimboa oil field was discovered in 2004 with research well 4-41-1 and is at the phase of development. It is expected to start production in the third semester of 2008. Sonangol EP is agent of Block 4/05. The group is made up of Sonangol P&P as operator (50 per cent), Norsk Hydro Quatro SA (20 per cent), Somoil (15 per cent) and ACR (15 per cent). *AngolaPress*

Indonesia-China trade ties growing rapidly

Beijing — Trade between Indonesia and China, which has been growing rapidly over the last few years, is set to reach a value of $20 billion this year. "Trade between the two countries has been increasing substantially, especially following the signing of a strategic cooperation between the two countries in April 2005," Indonesia's Ambassador to China, Sudrajat, said in Beijing. The strategic partnership between the two countries was signed by Indonesian President, Susilo Bambang Yudhoyono, and his Chinese counterpart, Hu Jintao, in April 2005. It is aimed at enhancing political, economic, social and cultural cooperation. The ambassador said trade between the two countries in 2007 may reach more than $20bn, a figure that had actually been projected by the two countries. "Thus, the $20bn worth of trade scheduled for 2008 could be achieved this year," he said. Chinese customs and excise statistics show that in January-July 2007, trade between the two countries reached a value of $14.1bn, up by 39.5 per cent compared with the same period last year. Under the strategic partnership, trade between the two countries is slated to reach $30bn by 2010. "I believe that this will be achieved, but with the hard work of business people and the governments," he said. Sudrajat added that he believed there are still many potential opportunities of cooperation between the private sectors of the two countries. *Antara News*

Indonesian tourist arrivals up 13.5 per cent

Jakarta — Foreign tourist arrivals to Indonesia in the first eight months of 2007 rose by 13.5 per cent year-on-year to 2.97 million, according to data released by the Central Bureau of Statistics. The boost was driven by a resurgence in the popularity of the resort island of Bali, where arrivals jumped by 34.5 per cent year-on-year to 1.13 million in the first eight months of the year. Arrivals to Bali dwindled following a triple suicide bombing carried out by Islamic extremists in

October 2005 that left 20 people dead. That attack came three years after a major attack killed over 200 people, mostly foreign holidaymakers. Indonesia has 14 other international entry points. In August alone, nationwide foreign tourist arrivals stood at 405,604, down 4.2 per cent from July. However, August tourist arrivals were 17.3 per cent higher than the 345,900 recorded in the same period a year ago. *Antara News*

Indonesia to come up with seven-point agenda to UNFCCC

Jakarta — Indonesia will bring a seven-point agenda for discussion to the United Nations Framework Convention on Climate Change (UNFCCC) which it will host in December this year. The agenda will deal with adaptation, mitigation, the clean development mechanism, the financial mechanism, technology and capacity-building, reduced deforestation and a post-Kyoto protocol, according to Daniel Murdiyarso, Editor of the Inter-governmental Panel on Climate Change (IPCC) WG2 report. He said the time had come for policymakers to pay attention to the problems of adaptation to climate change. "After passing through the adaptation process, we must conduct a mitigation process which serves as a response to or control of the problem of climate change," he maintained. He said the issue of technology and capacity-building was aimed at encouraging advanced countries at the conference to transfer their environment-friendly technology to developing nations. "The parties in the conference of UNFCC capable of developing (environment-friendly) technology or contributing capacity-building assistance are obliged to distribute it (among developing nations)," he said. The UNFCCC, to be held in the resort island of Bali on December 2–14, will also be attended by observers from government organizations and non-governmental organizations. *Antara News*

Indonesia to become developed nation by 2050 — President

Surabaya, East Java — President Susilo Bambang Yudhoyono has said that Indonesia will become a developed country by 2050 if it makes various significant changes in its political, environmental and economic terms. "In my estimation, with due account of all relevant factors, we will reach that state by 2050 provided we make significant changes," he said in a general lecture at Airlangga University. The first step Indonesia should take to reach a developed status was to build the nation and country through an integrated programme by giving the provinces the chance to develop themselves, he maintained in his speech on 'Indonesia's transformation in the globalization era'. The second step was to combine natural and knowledge resources, while the third was to achieve economic growth with equity, he said. "I don't believe in the trickle-down effect concept as many developing countries have failed to implement it. Therefore, since the beginning we ought to have equity in our economic growth," he said. Another strategy the country should pursue, he said, was to strengthen national defense and independence, enhance constructive international cooperation and encourage the role of all people and their contributions to national development programs. Yudhoyono said poverty reduction, as well as food and energy resilience, were two important sectors the government would prioritize in the next ten years. *Antara News*

Iraq is Iran's second most important trade partner — minister

Tehran — Iraq is considered Iran's second most important trade partner thanks to a 17.5 per cent increase in non-oil exports in the first four months of this year, compared with the same period in 2006, according to Iran's Deputy Commerce Minister, Mehdi Ghazanfari. He said the volume of Iran-Iraq trade stood at $1.22 billion last year which included just $16 million of Iraqi imports. Last year's exports to Iraq included 7.5 per cent of total non-oil exports from Iran, he noted. Ghazanfari, who is Director General of the Trade Promotion Organization of Iran (TPOI), added that Iran supplies 56 per cent of the requirements of Iraqi markets, including aquatic products, vegetables, fruit, carpets, shoes, ceramics and glassware. He said that dispatching trade delegations, holding exhibitions and taking part in international fairs will pave the ground for more presence by Iranian businessmen in Iraq. Separately, Jahan Bakhsh Shirazi, Director General for the Public Relations Department at the Iran-Iraq Joint Chamber of Commerce, Industries and Mines, said trade between the two sides is expected to rise to $1.8bn a year. According to a ten-year strategy, trade between Iran and Iraq is envisaged to reach $10bn a year, he added. *IRNA*

South Korea's construction orders from Kuwait rise

Tokyo — Construction orders from Kuwait won by South Korean builders reached a value of $1.84 billion during the first eight months of this year, driven by higher crude oil prices, according to the latest data released by the South Korean government. Orders from Middle Eastern countries accounted for 69 per cent of the total volume in the January-August period, the Ministry of Construction said. The United Arab Emirates (UAE) was the largest market for South Korean companies, awarding $4.95 billion worth of orders, followed by Saudi Arabia with $2.74bn. Egypt placed orders worth $1.67bn. Altogether, overseas construction orders received by local contractors in the reporting period exceeded the $20bn level for the first time, and already surpassed an annual record high of $16.4bn posted last year, the ministry said. It projected that the figure would pass $24bn by the end of this year as more deals are expected to be sealed. *KUNA*

Feverish diamond selling, buying seen in Kuwait

Kuwait — Kuwait is continuing to see feverish diamond buying and selling activities with prices increasing year after year. Kuwaiti diamond dealer Isa Metairi was quoted as saying that consumers started buying diamonds for their escalating value, compared with other jewelry, such as gold and silver. He added that a diamond's value is determined by its quality and a set of four important criteria, including carat, colour, clarity and accuracy of cut. He explained that the volume of trade in diamonds, which includes gold work, watches and diamond inlaid collars in Kuwait, is up to more than 100 million dinars a year compared to the volume of world trade, which is estimated at $100 billion annually. Metairi called for the setting up of an annual Kuwait jewelry exhibition in which hundreds of major companies from all over the world could take part. To underscore the importance of investing in diamonds, he said he had sold a watch inlaid with diamonds worth KD 140,000 a few years ago. He said a diamond collar was sold in Kuwait three years ago at $6 million, while the price at the present time is more than $10m. *KUNA*

Kuwait to export electricity from solar power by 2050 — studies

Kuwait — Kuwait is expected to be one of the world's exporters of electricity generated from solar power by 2050, according to a professor at the Kuwait Institute for Scientific Research (KISR). German studies have proven that using ten per cent of Kuwait's total area for generating electricity from solar power can produce power equal to 500,000 barrels of oil equivalent daily, Professor Adel Hussein, Director of Construction and Water Techniques, said. Prompted by these results, the German scientific research centres are conducting wide-scale studies that will be the basic of a plan to link the power production in Europe and Asia to the Arabian Peninsula, he added. The official noted that the study prepared by Germany's DLR centre pointed to plenty of power resources for renewable energy in the Arabian Peninsula and North Africa that could help fulfill the needs of the countries in the region and also for export purposes. Kuwait has been paying great attention to investing in the vital sector of renewable energy through the KISR whose members are working hard on plans and studies for setting up a research centre on the alternative and renewable energy sources in Kuwait. *KUNA*

German company plans 100,000 b/d oil refinery in Nigeria — report

Lagos — Germany's Shark Petroleum has signed an agreement with Niger State in central Nigeria for the construction of a 100,000 b/d oil refinery. The refinery is estimated to cost $1.8 billion and will be sited at the port of Baro in the Katcha Local Government Area. The Deputy Governor of Niger State, Ahmed Ibeto, signed the agreement on behalf of the state government, while Chief Executive Officer, Gunther Sommer, signed for the German firm. Ibeto said the company would provide 92.5 per cent of the total cost of the refinery, while the state government would contribute the remaining 7.5 per cent. Work on the project, he said, would begin within the next six months to allow for all the necessary arrangements, including the process of obtaining the license for the refinery. When it comes on stream, the refinery would be the first privately owned oil refinery to be set up in the country. *NAN*

Saudi Arabian firm wins $5.3 million Kuwait projects

Jeddah — Saudi Arabian company Zamil Glass has been awarded several prestigious projects in Kuwait with a combined value of SR 20 million ($5.3 million). Among the schemes, Zamil Glass will supply 34,000 square metres of shaped structural glazed unitized units to the Kuwait Trade Centre, a 40-storey landmark tower and commercial complex located in the heart of Kuwait City. The second contract entails the supply of high-performance guardian glass and fire-rated glass from Trosch to the Sheikh Jaber Al-Ahmad Al-Sabah International Stadium, a state-of-the-art sports stadium for athletic events and soccer matches. Zamil Glass has also secured major agreements to supply Solar-e-Blue laminated glass to the Kuwait Oil Company (KOC) and Kuwait International Airport. *SPA*

SABIC purchases GE plastics

Riyadh — The Saudi Basic Industries Corporation (SABIC) has announced the completion of its purchase of GE Plastics from General Electric for a price of $11.6 billion. The former GE unit is now SABIC Innovative Plastics, a new business addition to the Corporation that will focus on the global growth of thermoplastics and engineering plastics through innovation to serve the automotive, electronics, healthcare, and construction sectors. The acquisition will significantly broaden SABIC's plastics product portfolio and provide access to new global markets. Following earlier acquisitions of DSM and Huntsman's petrochemicals businesses in Europe, SABIC now has more than 30,000 employees. The company has an expanded global network of manufacturing facilities, Research and Technology centres and sales offices. With a presence in more than 100 countries, SABIC is well-positioned to meet the needs of its global customers. *SPA*

UAE, Russia sign agreements, memoranda of understanding

Abu Dhabi — The United Arab Emirates (UAE) and Russia have signed bilateral agreements and memoranda of under-

standing covering crime prevention, air services, standardization and metrology, political consultations, space science for peaceful purposes, and banking. The agreements were signed in the presence of UAE President, Sheikh Khalifa bin Zayed Al Nahyan, and his Russian counterpart, Vladimir Putin. Sheikha Lubna Khalid Sultan al Qasimi, Kuwait's Minister of Economy and Planning, said: "The UAE is working to encourage foreign investments alongside the local investments and the Ministry of Economy is working on a unified law on foreign investments." She remarked that the UAE and Russia have signed agreements on protecting foreign investments and double-taxation to overcome barriers to boosting economic and investment cooperation, as well as attracting more Russian investments to the UAE. Noting that Russia's huge investments in the UAE real estate sector were boosted after the UAE enacted a law on foreign ownership of real estate, Al Qassimi said foreign investments and purchases of real estate in the UAE is encouraging and effective laws in each emirate encourage investors to buy real estate, protect their rights and eventually contribute to the economic activity. Speaking on the UAE's interest in attracting more Russian tourists, she said that since tourism is one of the main sectors of the UAE economy, the government has laid out plans for summer and winter programmes, along with hundreds of exhibitions, conferences and events. *WAM*

Oman-UAE pacts to set up two shipping firms

Muscat — The Oman Shipping Company (OSC) and Emirates Trading Agency have signed joint-venture agreements to establish two companies for providing shipping transportation for alumina for Sohar Aluminium and methanol for Salalah Methanol. Oman Shipping will own 60 per cent and Emirates Trading will possess 40 per cent in each company. The first agreement is aimed at forming a company that will own two vessels with 55,000 dwt each to provide transportation of alumina to Sohar Aluminium. Production at Sohar Aluminium will start in 2008. As for the other agreement, it entails forming another company that will offer two vessels of sizes 50,000 dwt each for the transportation of methanol from Salalah Methanol Company which will start by early 2010. Oman Shipping currently owns and charters 20 vessels which transport LNG, crude oil, refined petroleum products, and petrochemicals. The company is expanding its fleet as per the requirements of various projects in the Sultanate. *WAM*

Chávez points out poverty decrease according to worldwide indicators

Caracas — The President of the Bolivarian Republic of Venezuela, Hugo Chávez Frías, has underscored that worldwide indicators show a poverty decrease in the country during the eight years of his government. He pointed out that when he arrived in government poverty measures in Venezuela by worldwide indicators showed almost 60 per cent of poverty. "Nowadays, the same indicators, that are not ours, show poverty under 30 per cent. But it will get to zero," he stated. Likewise, he said, the same studies show that extreme poverty was over 20 per cent then and today is under ten per cent, "and it will keep going down". *ABN*

