This month’s cover …
shows the Nigerian Presidential Adviser on Petroleum and Energy, Dr Rilwanu Lukman (second from left), OPEC Secretary General, Dr Alvaro Silva Calderon, cutting the ribbon, and Qatari Minister of Energy and Industry, Abdullah Bin Hamad Al Attiyah (right) opening Gastech in Doha.

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Membership and aims

OPEC is a permanent, intergovernmental Organization, established in Baghdad, September 10–14, 1960, by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Its objective is to coordinate and unify petroleum policies among Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry.

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

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

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here is nothing that television news loves more than dramatic footage of disasters, whether natural or man-made. And in mid-November they certainly got one. The ageing tanker Prestige, carrying a cargo of over 70,000 tonnes of heavy fuel oil, got into difficulties in heavy seas off the north-west coast of Spain and, despite all rescue attempts, split up and sank. Almost instantly, television screens around the world were inundated with dramatic pictures of the sinking, of massive oil slicks heading towards the shore, of volunteers battling to scrape thousands of tonnes of black sludge from Spain's coastline even as new slicks came in, and of seabirds whose lives had been cut short by the pollution.

Now the wreck of the tanker lies on the seabed off the north-west coast of Spain in rough Atlantic waters some 3,500 metres deep. Salvage experts discuss the feasibility of various options, including pumping off the remaining fuel oil, or attempting to use an underwater robot to seal the cracks in the hull and prevent further leakage. Some experts are even warning that the tanker might be leaking oil for months or years to come. Whatever the truth, the reality is that it will take a very long time for the local tourism and fishing industries to recover from the cruel blow that they have been dealt by the wreck of the Prestige.

The television coverage of the sinking and its aftermath was, it has to be said, rather predictable. After the initial wave of dramatic images, various experts were rapidly wheeled on for the kind of instant but ultimately superficial debate that always follows such events. Environmental groups claimed that whatever safety measures were taken, tanker accidents would always happen and therefore the only solution was to move away from oil altogether. Tanker and oil industry representatives hit back, saying that the industry as a whole had a good safety record, and in any case the irreplaceable role of oil in the world economy meant that it would have to be transported by sea for as long as it was used.

However, this type of debate tends to obscure one very important point, one that does not often make the headlines, perhaps because it does not generate dramatic television footage — the point that oil has long since outgrown its old reputation as a ‘dirty’ fuel. It is an all-too-often overlooked fact that, in recent years, the industry has spent many billions of dollars, encompassing all stages of the upstream-downstream chain, to make oil as clean a fuel as possible.

At the upstream stage, one obvious example of such measures to reduce pollution is the reduction or near-elimination of gas flaring. In the transport sector, we have seen the introduction of double-hulled tankers, which will eventually completely replace the old single-hulled type. Refineries have been massively upgraded. Leaded petrol has been or is being phased out in large parts of the world. Exhaust emissions are cleaner than ever. Research into sinks that could absorb greenhouse gases such as carbon dioxide from the atmosphere is ongoing. The list could go on and on, but the point has been made. In the twenty-first century, oil is a clean fuel.

To return to our theme, it is clear that a full enquiry into the circumstances surrounding the sinking of the Prestige is urgently required. Indeed, the Spanish government has already set one in motion. Why was the tanker allowed to sail in the first place if it was in such a dangerous condition? Could the emergency response procedures have been improved? Who pays for the clean-up, and who bears the ultimate responsibility? All these questions, and many more, need to be answered. But in the meantime, dramatic footage of the oil spill on our television screens should not be allowed to blacken oil’s reputation in the same way that the beautiful natural coastline of Galicia has been so tragically — and quite literally — blackened.
Algeria appoints Mohamed Meziane as new OPEC Governor

Algeria has appointed Mohamed Meziane (pictured below) as the country’s new Governor for OPEC. Born in Blida, Algeria, the 58-year-old Meziane studied at the National Polytechnic University and the Algerian Institute of Petroleum, both in Algiers. From 1969-84, he held various posts in the state oil and gas firm Sonatrach, including Director of Refining and Vice-President in Charge of Petrochemicals, LNG and Refining. Meziane moved to the Ministry of Energy & Mines in 1984, where he has been General Secretary and Head of the Hydrocarbon & Mines Authority. In 1993, he joined another ADNOC company, Ruwais Fertilizer Industries, which manufacturers urea. He is a former Chairman and member of the Board of Directors of the Arab Fertilizer Association in Cairo as the UAE’s representative, and is also Chairman of the Technical Committee of the International Fertilizer Association in Paris. He is married with two sons and two daughters.

Forthcoming events

London, UK, February 3–5, 2003, Gas to liquids 2003. Details: IBC Global Conferences, Informa House, 30-32 Mortimer Street, London W1B 7RE, UK. Tel: +44 (0)1932 893 851; fax: +44 (0)1932 893 893; e-mail: info@ibcenergy.com; Web site: www.ibcenergy.com

London, UK, February 10–11, 2003, E&P data & information management. Details: SMI, Bethan Jones. Tel: +44 (0)20 7827 6176; e-mail: bjones@smi.co.uk; Web site: www.smi-online.co.uk/eandpdata8.asp

London, UK, February 11–14, 2003, Mechanics and operations of oil trading. Details: The Institute of Petroleum, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 (0)20 7467 7100; fax: +44 (0)20 7255 1472; e-mail: events@petroleum.co.uk; Web site: www.petroleum.co.uk


London, UK, February 12–14, 2003, Financial performance management in the oil business. Details: The Institute of Petroleum, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 (0)20 7467 7100; fax: +44 (0)20 7255 1472; e-mail: events@petroleum.co.uk; Web site: www.petroleum.co.uk

London, UK, February 13–16, 2003, Understanding global energy supply logistics. Details: The Institute of Petroleum, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 (0)20 7467 7100; fax: +44 (0)20 7255 1472; e-mail: events@petroleum.co.uk; Web site: www.petroleum.co.uk

London, UK, February 17–20, 2003, IP week 2003. Details: The Institute of Petroleum, 61 New Cavendish Street, London W1G 7AR, UK. Tel: +44 (0)20 7467 7100; fax: +44 (0)20 7255 1472; e-mail: events@petroleum.co.uk; Web site: www.petroleum.co.uk


2nd annual summit: Financing oil and gas projects in Africa

Details: The CWC Group. 3 Tyers Gate, London SE1 3HX, UK. Tel: +44 (0)20 708 94200, Fax: +44 (0)20 708 94201. E-mail: info@thecwcgroup.com. Web site: www.thecwcgroup.com

London, UK, February 18–19, 2003, Offshore wind conference. Details: IBC Global Conferences, Informa House, 30-32 Mortimer Street, London W1B 7RE, UK. Tel: +44 (01932) 893 851; fax: +44 (01932) 893 893; e-mail: cust.serv@informa.com; Web site: www.ibcenergy.com

Cambridge, UK, February 24–28, 2003, Price risk management in traded gas & electricity markets. Details: Alphatania Group, Rodwell House, 89-91 Mortimer Street, London W1G 7AR, UK. Tel: +44 (0)20 7467 7100; Fax: +44 (0)20 7255 1472; e-mail: events@petroleum.co.uk; Web site: www.petroleum.co.uk

Amsterdam, the Netherlands, February 25–26, 2003, OPT 2003: 26th annual offshore pipeline technology conference and exhibition. Details: IBC Global Conferences, Informa House, 30-32 Mortimer Street, London W1B 7RE, UK. Tel: +44 (01932) 893 851; fax: +44 (01932) 893 893; e-mail: cust.serv@informa.com; Web site: www.ibcenergy.com

Amsterdam, the Netherlands, February 27–28, 2003, Cross-border oil and gas pipelines. Details: IBC Global Conferences, Informa House, 30-32 Mortimer Street, London W1B 7RE, UK. Tel: +44 (01932) 893 851; fax: +44 (01932) 893 893; e-mail: cust.serv@informa.com; Web site: www.ibcenergy.com

Saif Ahmed Al-Ghafli named UAE’s new OPEC Governor

The United Arab Emirates (UAE) has appointed Saif Ahmed Al-Ghafli (pictured below) as its new Governor for OPEC. Born in the UAE in 1957, Al-Ghafli graduated with a Bsc in Electrical and Computer Engineering from Arizona State University, USA. In May 1982, he joined Abu Dhabi Gas Industries Ltd (GASCO), a subsidiary of the Abu Dhabi National Oil Company (ADNOC) as an electrical engineer, and held various other posts at GASCO, the last of which was Operations Division Manager. In 1999, Al-Ghafli became General Manager of another ADNOC company, Ruwais Fertilizer Industries, which manufactures chemical fertilizers such as ammonia and urea. He is a former Chairman and member of the Board of Directors of the Arab Fertilizer Association in Cairo as the UAE’s representative, and is also Chairman of the Technical Committee of the International Fertilizer Association in Paris. He is married with two sons and two daughters.
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The World Summit on Sustainable Development in Johannesburg in summer highlighted the objectives of poverty eradication and the promotion of economic development, in harmony with social development and the protection of the environment. Naturally, when we talk about sustainable development, access to modern energy services is an important ingredient. Natural gas can play an important role in this.

The reasons are clear. The world has sufficient natural gas reserves. Natural gas has well-established environmental credentials. And, as we all know, there has been a steady improvement in the means of utilising gas and getting it to the consumer.

This notion found further support three weeks later, at the 8th International Energy Forum, which was held two days after the 121st Meeting of the OPEC Conference in Osaka, Japan, in the third week of September. At the same time and in the same city, a second important forum was held. This was a short meeting of the recently-formed Gas Exporting Countries’ Forum, whose aim is to further the interests of gas in the global energy supply equation.

The profile of natural gas is, indeed, high. OPEC welcomes this. While we are, first and foremost, a crude oil Organization, we also have a close association with the gas sector. Even our name suggests this! We are the Organization of the Petroleum Exporting Countries — where petroleum, of course, means oil and gas.

However, we must clearly state the case for crude oil at this point, in the context of the environmental discussions. Major developments in recent years in the production, refining and distribution of crude oil have provided it too with the potential to compete openly with other energy sources as a clean and safe fuel in consumer markets.

Let us now return to gas. OPEC’s Member Countries have 49 per cent of the world’s proven reserves of natural gas, totalling a huge 88 trillion cubic metres. These countries fill seven of the top ten positions, with regard to reserve strength. Moreover, the bulk of the world’s proven reserves, of 178 trillion cubic metres, can be found in just three countries. Two of these countries are OPEC Members — Iran and the host nation of Gastech 2002, Qatar. They each have around 26–27 trillion cubic metres. The Russian Federation has the largest reserves, at almost double this figure.

Furthermore, most OPEC Member Countries have not been explored intensively for natural gas reserves, since there has been no pressing need to do this, due to their pre-eminence as crude oil producers. It is widely believed that intensive gas exploration in these countries could greatly increase OPEC’s overall reserve strength, and allow our Organization to take an even bigger share of the forecast rise in world gas demand.

As with crude oil, however, there is a big imbalance between OPEC’s reserve strength and its marketed production. This is best illustrated by the fact that OPEC accounted for only 16 per cent of global production in 2001. Al-
Bonny in Rivers State, the West African
Of note are the Nigeria LNG project at
both the domestic market and exports.
Nigeria has ambitious plans to signifi-
completely by 2008. To complement this,
example, aims to eliminate flaring com-
continue.
By 2001, that had been cut to around six
per cent, with the downward trend set to
remain. There are also very real changes
in the gas industry. This partly through policy
decisions and partly through the onward
march of technology.
More associated gas, for example, is
being released to the market through the
elimination of flaring. OPEC as a group
has made significant reductions in gas
flaring over the past 25 years. In 1977,
more than 50 per cent of the group’s to-
total associated gas production was flared.
By 2001, that had been cut to around six
per cent, with the downward trend set to
continue.
OPEC Member Country Nigeria, for
example, aims to eliminate flaring com-
pletely by 2008. To complement this,
Nigeria has ambitious plans to signifi-
cantly increase its utilisation of gas for
both the domestic market and exports.
Of note are the Nigeria LNG project at
Bonny in Rivers State, the West African
Gas Pipeline project and the Trans-Saharan Pipeline project.