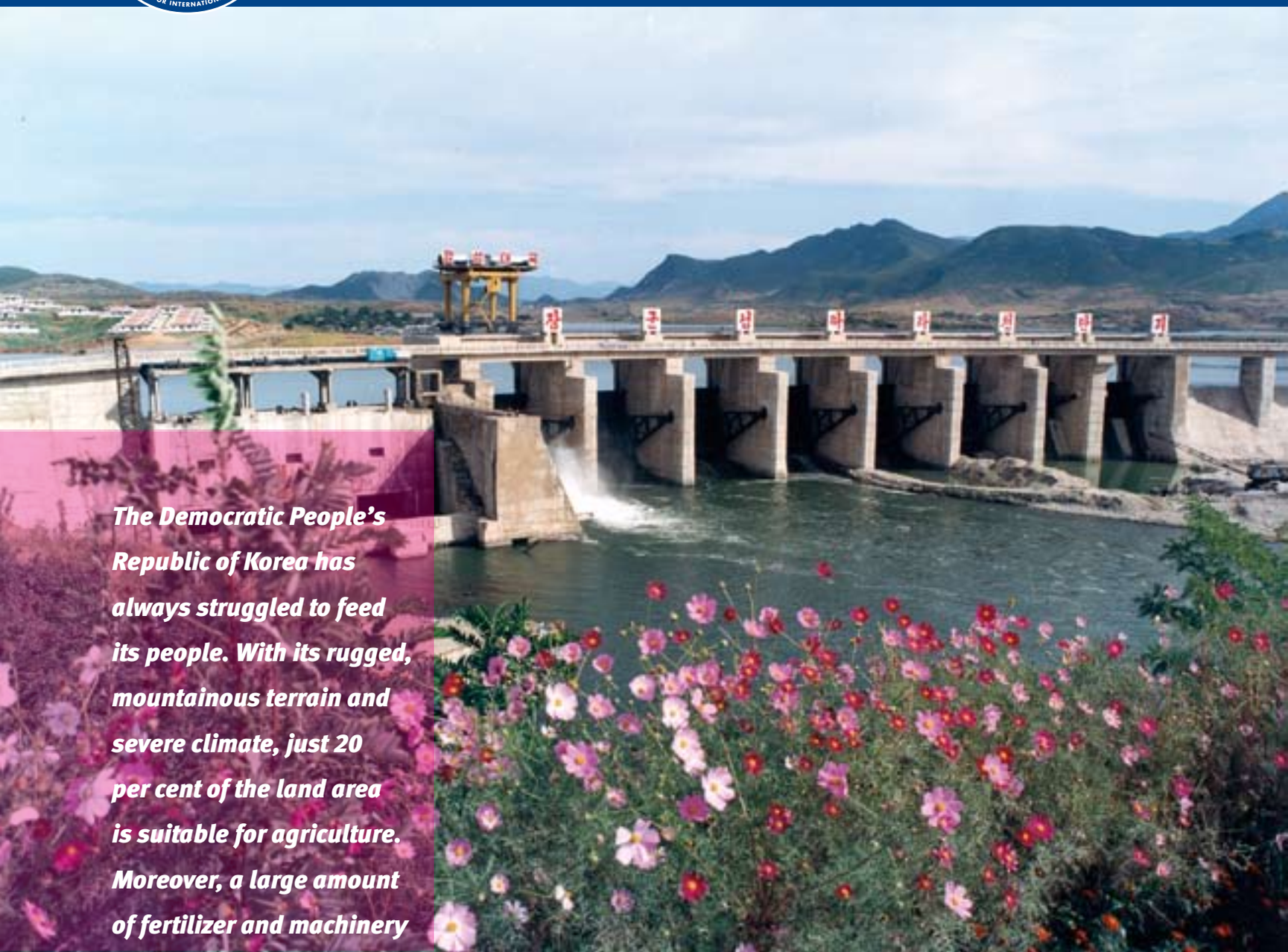
Venezuela, Russia strengthen economic and trade ties

Caracas — Venezuela and Russia have strengthened their economic and trade ties through the swearing in of the Venezuelan Board of Directors of the Business Council of both nations, according to the Russian Ambassador in Venezuela, Mikjail Orlovets. He maintained that the Business Council will also promote growth in the gas and food sectors. "We have very good economic relations and we will soon be holding the high-level commission meeting responsible for promoting trade and economic relations," he said. Furthermore, the ambassador announced that a Russian delegation will visit Venezuela in October to attend the fourth round of high-level commission. During the occasion, the delegation will sign with its Venezuelan partners memoranda and contracts and also plan agreements in the economic field. *ABN*

Venezuela expands energy ties with China

Caracas — The Venezuelan government and the People's Republic of China have signed "positive" agreements in the field of energy and President Hugo Chávez has expressed his intention to further strengthen alliances with the Asian country. Speaking during his weekly TV programme, Chavez said: "I hope I can go there to continue promoting bilateral ties." Chávez mentioned some of the plans being carried out along with China, including the development of the Caracoles area, the joint venture with Petrosumano, crude mixing in Sinovensa for the production of 150,000 b/d, as well as crude exploitation in Bloc Junin 4 and Carabobo in the Orinoco Oil belt. He said that through the joint agreements they expect to increase production to 800,000 b/d and send one million b/d to China through the joint ventures. Chavez also announced the construction of three refineries in China as part of an association between Petróleos de Venezuela SA (PDVSA) and the China National Petroleum Corporation (CNPC), as well as the creation of a tank company to facilitate oil transfer from America to Asia. Meanwhile, China's Ambassador to Venezuela, Ju Yijie, said: "Venezuelan-Chinese relations have made important progress, especially in the energy field. Both countries have made progress in strategy cooperation, which is of mutual benefit and absolute equality." *ABN*

OFID supports North Korea's



The Democratic People's Republic of Korea has always struggled to feed its people. With its rugged, mountainous terrain and severe climate, just 20 per cent of the land area is suitable for agriculture. Moreover, a large amount of fertilizer and machinery is needed to make the land productive, a difficult burden for a poor country like North Korea.

drive to attain food security

Above: The banks of the irrigation channels are now lined with productive fields and orchards.
Left: The impressive barrage across the Taeddong River enables water to be diverted to the irrigation canals.

Water gushes from the river into the 154-km long main canal.

The project constitutes one of four loans provided by OFID to the DPR Korea. The first supported a project in the health sector, while another loan extended $4.74 million to rehabilitate the Sinhung-Sonhwan highway, a key corridor that provides links to DPR Korea's two main seaports.

After the food shortages of the 1990s, the government of the Democratic People's Republic of Korea made it a priority to achieve food security. As part of this drive towards self-sufficiency, it signed an agreement in 1999 with the OPEC Fund for International Development (OFID) for a $10 million loan to rehabilitate a 106,000-hectare irrigation system in Pyongnam, the country's premier cereal growing region.

North Korea has long, dry winters and a short growing season that is plagued with uncertainties. Rainfall, although plentiful, is both unpredictable and unevenly distributed, so irrigation is essential for producing the country's main food staples of rice and maize, and over 80 per cent of the agricultural land is irrigated.

The irrigation systems are expensive to run, however, because they rely on electricity, and frequent power cuts mean that they run only intermittently. The Pyongnam scheme involved replacing electric pumps by gravity-fed technology to irrigate crops without using a great deal of energy.

More assistance

The work included the construction of a 154-km canal, as well as the building of an intake barrage across the Taedong River to divert water into the canal. Hydraulic structures and tunnels were also installed to replace the existing pump-driven system. The project was so successful that in 2000 the Korean government requested more assistance from OFID to extend its benefits, In December 2000, OFID approved an additional $8m loan for the Pyongnam irrigation system's second phase. This was completed in July 2002, with the main water canal inaugurated that October.

Upon completion of the project, rice and maize production in the irrigated area rose by an estimated 20 per cent. Not only that, but the availability of reliable water supplies has enabled farmers to carry out double cropping, by which they grow cereals such as wheat, barley and potatoes in winter and spring, leaving them to cultivate rice and maize in the traditional growing season of July to September. Because of this, it is predicted that the production of potatoes, wheat and barley will expand from four per cent to 30 per cent of the country's total farming area.

In addition, the new irrigation system will allow farmers to expand areas used for fodder and green manure (plants grown to benefit the soil) which will increase the production of livestock and have a positive long-term impact on soil fertility and conservation. After seeing its output of edible crops plummet in the 1990s, North Korea has enjoyed an expansion of agricultural output every year since 2001, thanks partly to favourable weather conditions, but largely due to the improved irrigation facilities. Along with improved livelihoods of farmers, the goal of achieving food security for the country is now firmly in sight.

*NB: This article was taken from OFID's **Making a Difference** book. Photographs: PIU.*

Vienna's City Hall square

— never a dull moment

If there is one place in Vienna that can be described as never having a dull moment, it is surely the square in front of the magnificent Vienna City Hall, or Rathaus. Why is this? Well, every month, of every season, of every year, the authorities of City Hall go out of their way to ensure that there is some event or other that is going on there to keep Vienna's residents and visitors entertained. Such activities are numerous and diverse and can range from music and dance to exhibitions. And for the summer season, which officially came to a close on September 2, there was no difference ... in fact the City authorities excelled themselves by staging a 65-day long music festival in the square.

By Siham Alawami

The idea behind the holding of the summer festival was to take advantage of Vienna's abundant sunshine and to treat the people to various outdoor operatic performances, while the City's OPERA House closed for its regular summer recess. So, the authorities went into the music archive to unearth films of various operas and operetta and from June 30 to September 2, City Hall square was transformed into an outdoor opera house, complete with stages, props and all one would see an indoor arena.

And while the festival lasted, summer tourists to the city, who often find it very difficult to get tickets for operatic performances, had the golden opportunity to sample one of the cultural aspects that makes Vienna special — its opera. They enjoyed the various different performances on a giant screen with the illuminated City Hall as a backdrop. The outdoor event was, indeed, unusual for operatic performances, which are usually held in pristine conditions and a cool and quiet environment, where guests dress appropriately and applause in unison. So, what could have been behind the idea to deviate from the norm? Dr Michael Häupl, Mayor of Vienna, sums it up: "If you want our children to appreciate their classical music heritage you should bring music to them in a relaxed and easy atmosphere. No need to be dressed up in a black suit or ask them to be quiet all the time during the performance."

Since the idea for the festival was conceived, it has indeed come a long way. This year's event was the 17th in the series. The overall turn-out was impressive with more than 680,000 people estimated to have put in an appearance at the square. Of note, the summer festival planned to accommodate people with different daily schedules, making it possible for revelers to visit the festival anytime between its daily showings of 11 am until midnight.

In witnessing the planning of such events, one finds it difficult to find fault in the organizational capability of the Vienna City authorities. Through their vast experience, they manage to anticipate all the needs of the people, which certainly helps rather than hinders one's participation at such events. They have got it right — from

the need to provide food, drinks and public conveniences to the important requisite of allowing visitors to move in and out of the event venue freely. Around 20 caterers from around Vienna were on hand selling their culinary specialities at the location and, as usual, dishes on offer were indeed like the city itself — international in flavour.

Talking about City Hall square, there is a lot more going on than just music festivals. It is customarily home to other events, such as the Vienna city marathon, the Vienna jazz festival, the Vienna ice dream (Wiener Eistraum) and of course, the Christmas Market (Christkindlmarkt).

Concerning the Christmas market, with the season's festivities not too far away, City Hall square will usher in the holiday period beginning on November 17 (Advent season). The event will open daily from 9 am to 9 pm through to Christmas Eve on December 24.

For City Hall, or the Rathaus, the exterior which includes the square is not the only impressive feature of the structure. The interior is equally amazing and these have no doubt distinguished the Rathaus as one of the most important and magnificent buildings in Austria. Located along the Ringstrasse in Vienna's First District, it was designed by Friedrich Schmidt (1825–1891) and erected between 1872 and 1883. Its state-of-the-art state rooms are often used for press conferences, concerts or balls.

Since Vienna is not only Austria's federal capital but also a federal province in its own right, it is in this hall that the members of the City Council and Diet convene. The most striking feature of this 14-metre-high room is a 3,200 kilogram chandelier in the histori-

cist style, with a diameter of five metres and 213 lights. Also, directly below the 22-carat gold-leaf rosettes ceiling are a series of frescoes depicting events from the history of Austria and Vienna.

If you are planning a visit to City Hall, however, do not forget to look out for the giant Rathausmann stand. Standing at 97.9 metres high and weighing 650 kilograms, the cast-iron figure is the standard-bearer and guards the City Hall.

However, what is most significant in City Hall for OPEC is the partnership that exists between the Organization's Secretariat situated on the Donaukanal and the seat of power of its host city, Vienna. It is this partnership that has led to some of OPEC's events being held at the Rathaus. For instance, the state room was the venue of the 40th Anniversary celebrations of OPEC in Vienna, which was hosted by the Mayor. It was also the venue for the 30th anniversary celebration of the OPEC Fund for International Development (OFID), in 2006, which also has its headquarters in the capital.

Photographs courtesy Stadtwienmarketing.

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

Crude oil price movements

OPEC Reference Basket

The OPEC Reference Basket has been revised to include Angola's medium-sweet Girassoal crude (30.8º API and 0.34 per cent wt sulphur) as of January 1, 2007. As a result, prices are slightly higher compared to the former Basket.

The OPEC Reference Basket emerged in August on a volatile note amid signs of a healthy economy. The return of Brent's premium to WTI supported parcels to move westward. Nevertheless, a flip in the forward structure into backwardation is foreseen to permit stock-draws lessening procurement at a time when prospects of higher prices might dent demand. In the first week, the average OPEC Reference Basket saw a marginal rise of 7¢ or 0.1 per cent to settle at $72.50/b. The bearishness dominated in the second week amid furthered concern over the weak economic outlook as fallout from developments in the US sub-prime mortgage sector was seen as having the potential to trigger an economic slowdown which could impact energy demand.

The Basket closed the second week more than five per cent lower for a loss of $3.88 to settle at $68.62/b. Worries that Hurricane Dean might disrupt Gulf of Mexico oil operations amid depleting US crude and gasoline stocks and a recovery in the equity markets strengthened the market. However, the momentum was short-lived as the equity market tumbled again, while concern over Hurricane Dean faded away as the storm headed to Central America.

In the third week, the average Basket dipped a marginal 57¢ or 0.8 per cent to settle at $68.05/b. Easing concern over Hurricane Dean continued into the fourth week shaving most of the supply fear premium amid a stockpile in US crude oil. The Basket closed the week with an average of $67.21/b, slipping 84¢ or 1.2 per cent. The sentiment flipped in the final week on concern over seasonal supply amid refinery problems and depleting stocks towards year-end. Moreover, recovering European refining margins supported price firmness. In the final week of the month, the Basket averaged $1.45 or well over two per cent higher to settle at $68.66/b.

In monthly terms, the OPEC Reference Basket declined 4.4 per cent or $3.18 to settle at $68.71/b. Concern that economic risks and tumbling equity markets might dent demand for energy offset the drop in seasonal fuels amid refinery outages and continued draws on crude oil stocks.

Market sentiment shifted in the first week of September amid potential refinery problems, and the continuing Atlantic storm season. Revived Mideast geopolitics and crude oil stock-draws kept the bullishness intact. Due to the lack of fresh developments, the market shifted focus to steady OPEC output and the expected outcome of the OPEC Ministerial Meeting on September 11.

The Basket was $2.71 or almost four per cent higher to settle at $71.34/b. The OPEC Meeting raised output by 500,000 b/d in an effort to calm fears over a supply shortfall amid depleting stocks in a market suffering from backwardation. Nevertheless, pipeline attacks in Mexico and larger-than-expected draws on US crude and gasoline stocks prompted prices to escalate and reach record-highs. The Basket closed at a new record of $74.64/b on September 13 to average $72.35/b.

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

US market

The US crude market firmed on the return to operation of some refineries, while the Atlantic Basin spread widened prompting inbound barrels. Sweet crude differentials weakened as the forward curve flattened. However, the WTI/WTS weekly average spread was 47¢ narrower at $4.23/b amid demand for light-end products. Nevertheless, a healthy build in US product stocks the week before amid the continued narrowing of the forward curve kept light crude under pressure. The widened WTI/Brent spread attracted the flow of transatlantic arbitrage barrels.

In the second week, the average WTI/WTS spread was 49¢ wider at $4.72/b. Sweet crude differentials continued to slip amid the WTI/Brent spread narrowing from recent highs. Worries continued on reports of a weak economy denting demand. Refinery problems came up while the tropical storm was projected to head to the US Gulf Coast.

In the third week, the average WTI/WTS spread was $1.15 wider at $5.87/b. However, Hurricane Dean spared oil operations while trade was quiet amid book-squaring upon the futures contract expiry. The weekly average was 11¢ narrower at $5.76/b after peaking at $6/b. The final week saw continued firmness in light grades amid demand for light-end products while refinery outages were sustained. Concern over a potential hurricane in the US Gulf of Mexico kept alertness in place. In the final week, the WTI/WTS spread averaged $5.52/b or 24¢ narrower. In August, WTI averaged $72.34/b representing a decline of $1.61 or over two per cent to narrow the premium to WTS by 4¢ to average $5.27/b.

North Sea market

Differentials for North Sea crude generally emerged steady in August as the front end of the swap eased as concern over prompt supply was alleviated. Brent premium to WTI eased in the first week prompting outbound barrels across the Atlantic. The weekly average WTI/Brent spread was 31¢/b, for the first time since March. Although ExxonMobil restarted its Fawley, UK, 326,000 b/d oil refinery after an unplanned shutdown following a fire in July, the return of some oil fields from maintenance adding barrels to the September loading programmes kept pressure on the North Sea market. Hence, equity holders were prompted to clear prompt barrels ahead of the emergence of new programmes. Sellers were seen lowering offers amid clearing cargoes ahead of an additional 130,000 b/d North Sea barrels in the September programme. In the second week, the average WTI/Brent spread averaged 89¢ firmer at $1.20/b. Brent remained under pressure, although improved refining margins and a decent contango structure prevented regional crude from slipping further.

In the third week, the Brent discount to WTI widened by another 71¢ to $1.91/b. Sentiment was firmer into the fourth week amid clearing prompt September stems on solid demand. The WTI/Brent spread was nearly unchanged when it was 2¢ narrower at $1.89/b. Continued healthy demand amid improved refining margins helped North Sea crude differentials to remain strong. Nevertheless, in the final week the WTI premium to Brent widened by 61¢ to $2.50/b due to supply shortages in the US. The monthly average of Brent was $70.74/b, down $6.27 or eight per cent, flipping into a discount of $1.63/b to WTI for the first time in five months.

Mediterranean market

The Urals crude market emerged on a firm note in August amid lower exports from Novorossiysk. However, weaker refining margins prevented further firmness. In the first week, the Urals discount to Brent averaged $2.60/b or 47¢ firmer. However, sharply lower Azeri oil exports from the Baku-Ceyhan pipeline at 433,000 b/d in September from 742,000 b/d in August helped regional grades to rebound in the Mediterranean. Hence, in the second week, the Urals average discount to Brent was 88¢ firmer at $1.72/b.

Moreover, the increase in price differentials to Europe by a Mideast major helped regional crude to firm further at a time when refining margins rebounded, although the drop in the financial markets alerted economic worries keeping the grade from further firmness. The Brent premium to Urals was narrower, averaging $1.31/b in the third week, down 41¢. Tight supply in the Mediterranean and healthy refining margins continued to support the grade while refinery maintenance in the North and higher shipments from Primorsk in September moderated demand in North West Europe. The Urals discount to Brent narrowed a further 17¢ to average $1.14/b.

Nonetheless, lower-than-expected exports from the Baltic Sea firmed the grade in the North while firmness continued in the south amid healthy demand on above average refining margins. In the final week, the Brent/Urals average spread was nearly unchanged at $1.16/b. in monthly terms, Urals averaged $69.25/b, representing a loss of $4.65 or 6.3 per cent, while the discount to Brent rose $1.62 to $1.49/b, a level last seen in 2003.

Middle Eastern market

This market emerged on a quiet note amid the usual "wait and see" stance for the retroactive prices for Mideast benchmarks. Nevertheless, the Brent/ Dubai EFS widened to a near 15-month high undermining the economics for western crude to flow eastward. Healthy crack spreads supported Mideast crude. Oman was assessed at a 80¢ to $1/b premium to Dubai amid an emerging contango spread. In the first week, the average Brent/Dubai spread was $6.80/b or 38¢ wider, although higher price differentials from a Mideast major did not dampen demand due to limited alternatives.

In the second week, the easing Brent/Dubai spread was down to nearly half at $3.68/b supporting the opening of arbitrage opportunities which were seen pressuring October differentials. Nonetheless, strong demand prompted October Murban and Oman to trade at premiums of 40¢ and $1/b to their respective OSPs. Planned oil field maintenance in Abu Dhabi with a potential to cut output by as high as 810,000 b/d for three weeks in November, kept alertness in place. October Abu Dhabi Murban was assessed at a 55–60¢/b premium to OSP. Nevertheless, the easing of the average Brent/Dubai spread by 22¢ to $3.46/b supported the opening of arbitrage opportunities. The spread

narrowed further to $1.64/b in the fourth week amid lingering prompt barrels calming market sentiment. Yet, unexpected prompt demand from Japan maintained a firm premium while the Brent/Dubai spread widened to $2.98/b in the final week. The monthly average Brent/Dubai spread was $3.38/b compared to $7.52/b in July.

The oil futures market

Futures market volatility continued into August pressuring prices lower after a hike in July. While concern over gasoline and crude oil supplies amid refinery outages supported the bullishness seen in the marketplace, healthy US distillate stock-builds, easing fears over hurricanes as they missed US oil operations in the Gulf of Mexico, and turbulence in the equity markets, triggered fund sell-offs for profit-taking.

The first weekly data for the CFTC revealed that non-commercial net positions fell a hefty 21,200 lots to 106,300 contracts, down from the all-time high seen in July as longs dropped at a faster pace than shorts. Open interest was 16,400 narrower at 1,504,800 lots. With options included, open interest volume was 16,200 lower to close at 2,549,800. The Nymex WTI front-month contract closed the first week at $72.42/b, down from the previous week's record peak of above $78/b. The weekly average was $1.94 lower at $74.67/b, amid concern over economic growth which prompted fund sell-offs for profit-taking.

Futures market volatility continued into August pressuring prices lower after a hike in July.

In the second weekly period, continued concern that a poorer economic outlook might dent demand pressured the futures market and outweighed the impact of Hurricane Dean in the Caribbean Sea. The Nymex WTI prompt-month contract closed the second week at $72.38/b to average $2.83 or 3.8 per cent lower at $71.84/b. The CFTC reported that non-commercials continued to liquidate long positions while buying the shorts. Net longs were down by nearly 25,000 lots at 81,300 contracts. However, open interest inflated by 12,100 to 1,517,000 lots. Including options, open interest rose by 23,600 to a record 2,573,400 lots.

In the third weekly period, the CFTC revealed that speculators have furthered draws from the futures market while bidding down prices. Non-commercial net long positions deflated by a hefty 40,500 lots to a 21-week low. Open interest dropped significantly, falling 95,000 lots to 1,422,200. Moreover, with options included, open interest was down by 180,800 to 2,392,600 lots.

The Nymex WTI front-month slipped in a volatile week to average $71.38/b down 46¢ to close the weekly period at $69.47/b. A hefty draw on US crude oil stocks along with a continued drop in gasoline inventories prevented prices from sliding further. While Hurricane Dean spared the US petroleum infrastructure, the tumbling equity market inspired fund liquidation exerting downward pressure on the petroleum market.

Volatility continued into the fourth weekly period, with a build in crude oil stocks and a hefty draw on gasoline inventories amid refinery outages which revived bullishness in the marketplace. Nonetheless, concern persisted that economic growth might dent demand. The Nymex WTI front-month contract averaged the weekly period down 60¢ to $70.78/b, but closed the week at $71.73/b.

In the fourth weekly period of the month, the CFTC revealed that non-commercials have reduced net long positions by a hefty 15,600 lots to 25,200, the lowest level since February. However, open interest rose a moderate 10,500 contracts to 1,432,700. Including options, open interest was nearly unchanged, rising 250 contracts to some 2,392,900 lots. Nevertheless, in the first week of September, net longs doubled reflecting higher prices amid refinery problems and a hefty draw on crude oil and gasoline stocks while concern over the hurricane season persisted.

In August, the weekly average of the CFTC non-commercial net volume fell 47,500 lots to 63,400, which was still 55,800 contracts higher than in the same month last year and 49,200 higher than the year-to-date average. Open interest declined with the weekly average at 1,469,200 lots, down 51,400 from the previous month, but 467,300 lots higher than last year, with the year-to-date average at 368,500 lots. Including options, open interest fell 9,500 lots to average 2,477,200 contracts.

The forward structure

The forward curve structure fell into backwardation since the second decade of July amid crude oil stock depletion. A further US crude oil stock-draw helped widen backwardation. Crude oil inventories in August dropped by a hefty 15m b representing a draw of 24m b in the previous nine weeks to 31 August. The 1st/2nd month average spread in August was 31¢/b in backwardation compared to the 5¢/b contango in July. The 1st/6th, 1st/12th and 1st/18th month spreads were wider by $1.10, $1.47, and $1.51/b at $1.68, $2.43, and $2.77/b, respectively. The main reason for the stock-draw is the return of some refineries from unexpected outages amid prompt demand depleting stocks in the Midwest with an accumulated draw of 15m b of which 20 per cent was from Cushing, Oklahoma. The 170,000 b/d Sunray refinery in McKee, Texas, consumes nearly 40 per cent of total WTI production of around 400,000m b/d.

Thus, the forward structure remained firm with the potential for a further draw on crude stocks as backwardation removes the incentive to accumulate inventories. Despite the current return of the backwardation of around $1/b, US crude inventories are still more than 300m b above the level seen three years ago.

World oil demand

World oil demand in 2007

World oil demand in August followed the typical summer seasonality trend. In that month, oil demand grew the most in the developing countries, especially China. Summer heat, agriculture and transport were the main drivers behind worldwide August oil demand. US oil demand declined unexpectedly in August as a result of weak gasoline demand. Given current world oil demand growth in the third quarter along with the anticipation of a normal winter in the fourth quarter, world oil demand growth for 2007 is forecast at 1.3m b/d or 1.5 per cent, broadly unchanged from the last report. With airlines renewing their fleet and adopting better flying procedures, the consumption of jet fuel is on the decline. Efficiency in the airline energy industry is improving dramatically.

OECD-North America

Higher retail gasoline prices in the US did not hurt gasoline demand as badly as anticipated; however the bad weather did. Rainy weather in the Northeast and Midwest resulted in slower gasoline demand in August. Hence, US gasoline demand grew by only a third of what was anticipated earlier reaching 50,000 b/d year-on-year.

US oil demand declined by 0.5 per cent or 100,000 b/d y-o-y in August to average 21.2m b/d. US January-August oil demand grew by 250,000 b/d with gasoline rising the most by 100,000 b/d.

Mexico's summer travel has pushed gasoline demand up strongly. In July, Mexican gasoline demand growth reached 50,000 b/d y-o-y to average 750,000 b/d. As a result of strong growth in the transportation fuel sector, Mexican oil demand grew by 5.7 per cent or 100,000 b/d y-o-y to average 1.8m b/d.

Similar to Mexico, Canadian gasoline and diesel consumption grew by 30,000 b/d and 45,000 b/d pushing up total sales growth by around 4.3 per cent in July y-o-y.

The third quarter is normally a low season for oil demand; therefore North America's third-quarter y o-y oil demand growth is estimated at 200,000 b/d to average 25.63m b/d. Total OECD countries' y-o-y oil demand growth in 2007 is estimated to increase by 100,000 b/d to average 49.30m b/d.

OECD Europe

European summer demand for transport fuel did not pick up as was seen in previous years. Diesel transport fuel is expected to increase by 3.5 per cent this year as more than half of the newly sold cars will be powered by diesel engines. However, rising diesel demand is affecting gasoline consumption which is estimated to decline by 1.8 per cent.

As a result of declining transport and domestic fuel, oil demand in France declined by 0.5 per cent y o y in July. Hence, oil consumption in France during January-July showed a y-o-y decline of three per cent.

Germany's diesel consumption plunged by 14 per cent causing the country's total inland deliveries to shrink by 8.7 per cent in June y-o-y. Germany's transport fuel was on the decline this summer. Growth in transport fuel in the UK prevented total consumption from declining although it remained flat y-o-y in June. Italy's diesel demand grew by five per cent in July putting total consumption flat y-o-y to average 1.7m b/d in July.

Due to weak oil demand in Europe, OECD Europe third-quarter oil demand is forecast to be flat y-o-y to average 15.57m b/d.

OECD Pacific

Normal summer demand plus industrial oil consumption pushed South Korean oil demand up by almost eight per cent y-o-y in July. This higher demand led to an increase of 0.7 per cent y-o-y in the country's crude oil imports in the same month.

The effect of the shutdown of Japan's nuclear power plant was seen during the summer peak. Fuel oil consumption increased by around 70 per cent as temperatures reached 35° Celsius in August. As a result, Japan's oil imports increased by seven per cent y-o-y in July.

Due to the sudden increase in demand in Japan, OECD Pacific third- and fourth-quarter oil demand growth is forecast at 70,000 b/d and 100,000 b/d y-o-y.

Alternative fuels

A recent OECD study concluded that promoting biofuels via heavy subsidies is not beneficial after all. The study reported that biofuel production is actually increasing the price of food and disrupting natural habitats. The study suggests that countries should halt subsidizing biofuels and work on improving technology instead.