Qatar, with the largest single non-as-
sociated gas field in the world, is seeking
to become the gas-to-liquids capital of
the world. This is occurring as natural
gas seeks to break into the transporta-
tion sector, which has traditionally been
-dominated by oil products.
This is all happening during an era
of deregulation, which is redefining the
norms of the energy industry and its at-
titudes towards competition and invest-
ement conditions.
OPEC and its Member Countries
draw great satisfaction from many of
the exciting developments happening in
the gas industry across the globe at the
present time. But there are also some dis-
turbing side-effects. These need add-
ressing, if the gas industry is to progress in
a manner which is efficient, effective and
equitable — and, in particular, if it is going
to function in a manner which helps the
impoverished communities of the world
pursue the path of sustainable develop-
ment, in the spirit of Johannesburg.
Essential to this is the fundamen-
tal need to avoid friction and confronta-
tion between producer and consumer
groups. Here, there are echoes of events
in the international oil market, built upon
misguided fears about security of supply.
OPEC has repeatedly sought to dismiss
such fears, through both its words and
actions over many years, which have un-
derlined its wholehearted commitment to
order and stability in the market.
Let me take a case in point. The
whole process of a liberalised internal
energy market in the European Union
has been tackled in a manner which has
lacked sensitivity and has been disturb-
ing for many gas suppliers. The rules were
set up without adequate dialogue and
without the participation of exporting
countries. These countries have invested
heavily in developing their natural gas
resources, and their economies are heav-
ily dependant on revenue from their en-
ergy exports.
There is concern that some provisions
of established contracts are being chal-
lenged by the European Commission.
The development of new gas projects
under long-term take-or-pay contacts is
likely to become more complicated than
before. Also, producers are becoming the
first group of market players to see their
margins eroded by liberalisation. This is all
jeopardising an economic balance that was
negotiated and accepted by all parties.

Similar concern has affected other re-
 gions of the world. It is all leading to a
climate of uncertainty, which is not fa-
vourable to the development of the gas
industry, nor of security of supply. It is
compounded by the issue of subsidies and
distortionary effects of tax. It is widely
felt, for example, that the market share of
natural gas would be greater now, if coal
was not benefiting from large subsidies
in key consuming countries.

Rising clean fuel demand

This brings me onto the subject of fi-
nancing the development of an expanding
gas industry for the future. Here, the
discussion has much in common with that
of the other branch of petroleum, crude
oil. There are many interlinkages between
these two hydrocarbons. Massive invest-
ment is required in production capacity
and distribution, to meet the forecast in-
crease in demand, notably for the costlier
clean fuels, and to do this in a manner
which meets the need for long-term sta-
bility.
Generating this investment involves all
parties in the petroleum industry. There
are, without any doubt, clear advantages
in investing in OPEC’s low-cost reserves,
and our Member Countries have greatly
improved their investment conditions in
recent years.
My aim has been to highlight the
importance of gas to the world energy
industry, particularly in the context of
sustainable development and a healthy
environment. I have also underlined
OPEC’s importance to the industry. But
there are problems of attitude and ap-
proach to be overcome elsewhere in the
industry, as well as huge investment re-
quirements to be met, if the gas indus-
try is to prosper in the future. OPEC’s
Member Countries will continue to play
their part in ensuring the future welfare
of the gas industry, just as they do in the
oil market.

* Based on the full text of Dr Silva Calderón’s
address to the Gastech 2002 Conference and
Exhibition in Doha, Qatar, October 13–16,
2002. A shorter version was delivered at the
event.
IEA Executive Director Robert Priddle pays historic first visit to OPEC Secretariat

The strength of co-operation between OPEC and the consuming nations was underlined in November when the Executive Director of the International Energy Agency (IEA), Robert Priddle (pictured left), visited the OPEC Secretariat and met Secretary General, Dr Alvaro Silva Calderón. During his visit, Priddle gave this exclusive interview to the OPEC News Agency (OPECNA).

Vienna — OPEC Secretary General, Dr Alvaro Silva Calderón, has described the new face of cordiality existing between OPEC and the IEA as a welcome development that will promote understanding in meeting the challenges facing the global energy industry.

Silva Calderón was speaking after receiving IEA Executive Director, Robert Priddle, on his first-ever visit to the OPEC Secretariat.

The OPEC Secretary General said the Organization had always held the conviction that oil market stability in the interests of both producers and consumers could only be attained through co-operation and understanding.

He stressed the advantages that could be derived from both parties in their working together in mutual trust and harmony. Silva Calderón asserted that the Organization would continue to play an active role in safeguarding the interests of the oil market at all times.

The IEA Executive Director described his visit to the Secretariat as historic since there had never been such a visit to OPEC by such a high-ranking IEA official since the agency’s inception.

Silva Calderón and Priddle gave a first-ever joint press briefing two months ago during the 17th World Petroleum Congress in Rio de Janeiro, Brazil, which signalled their commitment to establish co-operation between the two organizations.

Priddle told OPECNA that issues of mutual interest should be discussed between OPEC and the IEA and this could be done at the highest level.

He said the purpose of his visit to OPEC was to participate in high-level talks, during which the two organizations could discuss potential future areas of co-operation. OPEC was formed in 1960 and the Paris-based IEA in 1974.

Priddle said his meeting with Silva Calderón had marked a change in the relationship between the IEA and OPEC.

“We can acknowledge that we have issues which we need to discuss with each other and that this can be at the highest level between the Secretary General of OPEC and the Executive Director of the IEA,” he pointed out.
“Already, when I was with the Secretary General in Johannesburg (for the World Summit on Sustainable Development) and in Rio de Janeiro (at the World Petroleum Congress), we found that there are many issues on which the two Secretariats agree.

“We agree about the dominant place of fossil fuels in the foreseeable future of energy supply. We agree on the need for economic realism about the place of renewable energy in that future: renewable energy has many virtues, but it also has costs, which must be squarely faced. We agree that there are ample fossil fuel resources in the world to meet the demand we foresee. We agree on the need for improved oil market statistics.

“So there are many issues on which we have a common position, as well as there being some issues on which we disagree,” noted Priddle.

He gave, as examples of the differences, OPEC’s oil price band mechanism, which targets a price range of $22-28/barrel, management of the oil market, and attitudes to taxation.

Priddle said that he had observed a “fundamental change” in the attitude of both sides. He stressed: “We were in confrontation in the 1970s, when oil had been used as a political weapon, for reasons which had nothing to do with the oil market.

“Today we have a situation where oil producers recognize that they need the stability of demand which comes from consumer confidence in the continuity of oil supply, and consumers acknowledge the commitment of producers to maintaining that security of supply.”

Priddle added that this new level of understanding about mutual dependence was the foundation for the “symbolic meeting” between himself and Silva Calderón.

Noting that the new spirit of co-operation extended beyond the two international energy bodies, Priddle commended the results of the Joint Oil Data Exercise (now known as the Oil Data Transparency Initiative), which had been set up over the past two years under the auspices of the IEA and OPEC, together with
APEC, Eurostat, OLADE and the UN Statistics Division, to improve the quality and timeliness of basic monthly oil data.

“The best foundation for policy-making, indeed the only sound foundation for good policy-making, is good information,” he said.

“The oil producers need it and the oil consumers need it. Improving market information is one of the functions that we in the International Energy Agency seek to perform in many ways, particularly by publishing our monthly Oil Market Report.

“This joint data initiative is a global effort by all the relevant statistical organizations to improve the quality and the timeliness of information about the oil market. I think it is a tremendous achievement that the six organizations, including OPEC and the IEA, have all committed themselves to this purpose and have all got results.

“We are now beginning to get more timely information and better quality information and (aim) to publish it on the joint Web site,” he noted.

Priddle was echoing the sentiment expressed at the 8th International Energy Forum in Osaka, Japan, in September, whose proceedings placed heavy emphasis on improving the quality of publicly available energy data.

The Forum also reached agreement to establish a permanent Secretariat in Saudi Arabia to support the ministerial-level dialogue between producing countries and consuming states.

Priddle concluded the interview by commenting briefly on the present situation in the international oil market, where he said there was now a good balance between supply and demand.

“We were a little surprised that OPEC decided not to increase its production quotas when it met in Osaka. But we have seen since then that what really counts is what is actually put on the market, not the nominal quota.

“Additional supply is reaching the market and that is balancing quite well the growth in winter demand. Stocks are not generous, but they are adequate for the winter. And so the price is reasonably comfortable in the OPEC price band at the moment.

“There are, of course, fluctuations from day to day, with anxiety about what might happen in the world. People talk about a war premium. Nobody knows what the extent of that is,” he added.
Doha — The Emir of Qatar, Sheikh Hamad Bin Khalifa Al Thani, last month inaugurated the Gastech 2002 Conference and Exhibition in the Qatari capital Doha.

Qatar, the Emir stressed, represented an ideal place for opportunities of work and investment, particularly in the field of gas-related industries, reported the OPEC News Agency.

“The state of Qatar will continue the necessary development of the gas industry to fulfill the requirements of investors and consumers of natural gas, and contribute to satisfying the needs of the world and future generations for clean and economic energy that complies with the demands of this century, as well as the future,” he said.

The event, he added, had special significance as it was being held just after the World Summit on Sustainable Development (the second Earth Summit) in Johannesburg, which had underlined the growing importance of the state of the global environment coupled with sustainable development issues.

Al Thani said the realization of environmental goals required, among other things, a conversion to clean sources of energy, notably natural gas, which had several technical and economic advantages that encouraged expansion in its utilization.

Optimal gas utilization

The Qatari Minister of Energy and Industry, Abdullah Bin Hamad Al Attiyah, in addressing the opening session, highlighted that his country’s strategy in the gas sector was focused on the optimal utilization of its enormous gas reserves.

“We have two major operating projects for liquefied natural gas (LNG) production and supply — QatarGas and RasGas — with present capacity of 13 million tonnes/year.

“The expansion plans of the two projects, based on agreed commitments in Asia and Europe, will increase the capacity to 45m t/y by 2010. That will eventually make Qatar the largest producer of LNG in the world,” he noted.

Al Attiyah said there were other projects to supply gas by pipeline to Gulf Cooperation Council member countries, such as the Dolphin project to supply the United Arab Emirates with two billion cubic feet/day, and accords to supply Kuwait and Bahrain through the enhanced gas utilization project, which would allow Qatar to export around 5.0bn cu ft/day of gas.

Negotiations were under way with several international companies to establish gas to petroleum projects, and it was planned to utilize 4.0–5.0bn cu ft/d of methane gas to produce about 400,000–500,000 b/d of petroleum products.

Parallel to these projects, Qatar had embarked on the expansion and execution of fertilizer and petrochemical projects, such as urea, ammonia, methanol, MTBE, polyethylene, hexane and other products that would make Qatar a major world producer of these products, Al Attiyah pointed out.

“Taking into consideration the completed projects and those under completion or under study, Qatar’s revenues from gas and related industries are expected to exceed the country’s revenues for oil and its products by 2007,” he observed.

Qatar’s plans to extend the utilization of its reserves offered an opportunity for other parties to take part in joint projects with state oil and gas firm Qatar Petroleum.

“The door is open to foreign investors to submit any reasonable offer for new projects using gas as a feedstock,” Al Attiyah added.

The Iranian Minister of Petroleum, Bijan Namdar Zangeneh, told Gastech that the rising use of natural gas would soon mean that the fuel would take second place in the global energy mix, second only to oil.

For that reason, it was believed that the extensive use of natural gas was the prerequisite of sustainable development, Zangeneh said.

“Since the 1970s, global gas consumption has increased by two to three per cent a year. That growth is predicted to continue, at least to the year 2020, at an annual rate of 2.7 per cent, which is the highest, compared with the growth rate of 1.9 per cent for oil and 1.7 per cent for coal,” he noted.

Based on such forecasts, the share of natural gas consumption in the world’s total

The Emir of Qatar, Sheikh Hamad Bin Khalifa Al Thani, addresses the opening session of the Gastech 2002 Conference and Exhibition in Doha.

Photo: Gastech
primary energy mix would increase to 29 per cent by the year 2020, from its current level of 23.7 per cent, the Minister said.

From a regional point of view, the dependence of large natural gas consuming regions, especially Western Europe, the United States, and the industrialized and developing countries of East Asia on natural gas would soar further, he maintained.

The Minister pointed out that with 18 per cent of the world’s total natural gas reserves, which ranks Iran second globally, the development and utilization of natural gas was high on the country’s agenda, because of its environmental friendliness and as a better and cleaner fuel.

The share of gas in the country’s energy consumption mix would rise to 55 per cent by the year 2005 from its current level of 42 per cent, he said.

Therefore, Iran was planning to increase its gas production to over 500m cubic metres/day by 2005, from its present level of 300m cu m/d, which would also pave the way for further gas exports to international markets.

Zangeneh said that although the issue of distance had restricted certain countries’ access to natural gas, technological breakthroughs in production, conversion and transportation mechanisms had created new opportunities. As a result of the new developments, the distance from production centres may no longer be regarded as a major constraint.

Also present at Gastech 2002 were Nigeria’s Presidential Adviser on Petroleum and Energy, Dr Rilwanu Lukman, and the OPEC Secretary General, Dr Alvaro Silva Calderón, whose speech can be found on pages 6–7 of this issue.

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**Venezuela aiming for oil output capacity of 5.0m b/d by 2008**

**Caracas** — Venezuelan Energy and Mines Minister, Rafael Ramirez, underlined last month that his country’s goal was to secure a potential oil production capacity of about 5.0 million barrels/day by 2008.