European summer demand for transport fuel did not pick up as was seen in previous years.

The low efficiency of ethanol blended gasoline in comparison to regular gasoline is preventing it from growing as was expected in Thailand. The government's new strategy to boost the E20 ethanol gasoline consumption is to reduce the tax on vehicles which are capable of consuming such a blend. There has been skepticism on whether such a move will help the economy as a whole. While favourable to farmers, an ethanol demand boost would result not only in higher costs for the government but also prove to be harmful for the environment and increase food commodity prices. According to a new study carried out by the International Water Management Institute (IWMI), the biofuel programmes of China and India would place a threat to water supply in the long run as would the development of coal-to-liquid (CTL), which consumes a lot of water and makes it a non-green fuel. A recent increase in the sales tax of biodiesel in Germany has dented sales volume, forcing

plants to reduce the utilization level to 60 per cent.

One of China's plans to reduce its dependence on oil is to increase the use of biofuels. The country's target is to achieve 15 per cent of transport fuel from biofuels within the next 13 years. It is a tough target because of the economic unfeasibility; therefore China must heavily subsidize this industry. The biofuel industry caused a strong hike in food prices not only in China but worldwide. China has announced that it would stop the use of corn as a feedstock for biofuel.

The USA is again promoting the biofuel industry via mandatory laws and financial support. The first renewable fuels standard (RFS) programme came into effect in September 2007 to force the energy industry to use a minimum percentage of biofuels as a mix in transport fuel within the next five years. The energy industry is reluctant to expand such commodity because of the excess cost attached to it.

Developing countries

India's oil demand grew by a strong 3.96 per cent or 98,000 b/d in July y-o-y. The healthy growth was boosted by both industrial and agricultural diesel consumption. Diesel demand represents 36 per cent of India's total oil demand and is forecast to grow by nine per cent to average 986,000 b/d. As a result of strong transport fuel demand, India's oil demand is forecast to grow by 4.58 per cent to average 2.74m b/d in 2007 y-o-y. Other Asia third-quarter y-o-y oil demand is forecast to follow a high seasonality and grow by 0.19 per cent to average 8.83m b/d.

Gasoline rationing procedures in Iran have had a considerably negative impact on demand growth; however, this was partially offset by an increase in summer demand in other countries in the region. Transport fuel in the Middle East along with power plant demand for fuel oil boosted growth in the region; therefore fuel oil demand is forecast to be strong. Hence, Middle East third-quarter y-o-y oil demand growth is forecast at 300,000 b/d to average 6.65m b/d.

Developing countries oil demand is estimated to contribute the most to total world oil demand growth in 2007, increasing 660,000 b/d to average 23.94m b/d.

Other regions

China's crude imports grew by 30.7 per cent y-o-y in the summer high seasonality of July to average 4.2m b/d. As a result of the commissioning of a new oil storage site, some of these imports are used for SPR filling. China's recent effort to curb air traffic is not expected to result in a large reduction in jet fuel demand. China's aviation sector has been growing rapidly in the past few years which has led to a strong hike in fuel demand. China's apparent demand in July grew by a strong 16 per cent or 1.1m b/d y-o-y to average 8.0m b/d. This was the first time that Chinese apparent oil demand exceeded 8m b/d. July's high growth boosted third-quarter growth significantly; hence China's third-quarter apparent oil demand is forecast to grow by 500,000 b/d y-o-y to average 7.7m b/d.

Russia is planning to increase its export tax again. The newly proposed increase of 11.7 per cent will affect FSU apparent demand upward. FSU third-quarter oil demand growth is expected to grow a marginal 40,000 b/d y-o-y.

World oil demand in 2008

World oil demand is forecast to grow by 1.3m b/d in 2008 to average 87.06m b/d, in line with our last MOMR estimate. As a result of the governmental policy to curb the use of energy, China's oil demand growth for 2008 is forecast at 400,000 b/d, 50,000 b/d below the 2007 growth figure. Transport and industrial fuel are the main growth sectors for world oil demand in 2008. Non-OECD countries will account for 1.1m b/d or 79 per cent of total world oil demand growth in 2008. OECD countries oil demand growth next year will mostly come from North America. North America's oil demand is forecast to grow by 300,000 b/d y-o-y in 2008 to average 25.91m b/d.

Middle East and Other Asia are expected to contribute 430,000 b/d or 32 per cent to next year's world oil demand growth.

World oil supply

Non-OPEC

Forecast for 2007

Non-OPEC supply in 2007 is expected to increase by around 840,000 b/d over the previous year to reach a level of around 50.31m b/d, representing a minor downward revision of 20,000 b/d compared with last month's assessment. Downward revisions to Mexico, the United Kingdom, Philippines and Azerbaijan were partially offset by some upward revisions to the US, Australia, Brazil and Turkmenistan. The third quarter witnessed significant downward revisions of around 162,000 b/d, mainly from Mexico and Azerbaijan. On a quarterly basis, non-OPEC supply now stands at 50.27m b/d, 49.85m b/d, 49.98m b/d and 51.15m b/d, respectively, with upward revisions of 39,000 b/d and 57,000 b/d to the first and second quarter and downward revisions of 162,000 b/d and 12,000 b/d to the third and fourth. Historical figures for Canada have also been revised up slightly by around 15,000 b/d for 2006.

OECD

Total OECD oil supply is expected to reach 20.27m b/d, an increase of around 69,000 b/d over the previous year. On a quarterly basis, OECD oil supply is expected to average 20.42m b/d, 20.03m b/d, 20.01m b/d and 20.63m b/d, respectively.

United States

Oil supply in the US is expected to reach close to around 7.51m b/d in 2007, representing growth of around 126,000 b/d over the previous year and an upward revision of around 37,000 b/d from the last assessment. The second quarter witnessed an upward revision of around 66,000 b/d due to data released recently while the third and fourth quarters have been revised upward slightly due to the performance in some satellite fields and information regarding the start-ups of some new fields later this year. On a quarterly basis, supply figures stand at 7.46m b/d, 7.58m b/d, 7.44m b/d and 7.56m b/d, respectively. Preliminary average figures

for July and August show around 100,000 b/d over our forecast figure which opens the door for upward revisions to US oil supply in the coming months.

Mexico and Canada

Canada's oil supply for 2007 is expected to average 3.29m b/d, an increase of around 108,000 b/d over the 2006 figure and a minor upward revision of 3,000 b/d. Last year's figures have also been revised upward slightly by around 15,000 b/d for the year. Recently received statistical data were behind the first- and second-quarter revisions in addition to the expected return of the Hibernia offshore field and some delays in the third and fourth quarters. On a quarterly basis, oil supply stands at 3.34m b/d, 3.17m b/d, 3.26m b/d and 3.40m b/d, respectively. Average July and preliminary August figures show that the third quarter is forecast at around 60,000 b/d over the two months' average.

Mexico's oil supply witnessed a significant third-quarter downward revision as Hurricane Dean struck Campeche Sound causing around 2.6m b/d production to be shut in for just under a week. The downward revision was around 101,000 b/d; however, according to Pemex the ramping up to normal was completed by August 29. On a quarterly basis, Mexican oil supply stands at 3.58m b/d, 3.59m b/d, 3.57m b/d and 3.63m b/d, respectively. The annual figure stands at 3.59m b/d representing a decline of around 101,000 b/d compared to the previous year and a downward revision of around 28,000 b/d from last month.

Western Europe

Oil supply in Western Europe is expected to reach a level of around 5.24m b/d representing a decline of around 140,000 b/d from the 2006 figure and around 13,000 b/d less compared with last month's assessment. The downward revision was completely attributed to the UK.

Norway's production rebounded in July and August from the deep and early maintenance in addition to the return of the two fields shut down earlier. The quarterly distribution now stands at 2.72m b/d, 2.46m b/d, 2.56m b/d and 2.69m b/d, respectively, with an annual figure of around 2.61m b/d which represents a decline of around 171,000 b/d from last year's figure.

UK's production level is now expected to decline by around 17,000 b/d from last year as some of the production was affected by the accident to the Central Area Transport System (CATS) and repairs took longer than expected. The gas system deals also with around 50,000 b/d of oil and also affects oil output for the Forties area. Quarterly figures now stand at 1.79m b/d, 1.69m b/d, 1.59m b/d and 1.69m b/d, respectively, with an annual figure of around 1.69m b/d, representing a downward revision of 13,000 b/d compared with last month's assessment. Preliminary figures for July and August show an average of around 1.49m b/d, some 101,000 b/d lower than the current forecast, although we may see further downward revisions in the coming months based on actual data.

Asia Pacific

Oil supply in this group is expected to average around 640,000 b/d which represents around 76,000 b/d over last year and an upward revision of around 2,000 b/d compared with last month's assessment. On a quarterly basis, it is expected to average 570,000 b/d, 590,000 b/d, 670,000 b/d and 720,000 b/d, respectively.

Australia's oil supply is expected to average around 650,000 b/d in 2007 which represents growth of around 56,000 b/d over last year's figure. The performance in the Carnavon Basin is doing well and ramp ups are on schedule as no more cyclones have been witnessed after three cyclones hit the area in late March-early April in the current year.

New Zealand's performance is expected to add 25,000 b/d over last year to reach a level of around 78,000 b/d as the Tui field already started in late July and peaked at 47,000 b/d and is expected to extend the peak to around 100,000 b/d in the coming years.

Developing countries

Oil supply in the developing countries is expected to reach a production level of around 11.61m b/d which represents growth of about 82,000 b/d compared to last years' figure. On a quarterly basis, DCs are expected to average 11.54m b/d, 11.48m b/d, 11.62m b/d and 11.79m b/d, respectively.

The Other Asia group is expected to stay flat compared to last year to reach a level of around 2.72m b/d in 2007. On a quarterly basis, it is expected to average 2.72m b/d, 2.69m b/d, 2.73m b/d and 2.74m b/d, respectively. Only the Philippines witnessed a minor downward revision in the fourth quarter of 2007 due to the rescheduling of the project start-up. Other countries in the group performed more or less at the same level as previously reported.

The Latin American countries which represent the major players in the developing country oil supply are expected to average around 4.50m b/d in 2007, representing growth of around 65,000 b/d over last year with a quarterly distribution of 4.44m b/d, 4.43m b/d, 4.50m b/d and 4.64m b/d, respectively. Brazil is the only growth contributor with around 126,000 b/d while other countries in the group partially offset this growth.

The Africa group is expected to average around 2.71m b/d in 2007 for growth of around 97,000 b/d over the 2006 figure coming mainly from Sudan (+105,000 b/d), Equatorial Guinea (+14,000 b/d) and other African countries (+35,000 b/d) and performed more or less as reported last month. On a quarterly basis, oil supply from this group is expected to average 2.68m b/d, 2.68m b/d, 2.71m b/d and 2.75m b/d, respectively.

The Middle East group is the only group which is expected to see a decline this year of around 93,000 b/d attributed to Oman, Syria and Yemen. It is expected to average around 1.68m b/d with quarterly distribution of 1.70m b/d, 1.69m b/d, 1.67m b/d and 1.65m b/d, respectively.

FSU, other regions

Oil supply in the FSU is expected to average 12.57m b/d which represents growth of around 550,000 b/d over the 2006 figure and a downward revision of 20,000 b/d compared with last month's assessment. On a quarterly

basis, FSU output expected to average 12.50m b/d, 12.48m b/d, 12.47m b/d and 12.81m b/d, respectively. Other Europe is expected to stay flat over 2006 at around 150,000 b/d while China is expected to perform with a growth of around 125,000 b/d over 2006 to reach a level of around 3.80m b/d in 2007.

Russia

Russian oil supply is expected to reach 9.89m b/d with a quarterly distribution of 9.87m b/d, 9.83m b/d, 9.89m b/d and 9.96m b/d, respectively. Performance remained unchanged from last month's report.

Caspian

Oil supply in Kazakhstan is expected to grow by around 47,000 b/d over 2006 to reach a level of 1.35m b/d with a quarterly distribution of 1.35m b/d, 1.34m b/d, 1.32m b/d and 1.39m b/d, respectively.

Oil supply in Azerbaijan has been revised down significantly in third quarter by around 90,000 b/d as the installation of new equipment and maintenance in the ACG complex will shave production by more than 270,000 b/d in September. Growth is now expected to average around 244,000 b/d over 2006 to reach close to 890,000 b/d.

China

Oil supply in China is expected to average 3.80m b/d representing growth of around 125,000 b/d over 2006. No change in performance has been noted from last month's report. On a quarterly basis, China is expected to average 3.75m b/d, 3.79m b/d, 3.82m b/d and 3.85m b/d, respectively. However, recent data for July show a significant decline in production, mainly from fields belonging to CNOOC and other fields, in addition to the damage caused by the land slide to the pipeline in the Changqing area in late August.

Forecast for 2008

Non-OPEC supply is expected to average 51.36m b/d in 2008, an increase of 1.04m b/d over the 2007 figure and a downward revision of around 42,000 b/d from last month's assessment. On a quarterly basis, non-OPEC supply is expected to average 51.46m b/d, 50.91m b/d, 50.91m b/d and 52.14m b/d, respectively. Some of the revisions made to the 2007 forecast have been extended into the 2008 figure in addition to more data becoming available for project start-ups and ramp ups.

Revisions to the 2008 forecast

In the US, the extension of the 2007 revisions and the delay of the ramping up of the Genghis Khan field to 1Q08 resulted in an upward revision of around 68,000 b/d from last month's assessment. The annual figure is now forecast at around 7.74m b/d representing growth of around 228,000 b/d over the 2007 forecast. Canada's oil supply level has been revised down by around 93,000 b/d compared with last month's assessment due to a significant review of the costs of the synthetic crude projects.

The annual average is now forecast at 3.31m b/d representing growth of around 14,000 b/d over the 2007 forecast. Australia also witnessed some upward revisions as the Puffin south west field is expected to add some barrels to the 2008 forecast. While in Malaysia the slowdown in the ramping up of the Kikeh field has resulted in a downward revision of around 17,000 b/d to the 2008 annual figure which is now forecast to average 750,000 b/d representing growth of around 12,000 b/d over the 2007 forecast.

OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional oils are expected to average 4.39m b/d in 2007, an increase of around 300,000 b/d over the 2006 level. The 2008 annual figure is forecast to reach 4.91m b/d, an increase of around 520,000 b/d over 2007.