Ramirez (pictured right) was commenting on the medium and long-term strategic plan of the national oil company, PDVSA, to increase its output capacity by between six and seven per cent a year over the next five years.

“That objective is being sought because we have to continue presenting ourselves as a secure supplier ... and it is based on that objective and the situation in the market that we will make the necessary adjustments in production volumes,” he said.

The Minister added: “All producing countries, and in particular Venezuela, have to work very hard to maintain our production capacity. We have a normal decline in our oil production capacity, as a result of the natural decline of wells.”

“What is being discussed is increasing our production capacity to five million b/d by 2008. That does not mean we are going to export five million b/d. What we want to do is have a production capacity that allows us to maintain our strength as a secure supplier of energy.

“As administrators of wells, we cannot overlook that issue. But in addition, in the medium term, we are preparing for when OPEC decides on an increase in its current production quotas.

The levels we have today are the product of an effort to secure a recovery in oil prices and that has been achieved. Therefore, within OPEC, we currently are having discussions to continue monitoring this whole issue,” he said.

“Venezuela, of course, is not going to make unilateral decisions in that regard. But we are responsible for the country having an adequate production capacity,” the Minister noted.

Turning to PDVSA’s medium and long-term business plan, Ramirez explained that investments amounting to about $40 billion were being considered and about two-thirds of that — some $26bn — would be resources coming from the private sector and external financing.

The overall investment figure “is very important, and of course, we cannot develop everything with our resources. Therefore, we have anticipated private participation and we are going to make very important announcements in the short term.”

Within the framework of the Organic Hydrocarbons Law, we are going to invite the private sector,” Ramirez added.

The Minister said that by December the government expected to grant licences to develop specific blocks in the nation’s Deltana Platform concession.

Last August, the government and representatives from six leading international oil companies signed a framework agreement for the eventual development of huge natural gas resources in this area, located off Venezuela’s north-eastern coast, in the Caribbean Sea.

“In PDVSA, and in the Ministry, hard work is being carried out and the chronogram is developing just as we envisaged,” Ramirez indicated.

The development of the Deltana Platform, which was crucial to Venezuela’s national gas plan, would involve estimated investment of more than $4.0bn and was expected to generate between $600m and $800m a year in revenues for the national treasury, beginning in 2007.

Companies listed to secure blocks for development of the Deltana Platform include BG, ChevronTexaco, Statoil, El Paso, TotalFinaElf and ExxonMobil.

Under the framework agreement, once specific blocks are assigned to companies for development, PDVSA will secure a one per cent to 35 per cent participation in each of the blocks.

Other conditions include an entry fee, guaranteed financing, and the development of domestic Venezuelan capital.

The Deltana Platform covers an area of some 27,000 square kilometre and is believed to contain some 20–30 trillion cubic feet of gas reserves.
Saudi Arabian Crown Prince launches giant gas processing plant at Hawiya

Hawiya, Saudi Arabia — Saudi Crown Prince Abdullah last month launched the $4.0 billion Hawiya gas plant, the largest such facility in the world.

Located in the Ghawar oil field area, the plant is the first Saudi project for non-associated gas. It will boost the Kingdom’s gas production by more than 30 per cent and has a production capacity of 1.4bn cubic feet/day of non-associated gas.

Addressing the launching ceremony, Resources Minister, Ali I Naimi, said the plant made the Kingdom the largest gas producer in the Middle East.

He noted that Saudi Arabia’s gas production had increased from 3.0bn cu ft/d in the 1990s to 5.8bn cu ft/d today, and this figure would reach 7.0bn cu ft/d after the completion of the Haradh plant next year.

Naimi also highlighted the Kingdom’s role in stabilizing the international oil market, by ensuring adequate supply. “Our oil policy has helped us win the respect of both producers and consumers,” he maintained.

Naimi said the Kingdom’s energy strategy was based on three pivotal aspects: intensive exploration for new reserves, the expansion of gas facilities, and the establishment of new plants to produce non-associated gas.

Gas was increasingly being utilized for electricity generation, desalination, and industrial production, said the Saudi Minister.

“Efforts are underway to supply 400 million cu ft/d of gas to Yanbu industrial city,” he noted, adding that the Kingdom’s gas reserves were around 224 trillion cu ft, 40 per cent of which was non-associated gas.

“A third plant will be established, complementary to Hawiya and Haradh, to extract ethane gas and liquefied gas from the output of the two plants and use them as raw materials for the petrochemical industries,” he said.

Naimi stressed that the Kingdom was determined to push through its gas utilization and production strategy. The focus of this strategy would be on non-associated gas, he said.

The Hawiya gas plant is the first Saudi project for non-associated gas and the largest such facility in the world, with a production capacity of 1.4bn cu ft/d. — Photo: Saudi Aramco.

In brief

EIA sees solid winter demand growth
New York — Solid growth in world oil demand this winter (and for 2003 as a whole) is likely to tighten world oil markets and reduce commercial oil inventories, according to the United States Energy Information Administration (EIA). In its latest update of its Short-term energy outlook, the EIA said that inside the US, while fuel supplies should remain sufficient under normal weather conditions, high oil prices and an expected increase in demand would likely generate higher winter fuel prices. Internationally, the EIA projected that demand for oil would rise by 1.4 million barrels/day during the fourth quarter above 3Q levels, and that additional oil would be needed to keep OECD commercial oil inventories within their observed five-year range. The US economy was projected to grow by three per cent in 2003, contributing to a modest recovery in US and world oil demand.

US drilling activity down in 3Q02
New York — Estimated completions of United States oil, natural gas and dry wells declined by 36 per cent in the third quarter of this year, compared with the same period of 2001, the American Petroleum Institute (API) has reported. Oil well completions dropped by 29 per cent, and natural gas completions fell by 43 per cent, the API said in the latest edition of its Quarterly well completion report, which covers the period July–September 2002. An estimated 6,616 oil, natural gas, and dry wells were completed in the quarter, compared with 10,278 last year. Gas well completions were down to 3,885, oil well completions decreased to 1,709 and dry wells were down by eight per cent to 1,022. Total exploratory completions were 39 per cent lower in the quarter and development completions were down by 35 per cent.

BP to sell Cypriot retail outlets
London — UK oil giant BP has agreed to sell its retail network of 70 service stations and other inland fuel businesses in Cyprus to Greek firm Hellenic Petroleum. The sale excludes BP’s international businesses Air BP and BP Marine, as well as BP Lubricants. The UK firm said that the decision to sell was the result of an ongoing review of its global portfolio, which concluded that the businesses in Cyprus did not fit in with BP’s plans. “The retail and other inland fuel businesses in Cyprus are a profitable operation with highly skilled and professional staff,” BP Country President in Cyprus, George Petrou said, adding that the businesses “had grown steadily over the years but no longer fit within BP’s strategy.”
In brief

LNG business forecast to expand

Doha — Global liquefied natural gas (LNG) sea-borne trade is expected to grow by over 7.5 per cent annually until 2015, according to a study conducted jointly by Samsung Heavy Industries and the Korea Shipbuilders’ Association. The study, presented at Gastech 2002 in the Qatari capital Doha, noted that sea-borne LNG trade had grown by 6.6 per cent annually over the last decade, and projected an increase in trade volume from 2001 until 2015. It found that the current expansion of the LNG carrier market, coupled with growing demand for LNG as a more environmentally friendly energy source was likely to boost LNG carrier construction requirements until at least 2015. Explosive growth in LNG demand, a free and open global energy market, deregulated gas markets and a commitment to attain cleaner energy for a better environment had led to the expansion in LNG carrier trade over the last decade, the study pointed out.

US oil demand up in September

New York — Total United States domestic petroleum deliveries, a key measure of demand, rose by more than three per cent in September, compared with the same month a year ago, their largest year-on-year increase in nearly 18 months, the American Petroleum Institute (API) has reported. However, this year’s current trend in petroleum deliveries had shifted less than it first appeared, according to the API’s latest Monthly statistical report. Last month’s reversal of earlier year-on-year declines actually highlighted the downward shift in 2001 demand, following the attacks of September 11, it observed. In fact, this September’s deliveries, though surpassing last year’s weak levels, failed even to match the level of September 2000, the report pointed out.

FTC approves Shell’s Pennzoil purchase

New York — Shell Oil, the US subsidiary of Anglo-Dutch oil giant Royal Dutch/Shell, has received US Federal Trade Commission (FTC) clearance for its proposed acquisition of Pennzoil-Quaker State. Shell Oil and Pennzoil-Quaker State have entered into a consent order with the FTC that resolves the latter’s concerns over the deal. “I am pleased that the FTC has concluded its review and we can complete the acquisition of Pennzoil-Quaker State Company. The acquisition of the leading passenger car motor-oil manufacturer in the United States will make Shell a leader in both the US and global lubricants markets and further strengthen our business,” the President and CEO of Shell Oil Products US, Rob Rout, said in a statement. 

Nigeria targets reserves of 40 billion barrels of crude oil by 2010

Abuja — Nigeria is targeting a crude oil reserve base of 40 billion barrels and a crude production capacity of four million barrels/day by 2010, according to the country’s Presidential Adviser on Petroleum and Energy, Dr Rilwanu Lukman (pictured above).

The statement was part of a keynote address at a two-day national seminar on energy and natural resources in Lagos, at which Lukman was represented by Olu-kayode Oloketuyi of the Department of Petroleum Resources.

One of the targets set by the government for the revival of the petroleum industry was the attainment of a crude oil reserve base of 30bn b and output capacity of 3.0m b/d by 2004.

Lukman was quoted by the OPEC News Agency as saying that due to the “highly successful development campaign in the deep offshore and the conducive environment created, the 2004 targets are being achieved ahead of time.”

He explained that to monetise the nation’s abundant natural gas from oil fields, the government had put in place generous fiscal terms to encourage prospective investors in natural gas development to take advantage of the enormous resources.

This was in line with the government’s determination to end gas flaring at Nigerian fields on or before 2008, which had encouraged operators to embark on various gas utilisation projects.

Lukman cited the various completed, ongoing and planned gas projects in Nigeria, such as Chevron’s Escravos gas project, the Delta South Field gas injection projects, the Nigerian Liquefied Natural Gas project, and ExxonMobil’s Oso condensate gas injection and natural gas liquids extraction schemes.

He also mentioned the expansion of domestic supply/distribution of gas through pipeline systems for industrial consumption and power plants and the proposed $400 million West African gas pipeline to supply gas for industrial use to countries along the coast.

“In addition to the above, there are ongoing joint studies by the government and operators on other options available for utilising uncommitted gas for various gas-based projects,” Lukman noted.

He said while Nigeria hoped to establish itself as a major gas supplier to its neighbours, it was also devoting a lot of attention to the more critical areas of developing the domestic gas market through the proposed extension of the gas pipeline to the northern parts of the West African country.

This, he noted, would include the capital city of Abuja and current efforts at supplying gas to industries in the Lagos area through private sector initiatives. Lukman pointed out that steps were being taken to address community dissatisfaction in the Niger Delta.

Algeria’s Sonatrach signs oil development deal with Sinopec of China

Algiers — Algerian state oil and gas company Sonatrach and China’s Sinopec have signed a $525 million contract for the development of the Zarzaitine oil field, it was announced last month.

The production-sharing deal aims at boosting crude oil reserves recovered from the field, which is situated in the southeast of Algeria, from 40 per cent to 50 per cent.

The work programme includes the drilling of 41 wells, the replacement of existing production units, and the instal-
Iranian Cabinet okays new deal on export of gas to Turkey

Tebran — The Iranian Cabinet has verified a new agreement on the export of the country’s gas to Turkey, according to a spokesman for the government, Abdullah Ramezanzadeh.

At a press briefing, Ramezanzadeh noted that the accord, which had already been signed by the National Iranian Oil Company and the Turkish oil and gas pipeline company, BotaS, was amended based on a report provided by the Iranian Minister of Petroleum, Bijan Namdar Zangeneh (pictured right).

He said the Cabinet had approved the amendment with respect to Iran’s national interests and by taking into account the factor of competition in the world gas market.

Earlier in the month, Tehran and Ankara signed an agreement to resume the flow of Iranian gas following a halt of 144 days by Turkey, after the latter claimed that the quality of the gas was poor.

However, Iran rejected the Turkish claims that the imported gas was poor in quality, with Zangeneh saying that the snag had been caused by Russia’s offer of cheaper gas.

Zangeneh and the Turkish Minister of Energy, Zeki Cakan, then told reporters that they were satisfied with the results of the agreement, but did not say whether they had reached any new accord on prices.

“We are not yet supposed to announce the price of the gas,” Zangeneh said, when asked whether the two sides had agreed to Turkey’s demands for a price discount.