OPEC crude oil production

Total crude oil production averaged 30.39m b/d in August, a decline of around 92,200 b/d from the previous month according to secondary sources. OPEC production (excluding Iraq and Angola) averaged around 26.73m b/d up by 44,500 b/d over the July figure. Iraq's production figure for August witnessed a significant decline of around 147,300 b/d from July to average 1.99m b/d.

World oil supply

Preliminary figures for the month of August indicate that world oil supply averaged 83.97m b/d, a decline of around 610,000 b/d from the July figure, with OPEC's share at around 36.2 per cent. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

FSU net exports of crude and products

Total FSU net oil exports are expected to average 8.61m b/d in 2007, an increase of 480,000 b/d over last year. In 2008, FSU net oil exports are forecast to reach a level of around 9.10m b/d, an increase of 490,000 b/d over 2007.

Current trends

Actual figures for June indicate that total crude exports from the FSU averaged 6.22m b/d. Preliminary figures for July show an average of 6.18m b/d, a decline of 38,000 b/d from the previous month. Russian pipeline exports in July declined by around 24,000 b/d and CPC pipeline exports fell by around 14,000 b/d from the previous month.

Product markets and refinery operations

With the approaching end of the driving season, product markets were expected to sharply lose momentum over the last weeks and exert downward pressure on the entire petroleum complex. But due to continued refinery glitches and falling gasoline stocks in the US, the product markets have remained relatively strong and did not significantly erode the US refinery margins last month.

Refinery margins for benchmark WTI crude in the US Gulf Coast declined by $3.45/b to

$8.20/b in August from $11.65/b in July. In Europe, refinery margins improved in August due to the relatively lower price of benchmark Brent crude, soaring to $5.55/b from $1.81/b last month. This situation has led to the resumption of normal operations by some European refiners which had cut their throughput levels earlier.

In Asia, the market was adversely affected by sluggish regional demand and lack of export opportunities for light products. These circumstances have resulted in lower refinery margins for benchmark Dubai crude in the Singapore market in August by $2.15/b versus last month.

The recent bullish developments of the product markets could provide further support for refinery economics and crude prices, especially if the winter is cold triggering higher demand for products. However, due to uncertainty about refinery operation levels and the economic outlook, the product market may not be able to significantly lift refinery margins and crude prices in the next months.

Refinery operations

Refinery utilization rates usually surge significantly in August, following the completion of the refinery maintenance schedule across the globe and higher demand for motor fuel in the driving season. However, ongoing refinery outages in the USA and falling refinery margins in Europe during July limited the typical refinery operation level in the Atlantic Basin in August.

These developments have reduced the US refinery utilization rate by a slight 0.4 per cent to 91.3 per cent from 91.7 per cent in July. In Europe, the refinery utilization rate rose a slight 0.6 per cent to 86.6 per cent in August from 86 per cent in the previous month. In Asia, the situation was relatively different: While refinery operation levels decreased in China, it soared significantly in Japan and the Japanese refinery utilization rate surged to 90.5 per cent from 85.5 per cent in July.

Due to the start of the autumn refinery maintenance schedules in September, refinery utilization rates are expected to decline across the globe in the next three months, particularly in the Atlantic Basin.

US market

The US product market usually displays a typical downward correction in the latter part of August due to technical sell-offs in the futures market which arise prior to the end of the driving season. The combination of prolonged refinery outages with storm-related concerns and huge gasoline stock-draws reversed the earlier bearish perception of the US market and narrowed the downward movement of US product prices.

Following these developments, gasoline prices in both the physical and the paper market fell slightly and the crack spread of premium gasoline against benchmark WTI crude slid to around $19/b on September 7 from about $19.62/b in late July. However, with the end of the driving season and market players switching attention to the middle of the barrel components, the gasoline market may lose further ground in the near future if winter grade production together with higher imports improves gasoline stock levels.

Ongoing refinery glitches have also provided support for the middle distillate market, lifting the gasoil crack spread versus benchmark WTI crude at the US Gulf Coast. The low-sulphur gasoil crack spread surged from $11.92/b in early August to $14.97/b in the first week of September. Distillate stock levels have improved over the last few weeks, but are not yet at a comfortable level in terms of forward supply cover. Current trends may extend their support to the physical and the futures distillate markets in the future.

With respect to the fuel oil market, a combination of higher demand from both utility plants and the shipping industry along with more arbitrage cargoes to Asia and Latin America improved the US market sentiment and reduced the fuel oil crack spread versus WTI crude at the US Gulf Coast. In this respect, the low-sulphur fuel oil spread fell to minus $14.69/b in August from about minus $15.55/b in July.

European market

European refinery economics were adversely affected in July due to the higher cost of base load crude and falling light product crack spreads. This situation has changed in early August, following bearish developments in the financial markets which resulted in lower crude prices widening the product premium against crude. In this respect, the gasoline crack spread against benchmark Brent crude in Rotterdam surged to around $19/b in the latter part of August from about $15/b in the same period last month. The recent bullish developments in the gasoline market may not last in the near term, as export opportunities to the other side of the Atlantic Basin and the Middle East might be narrowed in the future.

European market sentiment for the middle of the barrel components appeared mixed. On the one hand, distillate stock levels were apparently high both in absolute and relative terms, while on the other hand, the situation of the European diesel market looked tight. These circumstances have encouraged traders to export more low-sulphur gasoil to Europe especially from Asia. The projected autumn refinery maintenance schedule in Europe may enhance diesel market tightness in the coming months and support middle distillate margins. These circumstances have recently increased market player activities in the European product futures market and switched the ICE gasoil market into backwardation.

The European fuel oil market, particularly for straight-run grades, has improved significantly, boosted largely by high crude prices. Admittedly, strong Asian demand along with higher regional utility plant demand has provided support for the fuel oil market as well. The low-sulphur fuel oil crack spread against Brent crude in Rotterdam recorded minus $9.41/b in the last week of August from minus $23.34/b in the same period of the previous month.

Asian market

Despite lower exports from China, the gasoline market in Asia was not able to reverse its downward trend which began in July due to lower regional demand and lack of arbitrage

opportunities to the US. The gasoline crack spread versus benchmark Dubai crude in Singapore slipped to $8.67/b in August from around $15/b in July. The continuation of limited exports from China may slightly improve the current bearish momentum of the Asian gasoline market over the next weeks.

The Asian market sentiment for naphtha has not changed significantly from the previous month due to higher exports from India and lower regional demand, which were the result of the continued maintenance schedule in petrochemical plants. As demand for naphtha is around the corner, the current situation of the naphtha market may improve in the latter part of this year.

OPEC spot fixtures rose in August after the decrease encountered in the previous month.

As for middle distillates, the Asian market situation for jet/kero did not improve that much from the previous month and higher demand from China was unable to lift its crack spread level against the Dubai crude. But the gasoil market in Asia remained strong because of higher regional and international demand. The gasoil spread against Dubai crude in Singapore has recently surged to around $21/b. The current situation of gasoil in the wet market has also underpinned the bullish perception of the swap market in Asia, flipping into backwardation for the last weeks.

The Asian fuel oil market looks fundamentally strong, largely due to higher demand from Japan; however, a recent influx of arbitrage cargoes has exerted some pressure on spot cargo differentials. High fuel oil prices in absolute terms have also somehow trimmed Chinese demand and widened the discounted value of fuel oil against benchmark Dubai crude. The present situation of the Asian fuel oil market may be undermined further in the absence of Chinese buyers and higher regional outputs.

The tanker market

According to preliminary data, OPEC spot fixtures rose in August after the decrease encountered in the previous month. The rise in August offset the previous decline with a monthly increase of more than eight per cent on the back of increased activities especially for booking for the second half of September. Similarly, global crude oil spot fixtures increased in August by more than eight per cent. Middle East fixtures to the west gained the biggest percentage with an increase of around 17 per cent, while Middle East to the east fixtures gained nine per cent. Non-OPEC spot fixtures rose around nine per cent to average 6.12m b/d and OPEC's share of total spot chartering remained steady at around 67 per cent.

According to preliminary data, OPEC sailings remained steady in August along with a minor increase averaging 23.2m b/d. Initial estimates indicate that US and Caribbean arrivals increased four per cent in August, and arrivals at North West Europe rose by similar levels. However, on an annual basis, US arrivals displayed a y-o-y decline of ten per cent.

The spot tanker market came under pressure in almost all of its routes. August marked the worst month so far for owners in the spot market with rates reaching the lowest level in 2007 on almost all reported routes, against owners' hope that July was the market bottom. On some routes, weekly rates reached levels not seen in four years. The increased availability on the back of flurry new deliveries took the driver's seat and charterers were in a position to squeeze the market further. Steady tonnage demand held the market with charterers capitalizing on the factor of tonnage oversupply, dismissing the impact of the relatively healthy demand level. The Aframax market lost the most ground and the Suezmax and VLCC markets continued to decline in August.

Declining for the third consecutive month, the VLCC sector lost further ground in August to settle eight per cent lower than in July. Vessel availability remained the main factor affecting the market, with limited activities. At the beginning of August, the VLCC market continued the trend of the previous month with a solid tonnage list dictating the sentiments. At the same time charterers delayed their booking aiming for even lower rates. Therefore, rates continued to decline reaching WS54 on the Middle East/east route, a low level not seen in four years. Thereafter, charterers returned with inquiries lifting up the market toward the end of the month, yet the increase did not offset the initial decline and the monthly average for the reported VLCC routes declined eight per cent from the previous month.

East of Suez VLCC long-haul rates from the Middle East to eastern destinations declined eight per cent in August from the previous month to reach the lowest level since June 2005. On an annual basis, VLCC rates on the Middle East/east route declined 55 per cent. Tonnage surplus coupled with refinery maintenance were among the reasons for the continuing decline. Rates of VLCCs trading on the Middle East/west route declined as well to average three per cent lower in August compared to the previous month. High ship supply and US imports below expectation coupled with the relatively high stock situation and price backwardation all led to the experienced decline in the Middle East/west VLCC spot freight rates. However, market participants perceive that once the level of US imports increases in preparation for the winter season, the build of tonnage will be cleared and rates could observe some upward momentum.

West of Suez VLCCs moving volumes from West Africa to the East followed the same trend as the other routes and declined on the back of limited activities and tonnage surplus. VLCC spot freight rates on the West Africa/east route declined 14 per cent in August from the previous month, one of the lowest rates reported in recent years. On an annual basis, VLCC rates on this route declined a hefty 46 per cent.

The Suezmax sector followed the same trend as the VLCC sector and declined 15 per cent in August compared to the previous month. The continuing build of tonnage and limited activities in addition to the spill over effect from the VLCC sector all contributed to the mounted pressure on the Suezmax sector and rates declined in response. Suezmax spot freight rates on the West Africa/US Gulf Coast route fell 17 per cent in August from the previous month on the expectation of weaker interest from the US as the end of the driving season unfolds. Additionally, the pressure coming from the VLCC sector added to the bearish sentiment for the Suezmax sector in West Africa, and rates indicated an annual decline of 54 per cent in August. From North West Europe, Suezmax spot freight rates followed the lead of the other market, declining 13 per cent in August from the previous month.

In the dirty market, the Aframax sector lost the most ground in August with an average decline of 23 per cent from the previous month. East of Suez Aframax declined at the beginning of August on the back of lower Chinese fuel oil imports which negatively affected activities coupled with a healthy position list. Additionally, the expectation of higher US imports to meet winter demand halted the decline as market participants expect many Aframaxes to be drawn for lightering operations in the US. In the Mediterranean, Aframax spot freight rates declined 22 per cent on average in August compared to the previous month. August started with a relatively balanced market in the Mediterranean, although tonnage builds continued as the month progressed while activities were moderate, dragging down the rates to 50 per cent less than in the same period of last year.

In the Caribbean, Aframax spot freight rates started the month on a healthy note in a relatively balanced market. However, as the market was attractive, tonnage started to build as the month progressed and charterers took over the steering wheel. At the same time, the anticipated effect of Hurricane Dean provided some support with owners expecting an influx of employments as a result. However, as the outcome of the hurricane did not cause major disruptions to oil production, the market only had another bearish factor to add to its pain. Aframax spot freight rates on the Caribbean/US Gulf Coast route declined 34 per cent in August from the previous month.

Clean tanker market sentiments were bearish in August with spot freight rates declining 13 per cent on average from the previous month. However, the East of Suez market performed better in August than the West of Suez market which is contrary to the trend of the recent months. East of Suez spot freight rates remained steady in August while West of Suez dropped a heavy 19 per cent from the previous month. In the East, closed arbitrage to the US West Coast for gasoline on the back of lower US prices, in addition to the refinery maintenance in Asia, exerted downward pressure on rates in August. However, the increased naphtha activities on the back of new cracking capacity coming onstream, despite some being shut down, supported rates. Additionally, the opening of a small jet arbitrage window to the US helped remove few vessels from the position list. Accordingly, spot freight rates for clean tanker operating to the East from the Middle East and Singapore ended August with an increase of three per cent and a decline of one per cent, respectively.

West of Suez clean spot freight rates declined in August with Mediterranean rates declining for the third consecutive month. The closure of arbitrage opportunities and market perception of increasing US refinery runs in the coming period pressured the market and rates declined in the Mediterranean 37 per cent on an annual basis. Additionally, the growing supply of tonnage and the easing of the concerns about the Hurricane Dean added to the bearish sentiment in August. The same factors affected the North West European market although the closure of arbitrage to the US had more weight in terms of clean spot freight rates which fell 21 per cent in August from the previous month. In the Caribbean, clean tanker spot freight rates declined 22 per cent compared to the previous month. The same factor halted activities to the US affecting the Caribbean clean tanker market along with tonnage oversupply so that owners were not encouraged to relocate their ships with interregional sentiments on the bearish side. Caribbean clean spot freight rates declined 40 per cent in August compared to the same period last year.

Oil trade

OECD

According to preliminary estimated data, OECD crude oil imports increased by around one per cent in July compared to the previous month, after declining for three consecutive months. Despite the relatively healthy increase in Japan's crude oil imports, the minor rise in Europe's crude oil inflows and the steady level of South Korean imports in July compared to the previous month, the decline in US crude oil imports offset all other increases. The rises in Japan and Europe came on the back of increased refinery runs. On the product side, OECD product imports declined more than one per cent on the back of lower Japanese imports while US product imports remained steady during the same period. On an annual basis, both crude oil and product imports indicated a decline of around five per cent.