“Gas does not have an international price and any deal has its own formula in which there is room for flexibility,” the Iranian Minister added.

Iran and Turkey launched a 2,577-km pipeline in December last year, running from the north-eastern city of Tabriz to Ankara.

Under the terms of the agreement, Iran would initially supply three billion cubic metres/year of gas to Turkey, increasing the volume gradually to 10bn cu m/y in 2007.

Iraq has exported $60bn worth of oil since 1996, Trade Minister says

Baghdad — Iraqi oil exports have generated an estimated revenue of $60 billion since the beginning of the country’s oil-for-food programme with the United Nations in December 1996, according to

In brief

 GCC wants EU advice on currencies

BRUSSELS — The Gulf Co-operation Council (GCC) has turned to the European Union (EU) for help as difficulties have surfaced in the GCC’s ambitious plan to merge member country currencies. After two days of talks in Riyadh, central bank governors from the six-nation group said they had asked the European Central Bank (ECB) to draw up a study that would constitute guidelines for what could be the world’s second major collective monetary accord. Analysts said the members sought EU help to ensure a smooth movement towards the thorny monetary union as they were aware of the vast disparities in the financial terms needed for such a project, mainly public debt, interest rates and fiscal deficits.

Atofina buys Enichem’s Qapco stake

DOHA — Atofina, the chemical division of French giant TotalFinaElf, has finalised the purchase of the 10 per cent share held by Italian firm Enichem in the Qatar Petrochemical Company (Qapco). The deal would increase Atofina’s interest in the company to 20 per cent, with the remaining 80 per cent held by Qatar Petroleum (QP), a Qapco spokesman said. With the deal, Atofina aimed to expand its activities in the petrochemical sector in Qatar, in order to meet the demands of the fast-growing markets in Southeast Asia. It would also help TotalFinaElf consolidate its presence in Qatar through industrial synergies among its chemical divisions in the gas sector, the spokesman added. For QP and Qapco, the increased share of Atofina would represent the confidence of Atofina in the investment climate for petrochemicals in Qatar.

ExxonMobil highlights Russia’s importance

IRVING, TEXAS — Growth in Russian oil and gas production is of vital importance in meeting future world energy demand, according to a Senior Vice-President of US major ExxonMobil, Rex Tillerson. Speaking before the US-Russia Commercial Energy Summit in Houston, Texas, Tillerson pointed out that the increased oil and gas projects is projected to grow annually between two and three per cent over the coming decade, and declining production in current fields increases the challenge of meeting future demand. He stated that an amount equivalent to two-thirds of the world’s current production levels, or some 80m b/d of oil equivalent, would need to be added through new projects at a cost that could reach $1 trillion. The keys to commercializing Russia’s huge resources included advanced technology applications and progress in the development of effective legal, regulatory, and fiscal frameworks.
**In brief**

**Petronet says gas terminal on hold**

*DoHA* — India’s Petronet will go ahead with its proposed 2.5 million tonnes/year liquefied natural gas (LNG) terminal at Kochi, but only after getting a purchase commitment from potential buyers, the firm’s Chairman, Suresh Chandra Mathur, said last month. He denied reports that Petronet had abandoned the Kochi project in view of a “poor response” from some potential buyers, including the state-owned National Thermal Power Corporation. “We have only put the Kochi project on hold. We are still keen to set up the terminal at Puthuvype, near Kochi, where we have already spent money on pre-project activities,” he said. Nearly 40 hectares of ground has been bought by Petronet for its second terminal at Kochi. The Kerala government has already cleared for the project.

**IEA revises down demand forecast**

*PARIS* — Global oil demand for 2002 is set to expand at a slower rate than initially thought, due largely to a slowdown in many world economies and consumer restraint because of the high level of oil prices, the International Energy Agency (IEA) said in its latest report. Demand for crude was expected to rise by about 0.2 per cent, or under 200,000 barrels/day, to 76.6 million b/d this year, compared with 76.5m b/d during 2001. For 2003, the IEA was forecasting demand to rise by 1.4 per cent, or 1.0m b/d, to 77.7m b/d. The projections for 2002 represented a drop of 50,000 b/d of average demand, while the contraction was expected to be 100,000 b/d in 2003. “The cut reflects the slowdown in the United States and the global economic recovery, the impact of high oil prices on oil consumption and the broader economy, as well as weaker-than-expected preliminary oil delivery data for August,” the IEA said.

**ConocoPhillips begins Hawksley production**

*HOUSTON, TEXAS* — US major ConocoPhillips and its partners have begun natural gas production from the Hawksley field in the southern sector of the UK North Sea. Hawksley began producing in September, three weeks ahead of schedule. It attained a sustained production rate of 170 million standard cubic feet/day of natural gas, which is above originally planned rate. Conoco’s UK subsidiary holds a 59.5 per cent interest and is operator of the field. Its partners are GDF, Britain, with 26.4 per cent, and Tullow Exploration, with 14.1 per cent. The Hawksley discovery well was completed in July 2002 in one of five natural gas reservoirs currently being developed by ConocoPhillips as a single, unitized project containing some 430 billion cu ft of natural gas.

the country’s Minister of Trade, Mohammed Mehdi Saleh.

He told the official Iraqi News Agency (INA) that the UN’s share of the total was about $20bn, taken to cover its expenditure and compensation for victims of the 1991 Gulf conflict.

However, Iraq’s humanitarian programme had received only $31bn, while the remainder represented contracts on hold, the Minister said.

Saleh pointed out that the oil-for-food deal, aimed at alleviating the suffering of the Iraqi people, had failed to achieve this goal. Instead, he stressed, it had become a programme to ensure the needs of the UN, and not for easing the burden of Iraqis.

The oil-for-food programme allows Baghdad to sell unlimited amounts of oil to buy food, medicine and other humanitarian supplies to meet the needs of the Iraqi people.

Iraq’s oil revenues are controlled by the UN, which pays suppliers of goods to Iraq. The country has been under UN trade sanctions since August 1990, when the Gulf conflict broke out.

But Pertamina demanded tougher terms for the extension of the contract after the government’s oil and gas research institution, Lemigas, found the Cepu oil block had oil reserves of about 500m b, much higher than the volume claimed by ExxonMobil.

Among Pertamina’s demands were cash bonuses and a greater share in the block. Eteng did not say whether Pertamina’s decision not to extend the contract was caused by a failure to secure these demands, although he did note that the decision was made because the Indonesian firm wanted a more profitable scheme in the management of the Cepu block.

Pertamina spokesman, Ridwan Nyak Baik, said the company had reported its decision to the board of commissioners. The final decision would be made by the Indonesian President, Megawati Sookarnoputri.

In mid-August, ExxonMobil Executive Vice-President, Harry J Longwell, met with President Megawati to lobby for the extension of the Cepu oil block contract.

Ridwan said Pertamina was currently in talks with ExxonMobil on other forms of business co-operation in managing the Cepu oil fields after the contract ended.

**Pertamina will not extend ExxonMobil’s Cepu oil contract**

*Jakarta* — Indonesian state oil and gas company Pertamina will not extend ExxonMobil’s contract to manage the lucrative Cepu oil fields, when the current agreement expires in 2010.

Pertamina’s Upstream Deputy Director, Eteng A Salam, said the company was proposing other forms of co-operation with the US oil and gas giant, including a possible joint venture.

“Pertamina will not extend the contract with ExxonMobil after it ends in 2010. However, we are still keeping open business opportunities for ExxonMobil,” he was quoted as saying by the *Jakarta Post*.

According to reports, ExxonMobil had hoped to extend its technical assistance contract over the Cepu oil block, located in Central and East Java, until 2030, after it discovered reserves in excess of 250 million barrels in the block last year.

**Nigerian petroleum institute signs training pact with Sao Tome**

*Abuja* — Nigeria’s Petroleum Training Institute (PTI) at Warri in Delta State has signed a memorandum of understanding with Sao Tome and Principe, covering manpower development.

The Principal of the college, Dr Samuel Ovuru, said at a training workshop for managers in the oil and gas industry that a number of Sao Tomeans had already started various courses at the institute.

He pointed out that the arrangement would boost bilateral relations between Nigeria and Sao Tome, noting that there was already a joint development zone between the countries, responsible for oil exploration and production.

Ovuru noted that the National Refugees Commission had sent some Sudanese refugees to the institute to pursue
a diploma programme in petroleum engineering, under the institute's corporate responsibility to African states.

He said the federal government had downplayed a move by some politicians that the institute be affiliated to the University of Benin, on the conviction that the oil and gas industry would bear the brunt of such an arrangement.

“Nigerian President Olusegun Obasanjo has directed that the institute retains its status and continues to provide unique training services to the oil industry,” the OPEC News Agency quoted him as saying.

The Petroleum Technology Development Fund has also been directed to complete its upgrading plan for the institute.

**Dolphin Energy hopes to finalise customer accords by year-end**

**Dubai** — Dolphin Energy Ltd (DEL) expects to close its gas sales agreements with key customers such as Dubai, Abu Dhabi and Fujairah by the end of this year, according to DEL’s Chief Executive, Ahmed Ali Al Sayegh.

DEL planned not only to increase imports of natural gas from Oman to 300 million cubic feet/day for the Fujairah power plant, but also, in the long term, be a supplier of gas to Oman, once Qatari gas began to flow into the United Arab Emirates (UAE), he noted.

“We will then finalise a development plan in Qatar, a detailed technical plan, which needs approval from Qatar Petroleum to implement it,” Al Sayegh was quoted as saying by *Gulf News*.

He noted that, as per the initial agreement signed with Oman, DEL was to import 120m cu ft/d of gas for supply through the Al Ain-Fujairah pipeline to the new power and desalination plant in Fujairah until Dolphin gas from Qatar started flowing.

DEL was working on increasing that quantity to 300m cu ft/d, subject to availability, Al Sayegh added. The gas supply from Oman was for a period of between three-and-a-half and five years.

“This is clearly a strategy of starting the project earlier than expected and creating a grid with Oman, which has significant plans of its own,” Al Sayegh pointed out, noting that ultimately the pipeline would be reversed to Oman.

“Our project is focused on the UAE and Oman. We have started the Oman part early as it will provide a cash flow, links to networks, and will be economically as well as politically more significant,” he said.

First gas from Dolphin was expected to come into the UAE in 2006. The engineering, procurement and construction contract would be awarded in 2003.

Two gas wells had been successfully spudded in Qatar’s North Field. The Al Ain-Fujairah gas pipeline was progressing and commissioning was slated for September 2003.

Stakeholders in Dolphin Energy are the UAE Offsets Group with 51 per cent, and France’s TotalFinaElf and Occidental Petroleum of the USA with 24.5 per cent each.

**Efforts under way to transform Kuwaiti oil industry, report says**

**Dubai** — The petroleum industry in Kuwait is poised for unprecedented development, as serious efforts are being made to allow international oil companies the chance to develop the country’s hydrocarbon resources, according to a report in *Gulf News*.

The moves were part of Kuwait’s efforts to expand its production capacity. The country’s existing output capacity stood at 2.4 million barrels/day, but production was less, partly due to various disruptions to output by a series of incidents.

Of the 2.4m b/d, some 2.25m b/d was generated from onshore fields, notably the giant Burgan field, with 1.35m b/d. The balance of 150,000 b/d was produced from the Neutral Zone, shared between Kuwait and Saudi Arabia.

The Kuwait Gulf Oil Company, a subsidiary of the Kuwait Petroleum Corporation (KPC), is expected to take over the exploration and operational activities in the Neutral Zone, once Japan’s Arabian

**In brief**

**Thailand records rise in oil demand**

*BANGKOK* — Thailand’s petroleum demand for the first eight months of this year increased to 997,300 barrels/day, up by 6.4 per cent from the corresponding period last year, the Petroleum Authority of Thailand (PTT) announced last month. Domestic consumption of refined oil products averaged 620,400 b/d during the January-August period, an increase of 5.3 per cent over the previous year, while demand for natural gas grew by 8.2 per cent year-on-year, to reach 376,900 b/d of oil equivalent. On the supply side, petroleum procurement averaged 1.32 million b/d, up by 6.1 per cent from a year ago, PTT said.

Oil imports rose by 5.7 per cent to 851,400 b/d. Crude imports expanded by 1.8 per cent to 724,200 b/d, and refined product imports surged by 194.9 per cent to 23,500 b/d.

**French bank sees price fall in 2Q03**

*BRUSSELS* — Crude oil prices may drop by more than 28 per cent by the second quarter of next year, due to rising inventories, coupled with slowing demand growth, according to Société Générale, France’s third-largest bank. Head of Commodities Research at SG Economic Research, Frederic Lasserre, said the price of Brent could drop to below $20/barrel by the 2Q of 2003. “We should see a huge stock build next year. We think Brent should drop below $20/b during the second quarter,” he said. Apart from slowing demand growth, Lasserre also cited over-production by producers as one of the reasons why prices may slump. However, the French bank said it saw a possible outcome to the present situation regarding Iraq. An outbreak of conflict would push Brent up initially to as high as $35/b, before it settled at a level based on supply and demand, with no war premium, within two to three months.