OECD crude oil exports remained relatively steady with a minor increase of one per cent in July from the previous month. Similarly, product exports increased moderately to push total OECD oil exports 1.4 per cent higher in July compared to the previous month. Following the annual trend of OECD imports, total OECD exports declined by seven per cent in July y-o-y. As a result, OECD net oil imports dropped a marginal 0.5 per cent in July driven by a 17 per cent fall in net product imports in July. OECD net crude oil imports offset the decline with an increase of 0.7 per cent, however, this was not enough to bring total OECD net oil imports over to the positive side. On an annual basis, OECD net oil imports indicated a decline of around four per cent.

For the sources of imports, Saudi Arabia and Russia maintained their positions as OECD's top suppliers in July with around 14 per cent each. Canada, Norway and Venezuela followed with

around six per cent each. On the product side, Russia and the Netherlands maintained their positions as top suppliers of OECD products with around nine per cent each.

United States

In August, data showed that US oil imports declined to reach the lowest level since March 2007. US crude oil imports remained relatively steady with a minor decline of 0.4 per cent from the previous month. Despite the consistent refinery utilization rates in August, crude oil imports declined, dragging crude oil stocks down from the end of July level. Additionally, the backwardation market discouraged further crude oil imports.

As for products, US imports declined in August by around nine per cent to reach the lowest level since February. US product imports in August indicated a heavy annual decline of more than 17 per cent. Imports of gasoline were the main driver of the decline in August as the arbitrage closed on the back of easing US prices. Gasoline production in the US remained at a steady level in August compared to the previous month with only a minor decline. As a result, gasoline stocks fell. Additionally, imports of fuel oil declined in August compared to the previous month, however, the increase in distillate imports in the same period offset the decline.

With total US exports remaining steady with a minor increase in product exports, US net oil imports declined three per cent in August from the previous month. US net crude oil imports averaged less than one per cent lower than the previous month while net product imports declined 13 per cent in August. Compared to the same period last year, US net oil imports indicated a y-o-y decline of eight per cent.

With 19 per cent and 15 per cent, respectively, Canada and Saudi Arabia remained the main suppliers of US crude oil in June followed by Mexico and Venezuela with 14 per cent and 11 per cent. OPEC Member Countries supplied 55 per cent of US crude oil. On the product side, Canada maintained the US top product supplier with 14 per cent, followed by Russia and Venezuela with seven per cent each. OPEC Member Countries supplied the US with 17 per cent of its total product imports.

Japan

According to preliminary estimated data, Japan's crude oil imports remained steady in August with a minor decline of around one per cent compared to the previous month. With an increase in refinery utilization in August, steady crude oil imports led to a decline in stocks from last month's level. However, despite the minor decline, annual crude oil imports indicated a y-o-y growth of around seven per cent attributable to the increase in demand for power generation due to the recent earthquake which affected nuclear power generation capacity. On the product side, Japan's imports increased more than 20 per cent in August from the previous month supported by higher fuel oil imports. Despite this increase, product imports indicated an annual decline of 13 per cent.

Japan's product exports remained relatively steady with a minor decline of four per cent in August compared to the previous month. As a result, Japan's net oil imports increased two per cent in August from a month ago supported by net product imports which broke the previous month's decline. Net crude oil imports declined in August on the back of lower imports.

As for the sources of imports, Saudi Arabia with 26 per cent and the UAE with 24 per cent were the largest crude oil suppliers accounting for around 50 per cent of Japan's total crude oil imports in July. Qatar followed with around 12 per cent, Iran and Kuwait came next with around ten per cent each. OPEC Member Countries supplied around 84 per cent of Japan's total crude oil imports. On the product side, Saudi Arabia and the UAE remained the top suppliers providing together around 30 per cent of Japan's product imports.

China

China's crude oil and product imports crept upward in July rising 82,000 b/d to average 4.37m b/d. Crude oil imports increased by 62,000 b/d or 1.8 per cent compared to the previous month to average 3.5m b/d, which corresponds to a gain of almost 1.0m b/d or 39.5 per cent from a year earlier. However, product imports gained a marginal 20,000 b/d or 2.3 per cent over the previous month, although compared to a year earlier product imports were 223,000 b/d or 20.5 per cent lower.

Despite the anticipated shutdown of refinery capacity in China for maintenance in August and September, the increased volumes of crude oil imports in July reflect the continuing healthy demand for gasoil, gasoline and fuel oil that China had witnessed over the previous months.

In spite of high fuel oil prices, China's fuel oil imports increased by more than one per cent in July, reflecting continued healthy demand for power generation as well as feedstock for private refiners which supported imports. Additionally, stronger imports of jet fuel in July supported product imports which occurred due to the peak travel season.

China's product exports declined in July on the back of domestic demand as well as the government's decrease in export rebate in order to control trade. With a 138,000 b/d drop in total crude oil and product exports, China's net oil imports showed an increase of 220,000 b/d or 5.7 per cent in July over the previous month. Compared to the same month last year, net oil imports displayed a y-o-y growth or 875,000 b/d or 27 per cent.

Saudi Arabia was China's top crude oil supplier in July with 16 per cent, followed by Angola with 15 per cent and Oman with 11 per cent. Russia's share of Chinese imports was nine per cent, while Iran, which had been China's top crude oil supplier in the previous month, dropped to fifth place with eight per cent.

India

India's crude oil imports rebounded in July with an increase of around nine per cent from the previous month to reach 2.55m b/d. This increase followed two consecutive declines of 5.8 per cent in May and 5.5 per cent in June each compared to the previous month. Annually, India's crude oil imports showed an 8.4 per cent increase in July over the same month in 2006. The rise in crude oil imports came on the back of some refiners preparing to increase throughput in the coming months. Similarly, India's product

imports increased in July in comparison to the previous month to reach the highest level so far in 2007. India's product imports increased by more than ten per cent compared to the previous month to reach 410,000 b/d. Annually, India's product imports increased by 35 per cent in July compared to the same month in 2006.

Imports of diesel, which comprised 27 per cent of India's product imports in July, declined slightly from the previous month while imports of gasoline increased on the back of healthy local demand. Similarly, imports of naphtha and jet fuel rose in July, while increased requirements from power generation supported higher fuel oil imports in July. On the export side, India's product exports increased in July on the back of private refiners adding to their exports to take advantage of the high international prices.

As a result, India's net oil imports rebounded in July after two consecutive months of decline to increase by 11 per cent. This increase came as a result of increases in both India's crude oil and product imports in July, together with the four per cent increase in India's product exports in the same month. On an annual basis, India's net oil imports indicated an increase of nine per cent in July compared to the same month last year.

Stock movements

United States

US total commercial oil stocks continued to decline for the second consecutive month to stand at around 1,023m b at the end of August, which corresponds to 54m b below the level of the corresponding period of the previous year. Despite this decline of nearly 12m b, stocks remained within the upper half of the five-year range for a surplus of 14m b over the five-year average. The drop was driven by crude oil and gasoline. However, it is worth mentioning that commercial stocks fell by more than 16m b over the previous two months while a year earlier they rose 34m b.

After a drop of more than 13m b in July, crude oil stocks fell a further 12m b in August, the second highest decline after July's level so far this year. The cumulative drop of 25m b in two months brought US commercial stocks within the range of the previous five years after having been above the upper end of the range and even above the levels of 2006 since mid-June 2007. At 330m b, US crude oil commercial stocks were almost unchanged from a year ago, but remained 30m b above the five-year average. The strong decline in crude oil inventories is attributed to increasing refining utilization rates and lower imports, due to Hurricane Dean.

On the product side the picture is mixed, with gasoline declining for the second consecutive month and distillates increasing for the same period. Gasoline stocks fell 13.6m b to stand at 191m b, the lowest level in the last two months, and showed a deficit of 9m b with the five-year average. Improving refining activity could not prevent gasoline stocks from dropping significantly as seasonal demand has picked up and imports went below 1m b/d. With this decline, days of forward cover dropped to an abnormally low level of less than 20 days, although this would not have too large an impact on the market as the driving season is almost at its end.

Looking ahead, the market will be focusing more on distillates as we approach the winter season. However, distillate inventories continued their normal trend, helped by the maximization of yield by refiners, rising 5m b to remain close to the five-year average at 132m b at the end of August. Nevertheless, compared with the extremely high level of the previous year, distillate stocks showed a deficit of almost 13m b, which corresponds to a deficit of around 2.5 days of forward cover from the average. By product, heating oil stocks remained 14m b below the five-year average and diesel 15m b above the average. Nevertheless, the comparison with the previous data may be misleading due to the change in sulphur content introduced last June. Both residual fuel oil and jet fuel dropped by 1.8m b and 100,000 b, respectively but remained above the five-year average.

According to recent EIA data, US commercial oil stocks dropped 3.4m b to stand at 1,019m b in the week ending September 7, which corresponds to 52m b or five per cent below last year's level, but represents a surplus of 17m b or two per cent over the five-year average. The drop was driven essentially by crude oil which fell a significant 7m b, the highest draw since last December. The decline was attributed mainly to lower imports, which fell almost 700,000 b/d in anticipation of refinery maintenance. In addition, the structure of backwardation in the futures market continued to encourage a draw on stocks.

US crude oil stocks dropped around 30m b since the end of June to stand at 323m b, down 5m b from a year earlier and the lowest level since mid-January. Consequently, the overhang over the five-year average narrowed to 25m b or eight per cent compared with 40m b at the end of June. Gasoline stocks fell 700,000 b to 190m b due to lower production and imports. Compared to the previous year and the five-year average, gasoline stocks remained low but their impact on the market has diminished with the end to the driving season. In contrast to crude oil and gasoline, distillate stocks continued their seasonal trend rising 1.8m b to 134m b, the same level as the five-year average but a deficit of 10m b from the high level of last year. The build in distillate stocks came mainly from heating oil.

Looking ahead, the market will be focusing more on distillates as we approach the winter season.

Western Europe

Following a cumulative draw of around 34m b over June and July, EU-16 (Eur-15 plus Norway) commercial stocks rose a minor 800,000 b to

stand at nearly 1,144m b at the end of August. Despite this recovery, inventories remained below the year-ago level, but showed a surplus of 30m b over the previous five-year average. This marginal recovery was driven by crude oil, which increased 600,000 b. At 483m b, crude oil inventories were almost at the same level as in the corresponding month of the previous two years but displayed a surplus of 18m b or four per cent over the five-year average. The build in crude oil stocks was due to growing North Sea supplies.

Product stocks remained almost flat, although particularly residual fuel increased 1.3m b and naphtha fell 900,000 b. Gasoline stocks have remained stable since June at 124m b, but were still below the lower end of the five-year average, 3m b below last year and 11m b below the five-year average. The increase in refining runs, which boosted the utilization rates to their highest level since last January, could help gasoline stocks to recover in August as was almost the case and because of strong exports to the US. In contrast to gasoline, middle distillate stocks edged down 400,000 b due to strong diesel demand and high exports of heating oil to South America, to go below the level of the corresponding month of 2006 for the first time this year. However, at 396m b, distillate stocks remained comfortable with a surplus of 20m b over the five-year average, down from 40m b two months ago. Residual fuel surged 1.3m b to 115m b, the highest level since last May, while naphtha stocks fell 900,000 b, offsetting the build of the previous month to stand at 26.4m b, the same level as in August last year.

Demand for OPEC crude in 2008 is expected to average 30.81m b/d, a decrease of 216,000 b/d from the 2007 figure.

Japan

Japanese commercial oil stocks followed their normal seasonal trend, increasing for the third consecutive month to stand at 195m b at the end of July, up 9.5m b from the previous month. With this build, stocks moved in line with the five-year average in July to approach the level of the previous year and a surplus of 7m b or four per cent over the five-year average in July.

Crude oil stocks accounted for 54 per cent of the build to stand at 115m b, the highest level since October 2006 and the same level as a year ago. The deficit with the five-year average has narrowed to just two per cent compared with eight per cent during May and June. The build in crude oil stocks was driven by higher imports.

Similarly, product stocks followed their normal trend, but in contrast to crude oil they continued to hover around the upper end of the five-year range. Product inventories rose 4.4m b or six per cent – the highest build so far this year – to stand at 81m b, which corresponds to a surplus of 10m b or 15 per cent over the five-year average. The continuous build in product stocks is attributed to distillates, which continued to increase, whereas gasoline stocks extended their downward trend to remain below the lower end of the range. Distillate inventories rose 5m b to 36m b, the same level as a year ago and 2m b higher than the five-year average. In contrast, gasoline stocks continued to decline for the sixth consecutive month to stand at 11m b, 1m b below the previous month and a year earlier and 2m b or 12 per cent below the five-year average.

Naphtha stocks dropped 500,000 b to 12.3m b but remained comfortable, while residual fuel rose 1.2m b to 20.2m b, the highest level since last January.

Preliminary data show that Japan's commercial stocks dropped to 192m b in the week ending September 8. Crude oil stocks stood close to 101m b, a decline of 14m b from end-July, the lowest level since mid-May. The draw was attributed to lower imports and increased refinery runs. Distillate stocks rose more than 8m b since the end of July while gasoline inventories increased slightly to 11.8m b.

Balance of supply/demand

Estimate for 2007

The demand for OPEC crude in 2007 is expected to average 31.02m b/d, an increase of 100,000 b/d over the 2006 figure. On a quarterly basis, demand for OPEC crude is expected to average 31.17m b/d, 30.29m b/d, 31.29m b/d and 31.33m b/d, respectively.

Forecast for 2008

The demand for OPEC crude in 2008 is expected to average 30.81m b/d, a decrease of 216,000 b/d from the 2007 figure. On a quarterly basis, demand for OPEC crude is expected to average 31.05m b/d, 29.78m b/d, 30.94m b/d and 31.45m b/d, respectively.