**Norway’s crude oil production falls**

*BRUSSELS* — Norway recorded average crude oil production of 2.72 million barrels/day in September, down by some 176,000 b/d from the previous month, according to the latest preliminary figures produced by the Norwegian Petroleum Directorate. The country’s petroleum production in August was 20m cubic metres of oil equivalent. This was made up of 14.3m cu m of oil production, 4.1m cu m of marketable gas, and 1.6m cu m of natural gas liquids and condensate. Average output was about 2.89m b/d of oil, 156,000 b/d of NGLs, and 168,000 b/d of condensate. So far this year, the country’s total petroleum production has been about 171.5m cu m of oil equivalent. Oil production was about 116.5m cu m, condensate and NGs 13m cu m, and marketable gas about 42m cu m.
Oil Company surrenders the responsibility in January 2003.

The report noted that a string of accidents over the last two years had undermined Kuwait’s oil capacity. Earlier in the year, a leak at the Rawdhatain oil field in northern Kuwait caused a drop in its capacity of 300,000 b/d.

The report said that a key advantage for Kuwait was the low cost of its oil production — at just $1/b. However, the Kuwait Oil Company, another subsidiary of KPC, was under pressure to invest in developing new techniques for improved reservoir management and enhanced oil recovery, which, in turn, would increase the average production cost.

Ambitious plans called for raising the country’s production capacity to four million b/d by 2004, which required a speedy opening up of the upstream sector of the industry.

The report pointed out that the government seemed determined to win parliamentary approval for the plan to allow international oil firms develop oil fields in northern Kuwait.

Known as Project Kuwait, the scheme aimed at generating additional production of 450,000 b/d, which required an investment of $7 billion, over a 20-year period.

Indonesian oil firms step up security after Bali bomb blast

Jakarta — Energy companies across Indonesia have taken measures to strengthen security following the recent Bali nightclub bombing, it was reported last month.

Nearly 200 people, many of them Australian tourists, died when a huge bomb blast ripped through a nightclub in the resort of Kuta on the island of Bali in October.

Indonesia’s Co-ordinating Minister for Political and Security Affairs, Susilo Bambang Yudhoyono, said that the military would increase surveillance at strategic energy installations, as there were indications that the latter could be the next target of attacks.

The Paiton power plant complex in East Java, the Bontang liquefied natural gas (LNG) plant in East Kalimantan, the Arun LNG plant in Aceh, and other oil facilities in Riau, were among the important energy facilities where security would be tightened, the Minister said.

However, despite the increased security measures, operations at oil and gas fields were continuing normally in all other respects, a report in the Jakarta Post said.

“Following the Bali tragedy, our attention has been focused on security. We have intensified our security,” the paper quoted the Vice-President of PT Caltex Pacific Indonesia, Yudiana, as saying.

The company produces about 700,000 barrels/day from hundreds of oil wells in Riau province, or more than half of Indonesia’s total oil output.

Qatar and Venezuela to become partners in natural gas project

Caracas — Qatar will soon become a partner of Venezuela’s PDVSA in the proposed offshore natural gas development project on the Paria Peninsula, which also involves several foreign oil firms, according to the Venezuelan Minister of Energy and Mines, Rafael Ramirez.

“In the next few days, we will sign a commitment with Qatar which will have a nine per cent share with the Venezuelan state (in the Mariscal Sucre project),” Ramirez said.

The proposed $2.7bn liquefied natural gas (LNG) scheme in north-eastern Venezuela is expected to go onstream in 2004 and will create some 5,000 direct jobs, along with about 15,000 indirect jobs during the construction phases.

Of the total investment, PDVSA will have to disburse some $1.62 billion, of which Qatar will put up $146 million.

Royal Dutch/Shell will hold a 30 per cent stake in the project, while Mitsubishi of Japan will have an eight per cent share. PDVSA will retain a 60 per cent stake, while the other two per cent has been reserved for Venezuelan investors.

Once onstream, the project is expected to have a capacity to export some 4.7 million tonnes/year of LNG by 2007, mainly to the United States east coast.
Ninety-five countries have ratified the Kyoto Protocol:
Russia needs to approve for the Protocol to come into force

The OPEC Secretariat established its own Environmental Task Force (ETF) in 1994 to monitor developments in the field of energy use and the environment. Its principal objective is to keep OPEC’s Ministers continuously informed about the status of the energy/environmental debate, as it affects the Organization and its Member Countries. The ETF’s work is also seen as adding impetus and authority to the discussions at high-level meetings involving OPEC.

A Quarterly Environmental Report (QER) is circulated to Member Countries, in which the ETF reviews recent activities in the various international environmental fora, monitors changes in energy taxation, and provides background information on relevant forthcoming events, etc. Although this is an internal OPEC document, selected extracts from the publication appear regularly in the OPEC Bulletin for the benefit of a wider readership.

This month’s selection comes from the QER published at the end of the third quarter of 2002. It features the highlights of the issue, including the status of the Kyoto Protocol ratification process and a calendar of events.

Ninety-five countries have ratified the Kyoto Protocol, among them some important non-Annex I countries such as China, India and Brazil. Total emissions of ratified Annex I parties stand at 40.1 per cent. Russian President, Vladimir Putin, has announced that the Russian Federation will ratify by the end of the year (representing 17.4 per cent of the Annex I emissions). Only Russia needs to ratify for the Kyoto Protocol to come into force.

The Russian Federation has promised non-commercial risk insurance to protect foreign investors from government performance and force majeure. It will kick off by offering insurance to projects in the coal and timber industries and later extend it to the oil and gas industry as well as projects under the Kyoto Protocol.

Thailand announced on September 10 that it would reject proposals for investment in CDM projects by foreign investors. The Cabinet of Thailand is of the opinion that industrialised countries are the main polluters and should be held responsible for reducing emissions in their own countries.

A United Nations backed report warns that climate change-induced storms could cost up to $150 billion a year within the next 10 years, possibly causing the bankruptcy of several financial firms.

The Italian Minister of the Environment announced on October 9 that his Government’s strategy to cut GHG emissions will rely on the three “flexible mechanisms” of emissions trading to deliver half of the required emissions cuts. The cuts
will be achieved through existing — but yet to be implemented — plans.

EU carbon dioxide emissions rose in 2001 by three-quarters of one per cent, according to new data from the German economics institute, DIW (Deutsches Institut für Wirtschaftsforschung). The rise is higher than between 1999 and 2000, when CO₂ rose by 0.5 per cent.

A United Nations Environment Programme (UNEP) official said Thailand’s decision to reject CDM projects was “unwise” since that country “could benefit from some projects, particularly those dealing with renewable energy” and could prevent the country from achieving cuts in its greenhouse gas emissions.

The European Parliament approved, on October 10, a first draft of a plan to meet targets for reducing carbon dioxide agreed to in the 1997 Kyoto Protocol through a trading scheme that will apply to major polluting industries. The plan is likely to face tough scrutiny from the 15-nation block.

Canada warns it will not make a quick decision on its ratification of the Kyoto Protocol due to the complexity of the subject. The transport sector is targeted for significant reductions. Canada will be looking seriously in the next 12 months at encouraging the use of ethanol in gasoline.

The California Climate Bill, for reducing CO₂ emissions in the automobile industry is defined as “the maximum feasible reduction of GHGs.” Legislation will not be complete before 2005 and will become effective as of 2006.
September

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

Crude oil price movements

The monthly average price of OPEC’s Reference Basket of seven crudes was higher for the third successive month in September, this time rising by $1.39/barrel, or 5.35 per cent, with respect to August, to average $27.38/b. In September, the Basket reached the highest level for the year, close to the upper limit of OPEC’s price-band mechanism of $22–28/b. This was, indeed, the third-highest September average since 1984, exceeded only in 1990 with $32.09/b, and in 2000 with $31.48/b. The good performance of the Basket, which, in the past six months, had oscillated around the $25/b mean of the price-band mechanism, resulted in a firm recovery in the yearly average. Nevertheless, the year-to-date comparison reveals that it is still $1.23/b lower than in 2001. The combined effect of lower output levels and prices translated into a loss of several billion dollars for the Organization as a whole.

On a weekly basis, the Basket started the month on a weak note, falling by a marginal 3¢/b to $26.55/b. Then it made an about-turn and gained 98¢/b, to average $27.53/b during the second week. The Basket next underwent a correction of 20¢/b, after the previous week’s rally. During the last week, it surged again, gaining 78¢/b to close at $28.11/b (above the upper limit of the price-band mechanism for the first time since November 2000). The Basket continued its rising path, reaching a new year-

high during the first week of September, averaging $28.34/b. However, the trend reversed during the second week, when the price stood at $27.98/b. Naturally, all the Basket’s components improved, with Indonesia’s light sweet Minas leading the gains, while Mexican light sour Isthmus posted the smallest recovery.

In September, crude oil markets were driven by an array of factors, most of them of a bullish nature. Crude prices were heavily influenced by the Iraqi situation. According to analysts, the prospect of military action, if diplomatic means failed, added a war premium of a few dollars per barrel to the price of crude oil. While OPEC agreed with the existence of such a premium, it preferred not to quantify it.

Weather-related factors contributed to undermine crude oil prices later in the month. Tropical storm Isidore and hurricane Lili, which hit the US Gulf of Mexico producing region and the US Gulf Coast, where a large portion of that country’s oil industry is located, prompted the closure of oil production platforms, several refineries, ports and pipelines. The impact of the storms became evident after the American Petroleum Institute, in its report for the week ending September 27, showed an impressive crude oil stock draw of almost 14 million barrels. In the following weekly report (October 4), the refinery utilization rate dropped by the astonishing figure of 6.8 percentage points to 84.7 per cent, corroborating the disruption in refinery operations of the last days of September.

On September 19, the 121st Meeting of the OPEC Conference convened in Osaka, Japan, after reviewing the modest global economic growth expected for the remainder of the present year, together with only normal seasonal growth in global oil demand. In order to preserve stability in the market, the Conference decided that the agreed production levels would be maintained, emphasizing commitment to discipline by Member Countries and underlining the importance of full compliance with this decision.

US and European markets

The front-month sweet West Texas Intermediate (WTI) crude contract reached an 18-month high in September, underpinned by the continued threat of military action against Iraq, depleted crude oil stocks and OPEC’s decision to keep production levels unchanged, combined with weather-related disruptions to oil operations in the US Gulf Coast. With crude stocks down by around 18m b in September and the ever-present possibility of a confrontation, prompt WTI prices moved into backwardation from the contango seen in the first half of the month, when front-month WTI prices were discounted to forward prices. By the end of the month, the forward curve for WTI showed prompt month at a premium of nearly $6/b to that of a year ahead. Although not a completely true statement, one could argue that this premium captured most of the non-fundamental factors shap-

| Table A: Monthly average spot quotations for OPEC’s Reference Basket and selected crudes including differentials | $/b |
|---|---|---|---|---|
| **Reference Basket** | August 02 | September 02 | 2001 | 2002 |
| Arabian Light | 25.63 | 27.10 | 24.49 | 23.74 |
| Dubai | 25.22 | 26.72 | 24.28 | 23.31 |
| Bonny Light | 26.94 | 28.46 | 26.16 | 24.38 |
| Saharan Blend | 26.87 | 28.17 | 26.43 | 24.05 |
| Minas | 25.92 | 27.58 | 25.96 | 23.90 |
| Tia Juana Light | 25.14 | 26.31 | 21.78 | 21.64 |
| Isthmus | 26.18 | 27.33 | 23.77 | 23.31 |
| **Other crudes** | | | | |
| Brent | 26.68 | 28.28 | 26.15 | 24.31 |
| WTI | 28.41 | 29.52 | 27.82 | 25.29 |
| **Differentials** | | | | |
| WTI/Brent | 1.73 | 1.24 | 1.67 | 0.98 |
| Brent/Dubai | 1.46 | 1.56 | 1.87 | 1.00 |

1. An average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.
ing actual crude prices. The relatively low WTI premium to dated Brent of $1/b, for the first part of the month, discouraged interest in Brent-related crudes heading west to the US Gulf Coast. Nonetheless, the situation reversed towards the end of the month, when the WTI/Brent spread widened to around $1.50/b, encouraging sellers of November West African and North Sea grades to offer their cargoes to the US East and Gulf Coasts. US refiners’ loss of interest in Russian Urals was partially offset by European interest in the grade, on concern over security of supply regarding the competing Iraqi crude in the event of hostilities, and on buoyant refining margins. Good refining margins also encouraged European refiners to absorb 7.0m b of West African October crude.

Far East market
Sluggish demand and weak refining margins kept most grades under pressure in September. However, concern over a possible supply disruption in the event of an outbreak of hostilities in the Middle East, a natural supplier to the region, supported sentiment on Middle East grades in an otherwise bearish market. Earlier in the month, a fuel oil price surge in Asia-Pacific kept heavy sweet grades relatively strong; nonetheless, as fuel oil prices eased, the grades came under pressure, ending month-long firm prices.

A rebound in refining margins for distillate and naphtha-rich grades supported Australian and Malaysian light sweet grades. Brent’s opening spread to the regional benchmark, Dubai, failed to stop the purchase of West African crudes by regional refiners, with at least 8.0m b of crude committed to China, South Korea and Indonesia, as the issue of security of prompt supply overplayed the purely economic aspect of buying. Nevertheless, in the latter part of September, after immediate supply concern had been met, the widening of the premium closed the flow of Atlantic Basin supplies into the Asia-Pacific region.

Product markets and refinery operations
Product prices soared in September, reflecting the resurgence in crude oil prices and enjoying further support from several regional fundamental factors. Thus, the product-crude oil price differentials widened, improving refining margins, but this failed to push refinery throughput higher in the USA and Europe.

US Gulf market
Although gasoline demand was 3.3 per cent above last year’s corresponding period in September, it was 4.3 per cent below the August level, according to the US Energy Information Administration’s four-week moving average, which reflected the usual slowdown in demand at the end of the summer driving season. The fall in gasoline demand was largely offset by refiners’ moves to maximise distillate production, instead of gasoline, which implied reducing supply. The gasoline price rose by $1.26/b, supported also by refinery glitches earlier in the month and stormy weather later in the month.

Tropical storm Isidore, followed by hurricane Lili, hit the US Gulf Coast late in September and lingered until early October, causing sharp rises in all product prices, on a combination of refinery run cuts, as precautionary measures, and the lack of availability of crude oil barges, due to high seas and winds. In addition to lower availability, gasoil received strong support from the prevailing robust agricultural demand in the Midwest, that led to freezing the nomination of low sulphur diesel on the Explorer pipeline from the US Gulf during the first week of the month, for September delivery; hence gasoil rose by a significant $3.22/b. Higher refinery demand for high sulphur fuel oil (HSFO) as feedstock, instead of expensive crude oil, active arbitrage trading to the lucrative Far East market during the first half of the month, and then squeezed refinery supply and the lack of arrivals of foreign fuel oil cargoes, due to stormy weather, were the main reasons for the strong $2.03/b increase in the HSFO price.

Product price rises moved at a faster pace than marker crude price increases and therefore supported refining margins, which barely shifted into positive territory in September.

The triple effect of the start of autumn refinery maintenance, discretionary run cuts and stormy weather led to another fall in US refinery throughput in September, of 280,000 b/d, with the equivalent utilization rate moving down to nearly 93 per cent.

Rotterdam market
Product prices maintained the previous month’s upward trend in September, benefitting essentially from the strength of the Brent price, compared with other marker crudes. An average monthly increase of $1.50/b in the gasoline price, however, was less than the rise of $1.60/b for its counterpart Brent, hampered by subdued transatlantic arbitrage, despite some unplanned refinery outages that affected regional supply.
Although Russian distillate exports rose in September, contrary to the previous two months, and large quantities of distillates moved from Asia to Europe, gasoil improved by a hefty $2.59/b, driven also by a resurgence in the jet fuel price during the first two weeks of the month, together with bullish signs from US distillate markets. The HSFO market in Europe, despite the fact that its average monthly price soared by $2.35/b; it was underpinned by a tightly supplied market, linked to a heavy reduction in gasoline exports from China, combined with a purchase from Indonesia, which was higher than in the previous month, when it exceeded 1.0m b/d, and healthy demand from the Middle East. The distillate market continued to suffer from a supply glut, but this was alleviated by a number of price-supporting factors, including: firstly, a surge in the jet fuel price (owing to possible military operations in the Middle East; and, most importantly, kerosene, which represents the bulk of jet fuel, was in great demand to build winter stocks in some North Asian countries, prompting refiners to maximise its production at the expense of diesel); secondly, a lingering outflow of distillate product cargoes to other markets, particularly Europe; and, finally, increased buying from Indonesia, totalling 1.2m b/d.

All these factors combined to make gasoil soar by $2.64/b. A continuous influx of foreign fuel oil cargoes, that extended to include, for the first time, ULCCs that were laden with Russian fuel oil, at a time of lower demand from China, due to price hikes, resulted in stock-builds in Singapore. Nonetheless, HSFO rose by $1.25/b, driven by sizeable crude price rises, together with active buying by a local trader early in the month.

In the third week of the month, prices moved for a variety of reasons. Notably, on the bearish side, there was Iraq’s acceptance of the unconditional return of the weapons inspectors, while, on the bullish side, there was a draw on US crude oil inventories. During the closing week, the WTI futures October contract rallied and crossed the psychological level of $30/b, reaching $30.71/b. The ongoing tension in the Middle East, coupled with the possibility of supply interruptions due to tropical storm Isidore on the US Gulf Coast, triggered the rally; helped by the decision by OPEC to keep its production level unchanged.

Positive territory, after six months of negative values.

The oil futures market

During the first week of September, the WTI October front-month contract gained $1.83/b, despite a hefty drop in the first trading day of the month. The gain occurred on the back of a large decrease in US crude oil inventories and rising tensions in the Middle East, as conflict appeared imminent.

The following week's moderate gain of 56¢/b was mainly due to uncertainty regarding OPEC’s production level for the fourth quarter and a further draw on US crude oil inventories. Prices experienced high volatility late that week, after the US President, George W Bush, addressed the UN on the weapons inspection issue. The possibility of quick action by the USA regarding the issue was eliminated, resulting in the WTI price falling by nearly $1/b. However, prices regained the losses the next day, as the market reacted to Iraq’s rejection of the unconditional terms for the return of the weapons inspectors, as well as to OPEC’s assessment that high prices were not the result of a shortage of oil.

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Early in September, the front-month spread (October/November) flattened its backwardation and dipped into contango, as banks sold the spread amid refinery turnarounds. Nonetheless, towards the end of the month, as November became the leading month, the front-month
spread (November/December) returned to a 2.6¢/b backwardation and remained at that level.

The tanker market

OPEC area spot-chartering regained all the previous month’s losses in September, rising by a remarkable 4.23m b/d to a monthly average of 14.09m b/d. The combination of high seasonal demand and increased concern over a possible supply disruption, in the wake of an escalation of tension in the Middle East, were cited as the main factors behind this increase. Compared with September 2001, the current level of OPEC fixtures showed a surplus of 1.88m b/d, or was about 15 per cent higher. Meanwhile, although non-OPEC spot-chartering rose noticeably by 1.02m b/d to a monthly average of 11.01m b/d, its market share edged 6.46 percentage points lower to 43.86 per cent.

Consequently, global spot fixtures surged by a significant 5.25m b/d to a monthly average of 25.09m b/d, the highest level since March 2001, and 5.53m b/d higher than in the same month last year. Meanwhile, although non-OPEC spot-chartering improved in September by a significant 6.45 percentage points to 56.14 per cent; however, this was 6.28 percentage points below the previous year’s figure, due to the increase in non-OPEC spot-chartering. Spot fixtures from the Middle East on the eastbound and westbound long-haul routes rose by 0.94m b/d to 4.92m b/d and by 1.28m b/d to 2.09m b/d, respectively.

However, OPEC’s Middle East eastbound share of total fixtures declined significantly, by 5.37 percentage points to 34.96 per cent, while the share of westbound chartering surged by 6.66 percentage points to 14.87 per cent, due to increased demand in the western markets. Together, they accounted for 49.83 per cent of total chartering in the OPEC area, which was 1.29 percentage points above the previous month’s level. According to preliminary estimates, sailings from the OPEC area continued to improve, rising by 1.69m b/d to a monthly average of 23.67m b/d. Sailings from the Middle East also edged higher, by 1.64m b/d to a monthly average of 16.39m b/d, about 69 per cent of total OPEC sailings.

Additionally, preliminary estimates of arrivals in the US Gulf Coast, the US East Coast and the Caribbean reversed the previous month’s trend, improving by 920,000 b/d to a monthly average of 8.09m b/d. Arrivals in North-West Europe and Euromed also increased, by 820,000 b/d to 5.82m b/d and by 990,000 b/d to 5.84m b/d, respectively. Estimated oil-at-sea on September 22 was 448m b, which was 12m b above the level observed at the end of the previous month.

The crude tanker markets ended mixed in September, in tandem with regional fundamentals. In the Middle East, the VLCC market started to be active in the second half of the month, on concern over possible supply disruptions, as the tensions between the USA, the UN and Iraq were intensified, with the possibility of US military action against Iraq. As a result, charterers rushed to fix more crude cargoes from the Middle East in the spot tanker market, as precautionary stockpiling. Tanker-owners, therefore, were able to stop the decline in freight rates and push them up to slightly tighter positions for charterers who required modern tonnage.

The monthly average spot freight rates for VLCC cargoes from the Middle East on eastbound and westbound long-haul routes edged four points higher to Worldscale 38 and three points higher to WS36 respectively. The Suezmax market on the route across the Atlantic remained generally quiet. However, thin VLCC availability on the transatlantic route at the end of September intensified market activity on the route from West Africa to the US Gulf Coast, and the rates edged up two points to WS70. On the other hand, freight rates for Suezmax vessels, operating along the route from North-West Europe to US destinations, softened by two points to WS67, on the back of excess prompt tonnage availability, as most business was fixed off the market. Freight rates for Aframax tankers trading on short-haul routes retreated further in September, amid fewer enquiries. In the Caribbean, freight rates for crude cargoes to US destinations plummeted by 19 points to WS104, due to weather problems on the US coasts.

Meanwhile, on the route across the Mediterranean, freight rates continued to slide on lower activity, decreasing by a further 11 points to WS112. Freight rates for 70–100,000 dwt tankers, on the route from Indonesia to the US West Coast, eased by three points to WS94, while, on the route from the Mediterranean to North-West Europe, they rose by 15 points to WS102.

The product tanker market continued to maintain the previous month’s mixed trends in September. Large-range (LR1) clean tonnage in the Middle East market remained in demand for Far East cargoes, and, therefore, freight rates continued to climb, gaining another two points to reach a monthly average of WS184. Furthermore, medium-range (MR) product tankers in the Singapore market remained active, with more fixture volumes, and freight rates to Far East destinations rose by another four points to WS218.

On the bearish side, the monthly average freight rates for clean cargoes from Rotterdam to the US East Coast plunged by 12 points to WS148, while, in the Caribbean, freight rates retreated by 15 points to WS147 for voyages to the US Gulf Coast, undermined by stormy weather. In the Mediterranean, the product tanker market weakened further, and freight rates extended the previous month’s losses, decreasing by eight points to WS152 on the route across the Mediterranean and remaining at WS172 on the route from the Mediterranean to North-West Europe.

World oil demand

Historical data

Due to adjustments to historical data, average world oil demand for 2001 has been revised up by 300,000 b/d to 76.32m b/d since the previous report. According to the latest available figures, world oil consumption during 2001 rose by 350,000 b/d, or 0.46 per cent. Demand in the former Soviet Union (FSU) grew by a remarkable 170,000 b/d, or 4.53 per cent. While developing countries also experienced healthy demand growth of 270,000 b/d, or 1.39 per cent, the Organization for Economic Co-operation and Development (OECD) nations witnessed a minor decline of 70,000 b/d, or 0.14 per cent.

On a quarterly basis, world demand in 2001 enjoyed healthy growth of 1.05m b/d, or 1.38 per cent, and 930,000 b/d, for 70–100,000 dwt tankers, on the route from Indonesia to the US West Coast, eased by three points to WS94, while, on the route from the Mediterranean to North-West Europe, they rose by 15 points to WS102. The tanker market continued to maintain the previous month’s mixed trends in September. Large-range (LR1) clean tonnage in the Middle East market remained in demand for Far East cargoes, and, therefore, freight rates continued to climb, gaining another two points to reach a monthly average of WS184. Furthermore, medium-range (MR) product tankers in the Singapore market remained active, with more fixture volumes, and freight rates to Far East destinations rose by another four points to WS218.

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On a quarterly basis, world demand in 2001 enjoyed healthy growth of 1.05m b/d, or 1.38 per cent, and 930,000 b/d,
or 1.25 per cent, in the first and second quarters, respectively. The third and fourth quarters, however, experienced declines of 100,000 b/d, or 0.14 per cent, and 450,000 b/d, or 0.58 per cent, respectively, due to the worldwide economic slowdown, the effects of which were accelerated by the tragic events of September 11. The resulting quarterly averages were 77.10mb/d, 75.20mb/d, 76.02mb/d, and 76.97mb/d, respectively.