Table A: World crude oil demand/supply balance														*m b/d*
World demand	**2003**	**2004**	**2005**	**2006**	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**2007**	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**2008**
OECD	48.6	49.4	49.7	49.2	49.6	48.1	49.1	50.3	49.3	50.2	48.1	49.1	50.9	49.6
North America	24.5	25.4	25.5	25.3	25.7	25.5	25.6	25.8	25.6	26.0	25.6	25.8	26.2	25.9
Western Europe	15.4	15.5	15.6	15.6	15.2	14.9	15.6	15.7	15.3	15.4	14.8	15.5	15.9	15.4
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.9	8.8	8.3	8.9	7.6	7.8	8.9	8.3
Developing countries	20.6	21.8	22.5	23.3	23.7	24.0	24.0	24.1	23.9	24.2	24.5	24.6	24.7	24.5
FSU	3.7	3.8	3.9	3.9	3.9	3.7	3.9	4.3	4.0	3.9	3.8	4.0	4.3	4.0
Other Europe	0.8	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0
China	5.6	6.5	6.5	7.1	7.5	7.8	7.7	7.4	7.6	7.8	8.1	8.2	7.8	8.0
(a) Total world demand	**79.3**	**82.3**	**83.5**	**84.4**	**85.7**	**84.5**	**85.7**	**87.1**	**85.7**	**87.2**	**85.5**	**86.8**	**88.7**	**87.1**
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.4	20.0	20.0	20.6	20.3	20.7	20.2	20.0	20.8	20.4
North America	14.6	14.6	14.1	14.3	14.4	14.3	14.3	14.6	14.4	14.7	14.4	14.4	14.9	14.6
Western Europe	6.4	6.2	5.8	5.4	5.5	5.1	5.1	5.3	5.2	5.3	5.1	4.7	5.0	5.0
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.7	0.8	0.8	0.9	0.8
Developing countries	10.8	11.0	11.3	11.5	11.5	11.5	11.6	11.8	11.6	11.9	11.8	11.9	12.0	11.9
FSU	10.3	11.1	11.5	12.0	12.5	12.5	12.5	12.8	12.6	12.9	13.0	13.1	13.4	13.1
Other Europe	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.7	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Processing gains	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9
Total non-OPEC supply	48.1	49.0	49.0	49.5	50.3	49.8	50.0	51.1	50.3	51.5	50.9	50.9	52.1	51.4
OPEC NGLS and non-conventionals	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.8	4.9	5.1	4.9
(b) Total non-OPEC supply and OPEC NGLS	**51.8**	**53.0**	**53.1**	**53.6**	**54.5**	**54.2**	**54.4**	**55.8**	**54.7**	**56.2**	**55.7**	**55.9**	**57.3**	**56.3**
OPEC crude supply and balance														
OPEC crude oil production[1]	27.8	30.0	31.1	30.9	30.0	30.1								
Total supply	79.6	83.0	84.2	84.4	84.5	84.3								
Balance[2]	0.3	0.7	0.7	0.0	–1.2	–0.2								
Stocks														
OECD closing stock level *m b*														
Commercial	2517	2547	2597	2683	2600	2669								
SPR	1411	1450	1487	1499	1503	1504								
Total	3928	3997	4083	4181	4103	4173								
Oil-on-water	882	905	958	908	911	908								
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	54	54	54								
SPR	29	29	30	30	31	31								
Total	80	80	83	85	85	85								
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.8	8.5	8.5	8.6	9.0	9.3	9.1	9.0	9.1
[(a) – (b)]	**27.5**	**29.3**	**30.4**	**30.9**	**31.2**	**30.3**	**31.3**	**31.3**	**31.0**	**31.0**	**29.8**	**30.9**	**31.5**	**30.8**

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

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

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

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables One and Two*** *on page 70 while* ***Graphs One and Two*** *(on page 71 show the evolution on a weekly basis.* ***Tables Three to Eight****, and the corresponding graphs on pages 72–73 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*

Table 1: OPEC Reference Basket crude oil prices, 2006–2007

$/b

Crude/Member Country	2006 Aug	Sep	Oct	Nov	Dec	2007 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Weeks 31–35 (week ending) Aug 3	Aug 10	Aug 17	Aug 24	Aug 31
Arab Light – Saudi Arabia	68.76	59.72	55.64	55.53	57.70	50.86	54.29	58.08	62.83	64.15	65.92	71.05	68.76	71.85	68.43	68.14	67.63	68.94
Basrah Light – Iraq	65.42	56.40	51.53	52.31	55.23	47.64	51.19	55.99	59.74	61.79	64.09	70.53	66.83	71.29	66.56	66.33	65.20	66.90
BCF-17 – Venezuela	60.29	50.96	46.99	46.86	48.56	42.68	48.04	50.27	54.93	56.06	60.68	65.79	62.78	68.20	64.26	61.92	59.96	61.73
Bonny Light – Nigeria	75.29	63.87	58.75	60.32	64.28	56.18	59.58	64.59	70.01	70.03	74.45	79.21	73.34	78.82	73.26	72.69	71.00	73.12
Es Sider – SP Libyan AJ	70.72	61.54	56.20	57.32	60.73	52.08	55.83	60.60	66.06	66.03	70.25	75.81	69.84	75.36	69.76	69.19	67.50	69.62
Girassol – Angola						51.99	56.66	60.77	66.44	66.52	69.00	74.42	69.81	74.66	69.40	69.17	67.83	69.98
Iran Heavy – IR Iran	66.42	57.14	53.27	53.97	55.75	47.91	51.87	56.39	61.41	62.72	64.77	69.65	66.60	69.84	66.34	65.91	65.55	66.66
Kuwait Export – Kuwait	66.02	56.75	53.02	53.56	55.69	48.42	52.33	56.22	61.07	62.06	63.61	67.73	65.91	68.36	65.61	65.25	65.09	65.98
Marine – Qatar	70.05	60.90	57.15	57.33	59.25	52.58	55.86	59.39	64.79	65.34	66.15	70.20	69.43	71.23	69.22	68.99	69.10	69.13
Minas – Indonesia	75.42	63.32	54.87	56.93	62.55	55.39	58.44	62.83	68.74	68.12	68.41	76.88	73.67	78.94	74.10	72.62	71.65	73.18
Murban – UAE	73.66	65.01	61.04	60.94	63.12	56.42	59.58	63.19	68.39	69.21	70.74	74.40	71.80	74.32	71.68	71.17	70.89	71.92
Saharan Blend – Algeria	74.50	63.27	58.55	59.77	63.55	55.78	59.58	64.30	69.71	70.13	74.05	78.21	73.44	78.48	73.36	72.79	71.10	73.22
OPEC Reference Basket	**68.81**	**59.34**	**54.97**	**55.42**	**57.95**	**50.79**	**54.56**	**58.59**	**63.55**	**64.48**	**66.89**	**71.89**	**68.71**	**72.50**	**68.62**	**68.05**	**67.21**	**68.66**

Table 2: Selected OPEC and non-OPEC spot crude oil prices, 2006–2007

$/b

Crude/country	2006 Aug	Sep	Oct	Nov	Dec	2007 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Weeks 31–35 (week ending) Aug 3	Aug 10	Aug 17	Aug 24	Aug 31
Arab Heavy – Saudi Arabia	63.57	54.56	50.49	51.54	53.72	46.15	50.21	54.40	59.16	60.07	61.44	64.99	63.55	65.59	63.27	62.87	62.94	63.58
Brega – SP Libyan AJ	72.81	61.51	57.50	58.62	62.23	53.78	57.53	62.30	67.71	67.73	71.90	77.36	71.29	76.85	71.21	70.64	68.95	71.07
Brent – North Sea	73.11	61.71	57.80	58.62	62.23	53.78	57.43	62.15	67.51	67.38	71.55	77.01	70.74	76.38	70.66	70.09	68.40	70.52
Dubai – UAE	68.92	59.82	56.36	58.92	62.33	53.68	55.61	58.80	63.97	64.59	65.79	69.49	67.36	69.58	66.98	66.63	66.76	67.54
Ekofisk – North Sea	73.09	62.24	58.17	56.72	58.69	51.92	58.41	62.84	67.73	68.36	72.09	77.76	72.00	76.96	71.62	71.27	69.89	72.34
Iran Light – IR Iran	68.49	58.56	55.42	59.15	62.17	53.93	53.64	57.92	63.87	64.05	67.99	73.70	69.34	73.69	68.97	69.09	67.50	69.22
Isthmus – Mexico	67.47	57.18	52.46	55.39	56.98	49.12	53.48	56.78	60.60	60.60	65.40	71.11	66.60	71.85	66.59	65.94	64.12	66.92
Oman -Oman	70.12	61.01	57.32	53.34	56.82	48.90	55.82	59.19	64.45	65.04	66.08	70.09	68.34	70.59	68.15	67.72	67.71	68.21
Suez Mix – Egypt	65.78	56.96	52.91	57.37	59.35	52.38	51.38	56.16	61.27	61.34	65.42	71.44	66.94	71.43	66.56	66.45	64.99	67.09
Tia Juana Light[1] – Venez.	60.99	52.35	48.05	53.60	55.05	47.19	51.82	54.90	58.60	58.54	63.31	68.98	64.62	69.77	64.59	63.96	62.19	64.92
Urals – Russia	68.49	59.47	55.68	51.63	54.89	47.83	53.82	58.81	63.92	64.29	67.83	73.90	69.25	73.78	68.94	68.78	67.26	69.36
WTI – North America	73.01	64.00	58.82	55.95	57.95	50.13	59.21	60.63	63.85	63.46	67.44	73.98	72.37	76.69	71.86	72.00	70.29	73.02

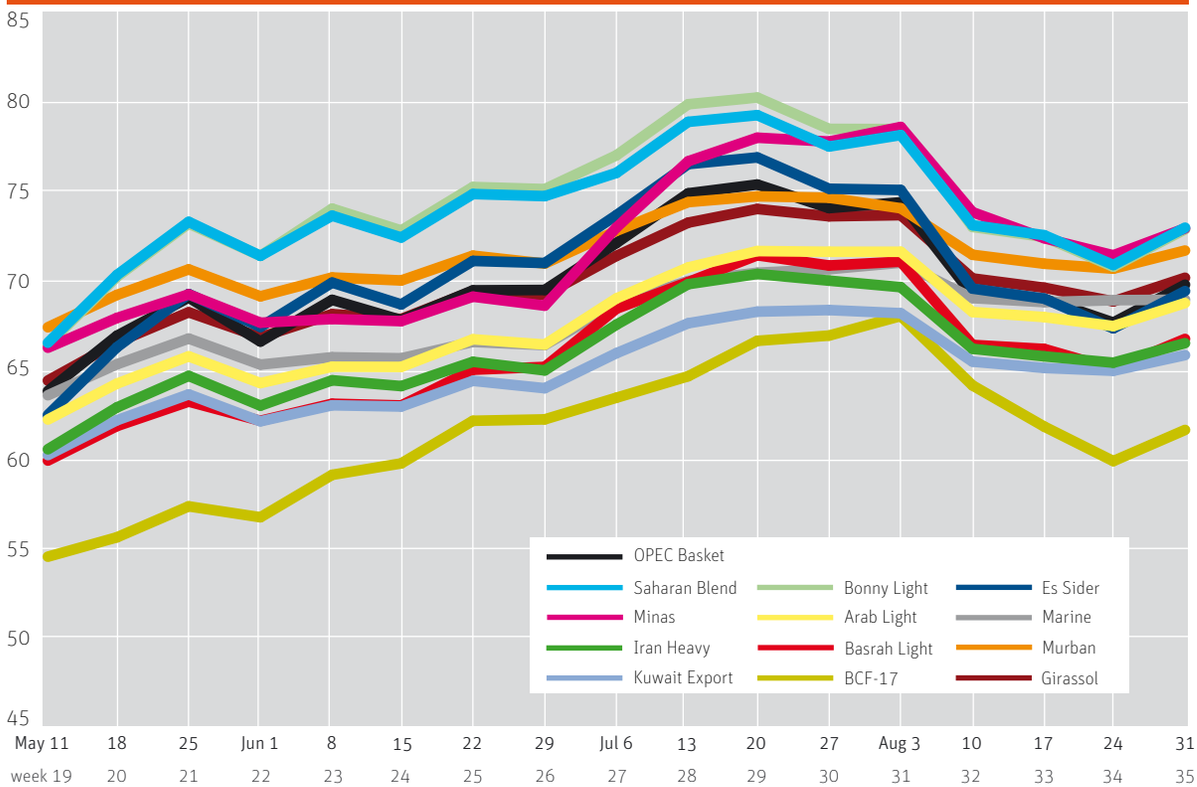
Note: As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie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

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

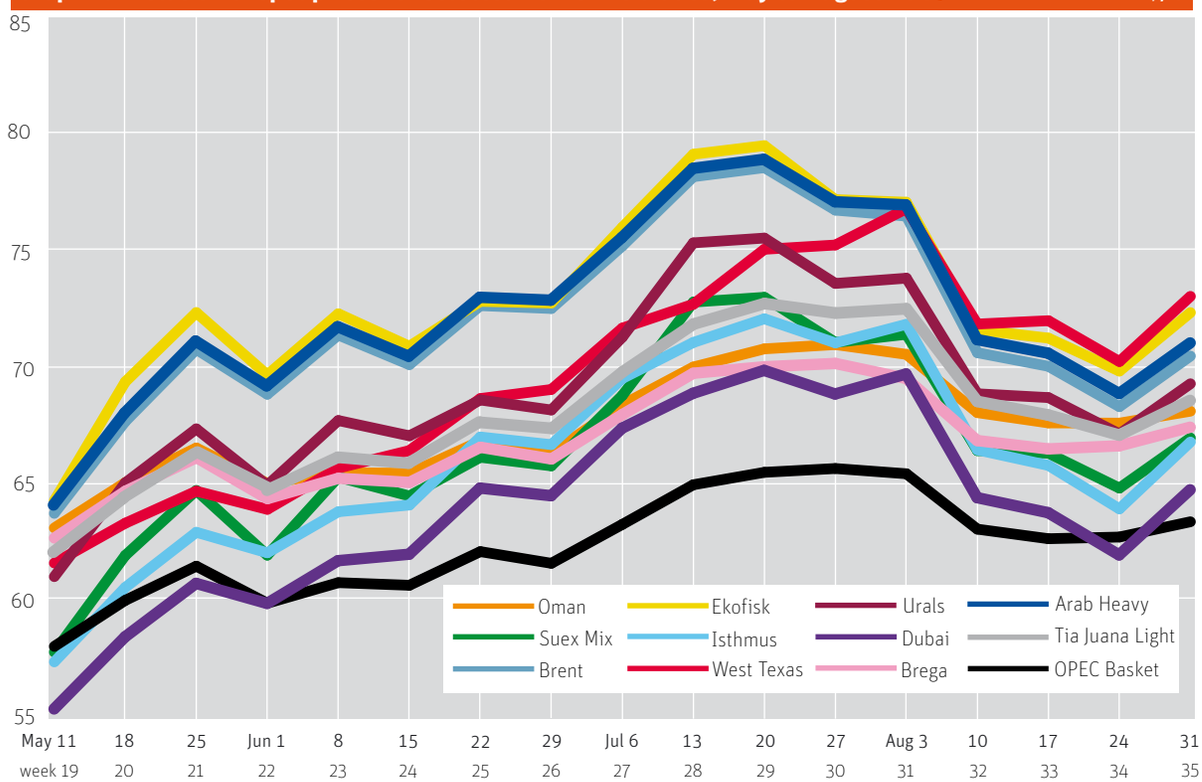
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

Graph 1: Evolution of the OPEC Reference Basket crudes, May to August 2007 *$/b*



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



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

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

$/b

		naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2006	August	81.35	82.74	93.21	89.75	91.68	46.38	46.41
	September	68.51	64.54	72.69	77.31	79.71	42.04	40.67
	October	66.51	59.57	67.12	74.92	73.68	37.91	39.25
	November	67.40	61.17	69.11	74.53	73.81	38.69	38.70
	December	71.49	64.58	72.94	75.60	78.27	37.32	37.82
2007	January	66.59	57.72	65.11	67.79	70.78	36.04	33.81
	February	72.25	63.74	71.76	72.51	73.96	34.67	37.99
	March	79.22	73.41	82.57	76.23	76.82	39.24	40.35
	April	86.19	83.57	93.90	81.65	82.71	42.91	46.46
	May	90.03	89.81	100.00	81.72	83.79	45.66	47.33
	June	87.58	85.13	97.59	85.50	87.00	46.72	48.83
	July	89.84	84.15	96.78	89.12	90.01	52.66	54.01
	August	84.70	78.85	90.16	86.40	87.03	54.39	52.23

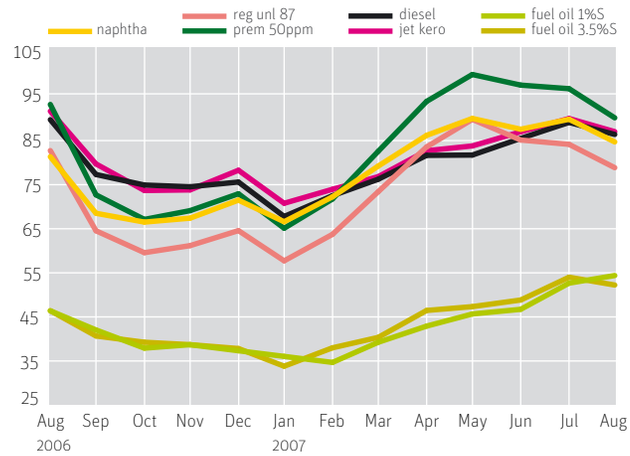


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2006	August	67.81	93.24	89.83	49.86	44.99
	September	56.94	71.74	77.33	40.94	39.72
	October	55.46	67.91	73.68	38.41	37.96
	November	56.16	70.33	74.31	38.29	37.49
	December	59.44	73.54	75.64	38.42	37.37
2007	January	54.77	64.62	66.93	34.63	34.49
	February	59.53	71.82	70.87	38.20	37.30
	March	65.29	82.23	74.98	41.45	40.93
	April	71.19	93.67	81.44	47.01	46.53
	May	74.42	101.00	82.85	49.97	46.49
	June	72.68	97.63	85.44	52.59	48.68
	July	75.51	96.51	89.63	58.29	53.68
	August	71.54	89.06	87.56	55.92	52.70

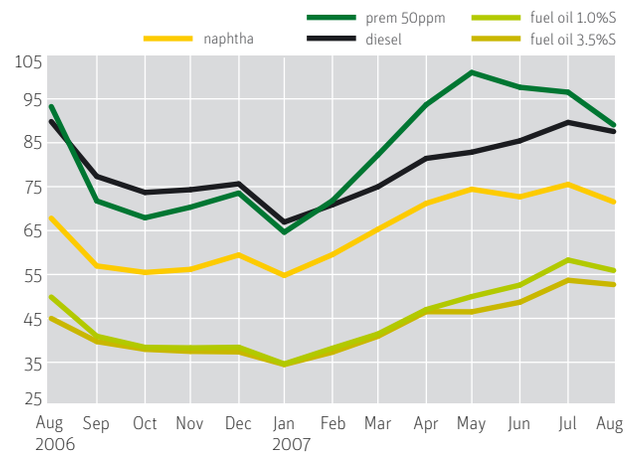
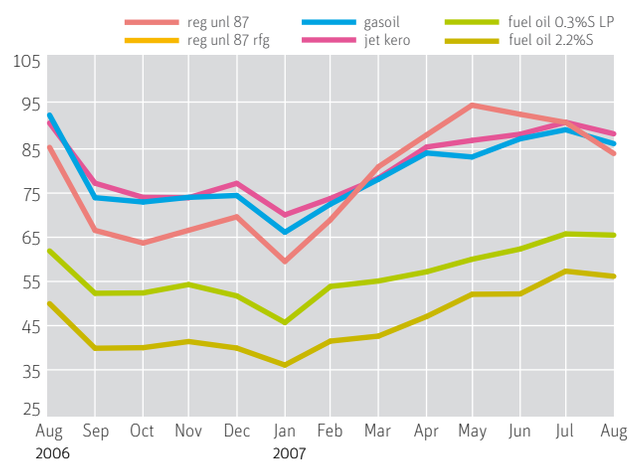


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2006	August	85.35	92.66	90.87	61.91	49.98
	September	66.56	73.96	77.24	52.32	39.88
	October	63.69	72.98	74.03	52.40	40.01
	November	66.58	74.04	73.96	54.29	41.40
	December	69.62	74.46	77.21	51.73	39.92
2007	January	59.52	66.13	70.07	45.71	36.07
	February	68.93	72.49	73.77	53.86	41.49
	March	80.96	78.14	78.39	55.10	42.63
	April	88.17	84.08	85.43	57.18	47.06
	May	94.90	83.17	86.92	60.03	52.09
	June	92.84	87.29	88.32	62.34	52.18
	July	91.00	89.34	91.03	65.76	57.33
	August	83.95	86.19	88.42	65.49	56.16



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
2006	August	71.17	85.12	90.20	46.00	45.51
	September	61.91	72.46	76.92	35.88	35.81
	October	61.31	69.90	73.81	36.01	35.93
	November	62.44	69.83	73.86	37.40	34.92
	December	63.97	70.72	76.90	35.92	34.92
2007	January	63.61	63.61	70.10	32.07	32.02
	February	65.59	69.62	74.07	37.49	37.14
	March	75.60	72.12	78.27	38.63	38.22
	April	88.22	77.36	86.11	43.06	42.90
	May	81.49	81.02	87.42	48.09	48.03
	June	78.14	83.37	88.28	48.18	48.05
	July	77.87	86.29	90.57	53.33	53.28
	August	74.95	83.03	88.49	52.16	52.11

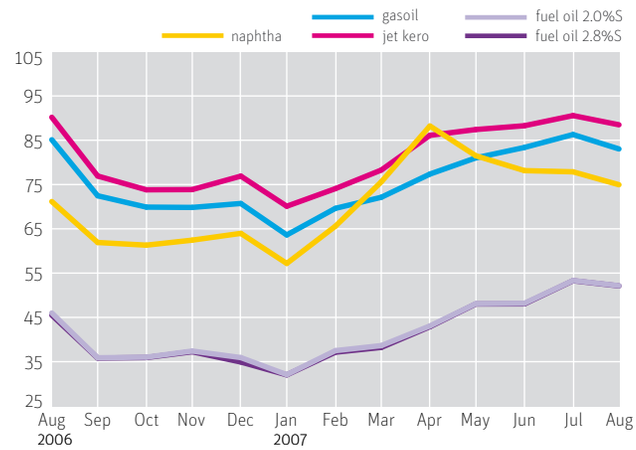


Table and Graph 7: Singapore market – spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2006	August	66.59	81.22	80.36	88.19	89.47	50.16	47.61
	September	57.32	65.86	65.18	77.75	80.55	43.25	42.24
	October	56.03	61.83	61.21	73.12	74.02	42.46	42.40
	November	57.66	62.89	62.14	72.04	77.42	40.53	39.84
	December	60.54	68.16	67.03	74.14	77.42	41.47	40.34
2007	January	56.79	61.59	60.31	69.71	69.66	41.23	40.24
	February	63.81	66.80	65.73	72.22	71.77	44.95	43.70
	March	70.56	76.62	75.52	75.94	75.02	46.26	45.48
	April	74.22	83.49	82.69	83.18	80.91	51.24	50.87
	May	76.73	88.77	87.96	84.47	82.14	51.34	50.82
	June	73.12	84.79	83.82	85.67	83.75	53.37	53.03
	July	75.10	85.35	84.36	89.57	87.16	57.53	57.39
	August	71.34	77.15	76.05	86.33	84.28	56.34	55.71

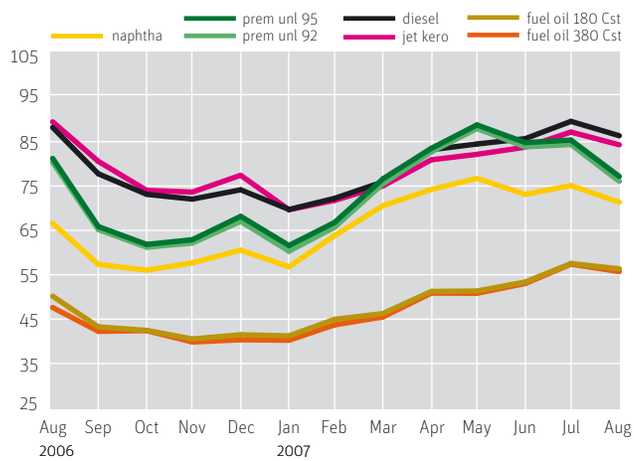
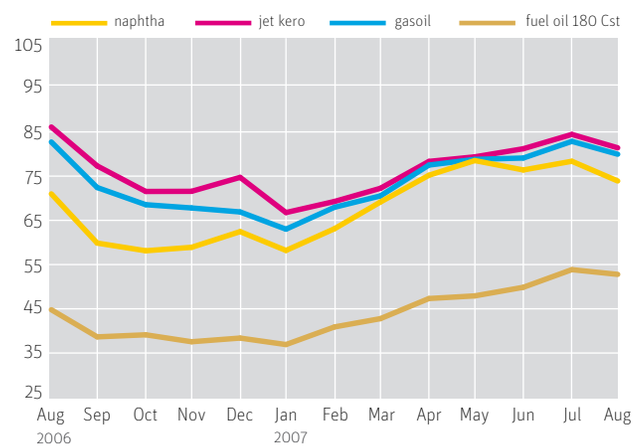


Table and Graph 8: Middle East Gulf market – spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2006	August	70.99	82.72	86.11	44.79
	September	59.86	72.42	77.31	38.65
	October	58.12	68.54	71.53	39.12
	November	58.90	67.80	71.56	37.55
	December	62.45	66.90	74.72	38.38
2007	January	58.19	63.00	66.76	36.91
	February	63.11	67.96	69.27	40.90
	March	69.14	70.52	72.24	42.77
	April	75.19	77.50	78.33	47.32
	May	78.52	78.79	79.36	47.92
	June	76.39	79.09	81.19	49.86
	July	78.36	82.85	84.43	53.85
	August	73.90	79.95	81.40	52.78



Source: Platts. Prices are average of available days.

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Key performance indicators for oil and gas exploration and production, October 25–26, 2007, 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.

Next biofuels technologies, October 25–26, 2007, Beijing, PR China. 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.

People challenge in oil and gas, October 25–26, 2007, Amsterdam, The Netherlands. 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.

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11th Annual Mexican energy, October 25–26, 2007, Houston, TX, USA. Details: Platts, 20 Canada Square, Canary Wharf, London E14 5LH, UK. Tel: +44 207 1766142; fax: +44 207 176 8512; e-mail: cynthia_rugg@platts.com; website: www.events.platts.com.

Energy 2007: Challenges across Europe, October 29–30, 2007, Brussels, Belgium. Details: The Institute of Economic Affairs, Conference Division, Sycamore House, 5 Sycamore Street, London EC1Y 0SG,UK. Tel: +44 207 608 0541; fax: +44 207 253 2798; e-mail: conferences@marketforce.eu.com; website: www.marketforce.eu.com.

Essentials of gas trading, October 29–30, 2007, 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.

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Gas-to-liquids 2007, October 30–31, 2007, London, UK. Details: SMi Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London SE1 0HS, 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.

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Gas and oil exposition and conference, October31–November 2, 2007, New Delhi, India. Details: dmg world media (uk) ltd, Westgate House, 120/130 Station Road, Redhill, Surrey RH1 1ET, UK. Tel: +44 1737 855108; fax: +44 1737 855482; e-mail: tonystephenson@dmgworldmedia.com; website: www.theeagc.com.

Oil and gas technology Indonesia, October31–November 3, 2007, Jakarta, Indonesia. Details: Allworld Exhibitions, 12th Floor, Westminster Tower, 3 Albert Embankment, London SE1 7SP, UK. Tel: +44 20 7840 2100; fax: +44 20 7840 2111; e-mail: info@oesallworld.com; website: www.allworldexhibitions.com.

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Biomass to liquids — the future of BTL, November 1, 2007, London, UK. Details: SMi Group Ltd, Unit 122, Great Guildford Business Square, 30 Great Guildford Street, London SE1 0HS, 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.

Saudi water and power forum 2007, November 3, 2007, Jeddah, Saudi Arabia. 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.

Oil and gas finance, November 5–9, 2007, London, UK. 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.

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International oil trading and price risk management, November 12–14, 2007, 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.

Measuring and managing upstream oil and gas performance, November 12–14, 2007, London, UK. Details: The Petroleum Economist Ltd, 69 Carter Lane, London EC4V 5EQ, UK. Tel: +44 207 779 8800; fax: +44 207 779 8899; e-mail: customerservice@petroleum-economist.com; website: www.petroleum-economist.com.

Next generation bio-ethanol, November 13–14 2007, Geneva, Switzerland. Details: Centre for Management Technology, 80 Marine Parade Road #13-02, Parkway Parade, 449269 Singapore. Tel: +65 6345 7322/6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; website: www.cmtevents.com.

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LPG trade summit, November 19–20, 2007, Dubai, UAE. 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.

The energy markets: evaluating trends and risks, November 20–23, 2007, London, UK. Details: The Petroleum Economist Ltd, 69 Carter Lane, London EC4V 5EQ, UK. Tel: +44 207 779 8800; fax: +44 207 779 8899; e-mail: customerservice@petroleum-economist.com; website: www.petroleum-economist.com.

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