**Projections for 2002**

**World**

For the present year, the projected volume of world oil demand has been revised up to an average of 76.46mb/d, compared with the previously projected 76.20mb/d; this is mainly due to upward revisions to historical data and to the actual 1Q and 2Q consumption figures. The 2002 world demand increment, however, is now estimated at 140,000 b/d, or 0.18 per cent, which is lower than the 180,000 b/d, or 0.23 per cent, presented in the last report.

**OECD**

Based on estimates of actual first-quarter consumption, the OECD was solely responsible for the fall in world consumption, with a substantial 870,000 b/d decline, partly offset by the 150,000 b/d and 300,000 b/d rises in demand in the developing countries and the former CPEs. Within the OECD, the highest drop, of 3.56 per cent, was experienced by the OECD Pacific, followed by 2.03 per cent in North America and a minor 0.30 per cent in Western Europe.

Data on actual consumption in the second quarter also points to a drop, of 340,000 b/d, or 0.73 per cent, in OECD consumption, due to a steep decline in OECD Pacific demand of 310,000 b/d, combined with a moderate 110,000 b/d drop in Western Europe’s consumption, but partly offset by a slight rise of 80,000 b/d in demand in North America.

Actual data on OECD consumption during January–July 2002 indicates a 520,000 b/d, or 1.09 per cent, decline, compared with the corresponding period in 2001. All three regions within the OECD shared the experience, with the OECD Pacific leading, with a significant fall of 270,000 b/d, or 3.15 per cent. North America and Western Europe followed, with decreases of 200,000 b/d, or 0.84 per cent, and 50,000 b/d, or 0.31 per cent, respectively. Except for gasoline and kerosene, all petroleum products, and even refinery own-use, witnessed consumption declines in the OECD Pacific.

On a product basis, the period January–July continued to see significantly weaker (–7.63 per cent) aviation fuel consumption, compared with the similar period last year, as subdued air travel persisted. Residual fuel oil consumption was also lower, by 13.41 per cent, mostly due to a shift back to natural gas consumption, as the price of the latter moderated. Liquefied petroleum gas and gasoline consumption, however, enjoyed positive growth of 7.50 per cent and 2.72 per cent, respectively, mostly due to substantial rises in consumption in North America, helped by relatively low natural gas prices and robust growth in automobile use.

**Developing countries**

Oil demand for developing countries is expected to grow by 120,000 b/d, or 0.63 per cent, to 19.43mb/d in 2002. The demand outlook for Latin America is expected to be weaker than in 2001, due to persistent economic and financial problems. Other Asia is anticipated to enjoy high volume growth of 90,000 b/d, followed by the Middle East and Africa, with 70,000 b/d and 20,000 b/d, respectively.

**Other regions**

Apparent demand in the ‘other regions’ group of countries is expected to rise by 140,000 b/d, almost entirely due to a promising demand outlook for China. In the FSU, demand is estimated to grow by 120,000 b/d in the third quarter. The other three quarters are anticipated to experience demand declines, in comparison with the corresponding quarters of 2001. The overall yearly average is expected to drop by 60,000 b/d, or 1.51 per cent. In contrast, Chinese demand is anticipated to undergo healthy growth in every quarter of the current year, leading to average annual growth of 190,000 b/d, or 4.05 per cent.

**Forecast for 2003**

Our demand forecast for 2003 has been adjusted up to 77.22mb/d, versus 77.01mb/d reported in the previous report. The increment, however, has been revised down slightly to 760,000 b/d, which is equivalent to 1.00 per cent, from the previous 800,000 b/d, equivalent to 1.06 per cent. Further adjustments are expected as more information becomes available on major factors, such as the world economic growth outlook, prices and the weather.

All three major consuming groups are forecast to experience stronger demand. The OECD’s growth in volume is expected to be the highest, at 280,000 b/d. The remaining 480,000 b/d out of the 760,000 b/d world growth will be nearly equally shared by developing countries (230,000 b/d) and the former CPEs (250,000 b/d).

All four quarters are forecast to register gains in consumption over the corresponding periods of 2002. A remarkable 1.08mb/d level of growth is expected to mark 1Q; this will be the highest rise of the year. The next highest will occur in 4Q, with a significant 1.01mb/d gain. The 2Q and 3Q are expected to see growth of 540,000 b/d and 420,000 b/d, respectively.

**World oil supply**

**Non-OPEC**

**Forecast for 2002**

The 2002 non-OPEC supply figure has been revised down by 10,000 b/d since the last report, to 47.96mb/d. The 3Q figure has been revised down considerably, by 120,000 b/d to 47.80mb/d, while the other three quarters have witnessed minor upward adjustments of 30,000 b/d to 47.67mb/d, 10,000 b/d to 47.96mb/d and 30,000 b/d to 48.39mb/d, respectively. The yearly average increase is estimated at 1.48mb/d, compared with the 2001 figure.

**Expectations for 2003**

Non-OPEC supply is forecast to rise by 820,000 b/d in 2003. The major contributors to the rise are expected to be North America and the FSU. The quarterly distribution is 48.48mb/d, 48.78mb/d, 48.63mb/d and 49.23mb/d, respectively, resulting in a yearly average of 48.78mb/d.

The FSU’s net oil export estimates for 1999–2001 remain unchanged from the last report. Minor upward revisions have
been made to the figure for 2002 and the 2003 forecast, which are now 5.38m b/d and 5.71m b/d, respectively.

**OPEC natural gas liquids**

The OPEC NGL figures for 2001–03 have been revised up to 3.58m b/d, 3.67m b/d and 3.70m b/d, respectively, compared with the last report. All the revisions are due to the introduction of recent NGL and condensates data released from some Member Countries.

**Table E: OPEC crude oil production, based on secondary sources**

1,000 b/d

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2Q02</th>
<th>Aug 02*</th>
<th>Sept 02*</th>
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*Not all sources available.
Totals may not add, due to independent rounding.

**Stock movements**

**USA**

A further contra-seasonal draw on US commercial onland oil stocks during the period August 30–October 4 intensified the year-on-year deficit to 51.8m b, or five per cent. A sharp draw on crude oil stocks pushed US total core oil stocks significantly down by 25.1m b, or a rate of 740,000 b, to 982.1m b. Amid interrupted crude oil production, due to two heavy tropical storms (Isidore and Lili), which hammered the US Gulf of Mexico and shut in production of marginal movements, declining by 600,000 b to 141.8m b and by 800,000 b to 109.8m b, respectively. Tighter gasoline supplies, due to the shut-downs of refineries, depressed gasoline, especially the independent stocks in Rotterdam. Meanwhile, increased Portuguese utility demand, coupled with higher volumes exported to China, moved fuel oil to a level of 27,903 m b/d.

Other major products showed minor builds, except gasoline, which remained unchanged from the previous level.

During the same period, the Strategic Petroleum Reserve (SPR) continued to receive more volumes, under the US Administration’s policy of filling it to its capacity of 700m b. Therefore, it rose by 5.3m b to 586.2m b.

**Western Europe**

Commercial onland oil stocks in Eur-16 showed a moderate unseasonable draw of 11.5m b, or a rate of 380,000 b/d, to stand at 1,055.0m b in September. This decrease was largely confined to a significant draw on total major products, particularly distillates, while other major products declined marginally; the overall level was still 12m b above that of a year ago. The sharp draw on distillates was attributed mainly to healthy demand for jet fuel, as well as the selling-off of summer grade distillates, in order to fill tanks with winter grade material. Distillates were 21.2m b higher than the level of a year earlier. Gasoline and fuel oil witnessed marginal movements, declining by 600,000 b to 141.8m b and by 800,000 b to 109.8m b, respectively. Tighter gasoline supplies, due to the shut-downs of refineries, depressed gasoline, especially the independent stocks in Rotterdam. Meanwhile, increased Portuguese utility demand, coupled with higher volumes exported to China, moved fuel oil to a level of 27,903 m b/d.
runs, as well as the tendency of traders distillates benefited from higher refinery back of higher imports and in spite of respectively. Crude oil increased, on the to 113.5m b and by 5.7m b to 40.4m b, distillates led this build, rising by 4.3m b b/d, to 186.1m b. Crude oil and middle significant 9.8m b, or a rate of 320,000 unseasonable draw, increasing by a sig stocks regained the previous month’s Japan

In August, commercial onland oil stocks regained the previous month’s unseasonable draw, increasing by a significant 9.8m b, or a rate of 320,000 b/d, to 186.1m b. Crude oil and middle distillates led this build, rising by 4.3m b to 113.5m b and by 5.7m b to 40.4m b, respectively. Crude oil increased, on the back of higher imports and in spite of rising refinery throughput. Meanwhile, distillates benefited from higher refinery runs, as well as the tendency of traders to stock up with winter distillate grades. Residual fuel oil also added to this build, moving up by a marginal 500,000 b to 19.7m b. Gasoline continued to show a draw, declining by 800,000 b to 12.4m b, due to relatively healthy demand. Total oil stocks were 4.7m b, or about three per cent, below the year-earlier level.

Balance of supply/demand

Table I for 2002 shows upward revisions to the world oil demand forecast of 260,000 b/d to 76.46m b/d and to total non-OPEC supply of 110,000 b/d to 51.63m b/d, since the last report. This has resulted in an expected annual difference of around 24.83m b/d, up by 150,000 b/d, with a quarterly distribution of 25.36m b/d, 23.07m b/d, 24.93m b/d and 25.93m b/d, respectively. The balances for 1Q and 2Q have been revised down by 140,000 b/d to –240,000 b/d and by 80,000 b/d to 1.49m b/d, respectively. The balance for 3Q has been introduced for the first time, and it is estimated at 550,000 b/d. The 2001 balance has been revised down a quarterly distribution of 25.36m b/d, 23.07m b/d, 24.93m b/d and 25.93m b/d, respectively. The balances for 1Q and 2Q have been revised down by 140,000 b/d to –240,000 b/d and by 80,000 b/d to 1.49m b/d, respectively. The balance for 3Q has been introduced for the first time, and it is estimated at 550,000 b/d. The 2001 balance has been revised down by 210,000 b/d to 930,000 b/d. Table I for 2003 shows an upward

## Market Review

### Table F: US onland commercial petroleum stocks

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<thead>
<tr>
<th></th>
<th>June 28, 02</th>
<th>Aug 30, 02</th>
<th>Oct 4, 02</th>
<th>Sept/Aug</th>
<th>Change</th>
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<tr>
<td>Crude oil (excl SPR)</td>
<td>321.2</td>
<td>298.5</td>
<td>270.5</td>
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<td>Gasoline</td>
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<tr>
<td>Jet fuel</td>
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<td>38.9</td>
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<td>Unfinished oils</td>
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<td>–1.2</td>
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<td>Other oils</td>
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<td>218.1</td>
<td>221.3</td>
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<td>218.2</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>1,031.4</strong></td>
<td><strong>1,007.2</strong></td>
<td><strong>982.1</strong></td>
<td><strong>–25.1</strong></td>
<td><strong>1,033.9</strong></td>
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<tr>
<td>SPR</td>
<td>575.4</td>
<td>580.9</td>
<td>586.2</td>
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<td>544.8</td>
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1. At end of month, unless otherwise stated.  2. Latest available data at time of publication.  

Source: US/DoE-EIA.

### Table G: Western Europe onland commercial petroleum stocks

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<th>June 02</th>
<th>Aug 02</th>
<th>Sept 02</th>
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<td>Middle distillates</td>
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<td>Fuel oils</td>
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<td><strong>Total products</strong></td>
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<td><strong>627.4</strong></td>
<td><strong>615.2</strong></td>
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<td><strong>Overall total</strong></td>
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<td><strong>1,069.0</strong></td>
<td><strong>1,066.5</strong></td>
<td><strong>1,055.0</strong></td>
<td><strong>11.5</strong></td>
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1. At end of month, and includes Eur-16.  

Source: Argus Eurolstocks.

### Table H: Japan’s commercial oil stocks

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<th>August 02</th>
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<td>Middle distillates</td>
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<td>Residual fuel oil</td>
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<td><strong>Total products</strong></td>
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<td><strong>Overall total</strong></td>
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<td><strong>176.3</strong></td>
<td><strong>186.1</strong></td>
<td><strong>9.8</strong></td>
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1. At end of month.  2. Includes crude oil and main products only.  

Source: MITI, Japan.

---

November 2002  

27
Table I: World crude oil demand/supply balance

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OPEC crude supply and balance

|                      |                |                |                |                |
|----------------------|--------------------------------------------------|--------------------------------------------------|
| OPEC crude oil production | 26.5          | 28.0            | 27.2            | 25.1            | 24.6            | 25.5 |
| Total supply         | 74.2            | 77.0            | 77.3            | 76.4            | 76.2            | 77.0 |
| Balance              | –1.1            | 1.1             | 0.9             | –0.2            | 1.5             | 0.5  |

Stocks

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Days of forward consumption in OECD

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Memo items

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<td>[(a) – (b)]</td>
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Note: Totals may not add up due to independent rounding.

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

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

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in Tables One and Two on page 30, while Graphs One and Two (on pages 29 and 31) show the evolution on a weekly basis. Tables Three to Eight, and the corresponding graphs on pages 32–37, show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt’s Energy Services).
Graph 1:
Evolution of spot prices for selected OPEC crudes
June to September 2002
### Table 1: OPEC spot crude oil prices, 2002

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<th>Dec 4Wav</th>
<th>Jan 5Wav</th>
<th>Feb 4Wav</th>
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### Table 2: Selected non-OPEC spot crude oil prices, 2002

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1. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.
2. OPEC Basket: an average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.
Kirkuk ex Ceyhan; Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.
Sources: The netback values for TJL price calculations are taken from RVM; Platt’s Oilgram Price Report; Reuters; Secretariat’s calculations.
Graph 2:
Evolution of spot prices for selected non-OPEC crudes
June to September 2002
### Table 3: North European market — bulk barges, fob Rotterdam ($/b)

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

[Graph showing price trends from 2000 to 2002 for various commodities and periods.]
**Table 4: South European market — bulk cargoes, fob Italy** ($/b)

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

**Graph 4: South European market — bulk cargoes, fob Italy**
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### Graph 5: US East Coast market — New York
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### Table 7: Singapore cargoes

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### Graph 7: Singapore cargoes
Table 8: Middle East— fob

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IMF head praises Algeria’s economic reforms

Algiers — International Monetary Fund (IMF) Managing Director, Horst Köhler (pictured right), has praised Algeria’s economic reforms, following the government’s implementation of its structural adjustment programme.

Speaking to the media at the end of a meeting with the Algerian President, Abdelaziz Bouteflika, last month, he noted that the country had implemented important economic and financial reforms during very difficult conditions in the 1990s.

He indicated that he had discussed with Bouteflika ways of pursuing bilateral co-operation to reinforce the country’s economic growth, create jobs and improve Algeria’s standard of living.

Köhler also said the IMF would continue to support Algeria’s economic reforms in the future. This was Köhler’s first visit to Algeria since assuming his position as IMF head.

The two sides also discussed issues confronting the regional and global economy, and on the future role of the IMF.

In a related development, Algeria’s Minister of Finance, Mohamed Terbeche, announced that the country’s 2003 finance bill forecasts a budget deficit of around $3.2 billion, compared with a $1.20bn deficit expected for 2002.

In outlining the finance bill draft to Parliament last month, Terbeche said that the Government was counting on receipts in 2003 of about $18.1bn, with expenditure put at $21.3bn.

This, he noted, would represent a 3.25 per cent decline in receipts and a rise of 6.79 per cent in expenditure, when compared with the projected figures for 2002.

As for oil taxation, the Minister said this had been valued at $10.45bn for next year, down by about $1.0bn compared with 2002 levels. Oil taxation represented some 58 per cent of the country’s total taxation.

Terbeche said the 2003 finance bill was based on an oil export price of $19/bbl, down from the current $22/b.

He stressed that the prudence observed in the preparation of next year’s bill was due to the instability seen in the international oil market at the end of 2001 and at the beginning of this year.

Nigerian President unveils new economic agenda

Abuja — The Nigerian government has unveiled a new economic agenda, known as the “Framework for Nigeria’s Economic Growth and Development (2003 to 2007).”

The plan was unveiled by the Nigerian President, Olusegun Obasanjo, at the opening of the Ninth Nigerian Economic Summit. He said the new economic agenda would focus on how to develop the oil, gas, agriculture, manufacturing, solid minerals and tourism sectors.

The government would strive to develop the national economy using growth facilitators already identified by the private sector, he said.

The five growth facilitators identified by the Nigerian Economic Summit Group (NESG) were sector reform, infrastructure development, security, savings and investment, as well as job creation.

Obasanjo said efforts would be made to ensure that private and public sector partnerships were sustained for the sake of the accelerated economic growth of the country.

On the summit, Obasanjo said the government planned to use its recommendations to set and realize goals entailed within the new economic agenda.

According to him, the private sector would continue to be the engine of Nigeria’s economic growth. He charged the summit to develop an action plan for the implementation, monitoring and evaluation of the agenda.

Assessing the country’s economy over the last three years, Obasanjo identified growth in electricity supply and foreign investment as being the major areas of success.
He noted that electricity supply between 1999 and 2001 had increased by more than 160 per cent to 4,000 megawatts (mw), compared with generation of only 1,500 mw in 1999.

Obasanjo said the last three years had witnessed the establishment of 170 enterprises with foreign participation and turnover of about $643 million.

The country had imported $575m worth of capital goods for investment within the same period, he added.

Indonesia to revise 2003 budget assumptions after Bali blasts

Jakarta — The Indonesian government said it would revise its assumptions for the 2003 draft state budget, possibly resulting in a greater deficit, but one that the World Bank has estimated would require only limited additional funding, it was reported in the country’s capital last month.

The Indonesian Minister of Finance, Boediono, said the government would adjust the budget assumptions to take account of the likely weakening of the economy because of the bomb explosions on the resort island of Bali in mid-October.

“We’re working on various assumptions. Which of them may be affected? We don’t know yet,” the Jakarta Post newspaper quoted him as saying.

The massive bomb explosions, which killed nearly 200 people, have clouded Indonesia’s economic outlook with a subsequent weaker tourism sector and another plunge in foreign direct investment likely.

Boediono said that while the current state budget was safe, the government would need additional help with next year’s budget.

“We’re trying to get more aid from our donors like Japan — our biggest creditor,” he said, adding that any additional funding would come as part of the loans due to be extended by the World Bank’s Consultative Group on Indonesia.

World Bank Country Director for Indonesia, Andrew Steer, agreed that Indonesia would need extra help, due to the Bali incident, but added: “I don’t see financing as the big problem issue. I see this as an issue of confidence.”

Steer urged the government to push for structural reforms like sorting out its banking sector, improving the judiciary, and curbing corruption, so as to bolster business confidence.

He added that Indonesia’s prudent macroeconomic management also meant the country had some leeway to absorb an incident like Bali.

For now, the government expected a shortfall of around 26.26 trillion rupiahs (about $2.8 billion), equal to about 1.3 per cent of Indonesia’s gross domestic product (GDP).

In its 2003 draft budget, the government has drawn up a number of assumptions that determine the expected amount of expenditure and revenue, or lack of it.

Amid signs of greater economic stability, the budget assumes an average inflation rate of 8.7 per cent, with the rupiah at 8,700 to the United States dollar and Bank Indonesia’s three-month rates averaging 13 per cent.

Expecting world oil prices of around $20.50/barrel, the budget targets the economy to grow by five per cent in 2003, compared with about four per cent this year.

But as the economic fallout of the Bali blasts starts to take effect, economists say the draft budget was becoming unrealistic.

So far, the strongest signals have come from the tourism sector, where a string of cancellations were sapping revenues from airlines, hotels and local economies in tourist destination areas.

The impact does not stop there, however. Manufacturers fear foreign buyers could divert next year’s orders to safer countries.

At least one international insurance committee has raised the premium risk on Indonesia after including the country on its list of war-risk zones, on a par with Afghanistan and Somalia, the daily noted.

A senior Bank Indonesia official, who declined to be named, warned of foreign lending institutions setting higher risk premiums for investment in Indonesia. This would further erode the capital inflow into the country.

Saudi Crown Prince reaffirms support for industrial sector

Riyadh — Saudi Arabian Crown Prince Abdullah reaffirmed last month the Government’s strategy of supporting the industrial sector, in its bid to diversify the Kingdom’s revenue sources.

Crown Prince Abdullah made the comment while attending the silver jubilee celebrations of the Saudi Arabian Basic Industries Corporation (SABIC), which has an annual turnover of $7.6 billion, operating 18 industrial complexes.

Crown Prince Abdullah also opened the new SABIC headquarters in Riyadh and honoured the pioneers who had contributed to SABIC’s success story, including the Minister of Water, Ghazi Al-Gosaibi, and the Minister of Industry and Electricity, Hashim Yamani.

SABIC Managing Director, Mohammed Al-Madhi, said SABIC projects had helped convert petroleum gases, which pollute the atmosphere, into value-added products.

The corporation currently produced more than 36 million tons of various petrochemical and mineral products, which were marketed in over 100 countries, he noted.

He said SABIC exports constituted about 70 per cent of the Kingdom’s total non-oil exports, and more than 78 per cent of the company’s 15,000 employees were Saudi nationals.

Yamani, who is Chairman of SABIC, said the corporation’s research and development division had produced more than 200 patents.

He also disclosed SABIC’s plan to launch an annual prize to encourage Saudi citizens engaged in scientific research that would further the goal of development, and expressed the hope that Crown Prince Abdullah would agree to have the prize named after him.
Established in 1976, SABIC is rated first among Arab countries and 111th on an international level in the field of basic industries.

The government owns 70 per cent of the corporation, and with capital of $2.7bn, it is considered one of the largest petrochemical companies in the Middle East.

Saudi Arabian investment in petrochemicals was estimated at $40.5bn in 2000.

**Iranian complex markets**

**1.34m tons of products**

**Tebran** — The Bandar Imam petrochemical complex in southern Iran marketed 1.34 million tons of products in the first half of the current fiscal year (which started on March 21, 2002), it was reported in the Iranian capital last month.

The Iranian Ministry of Petroleum said that Bandar Imam, a major petrochemical complex in the Middle East, produced 2,950 billion rials worth of products annually.

The complex sold 445,000 t of its products, worth 1,029bn rials, in the domestic market in the six months under review. It exported 896,000 t of products, worth $240m, during the same period.

The production capacity of the plant stood at more than 7.0m t/y, the Ministry said. It used 3.2m t/y of liquefied gas and 120m cubic feet/y of gas as fuel, as well as 100,000 cu metres/y of drinking water and 1.0m cu m/y of saline water as feedstock.

The last unit of the complex — the aromatic plant — had been commissioned to operate with a capacity of 1.0m t/y, the Ministry added.

**Dubai to spend $260m to raise power capacity**

**Dubai** — The Dubai Electricity and Water Authority (DEWA) has embarked on a project to boost the electricity capacity at the ‘D’ power and desalination station at Jebel Ali.

Estimated to cost $260 million, the scheme will increase DEWA’s production capacity at existing power stations by 400 megawatts.

DEWA General Manager, Saeed Mohammed Al Tayer, said the expansion would be of great help in "satisfying the growth in demand from the different sectors."

Quoted by the English-language *Gulf News* newspaper of Dubai in October, he stated: “Many benefits are gained by this project, such as enhancing production capacity, efficiency and the reduction of fuel consumption, due to the employment of modern technologies.

“The project enables DEWA to use exhaust gases to produce vapour for operating the gas turbines and desalination units, which leads to the reduction of gaseous emissions and eventually contributes towards environmental protection,” he added.

**Venezuelan government submits proposed 2003 budget**

**Caracas** — Complying with constitutional requirements, the Venezuelan Minister of Finance, Tobias Nobrega, last month submitted the country’s proposed $26 billion budget to the National Assembly for 2003.

Under the Venezuelan Constitution, the yearly budget must be handed to the National Assembly — Venezuela’s unicameral parliament — by October for legislative approval, before it can take effect.

Nobrega is expected to attend several parliamentary hearings prior to the debate and approval of the budget.

According to Ministry of Finance officials, the proposed 2003 national budget was calculated based on an estimated export price for the Venezuelan oil basket of between $17 and $18/barrel and an exchange rate of between 1,500, 1,600 bolivars to the United States dollar.

Nobrega told reporters that although in local currency terms the proposed 2003 national budget of some 41.3 trillion bolivars was higher than in 2002, in dollar terms it was actually substantially lower than this year’s budget of $33bn.

The Minister indicated that next year the government would focus on a strong increase in tax collection and non-oil income revenue to cover planned spending.

**Saudi Minister stresses importance of Russian co-operation**

**Moscow** — The Saudi Arabian Minister of Finance and National Economy, Ibrahim Al-Assaf, underlined the importance of enhancing co-operation between the Kingdom and Russia.

Addressing the inaugural session of the Saudi-Russian Joint Commission last month, he said the two countries, both of which had large crude oil reserves, also had suitable investment environments.

He urged the commission to positively contribute to enhancing bilateral economic co-operation between the two countries.

Al-Assaf pointed out that the Saudi Arabian economy was attractive for investment, adding that the Kingdom’s economic policy was based on the principle of free enterprise.

“‘The Kingdom is producing about five per cent of the world’s total petrochemicals,” he said, noting that these exports were marketed in 75 countries.

Al-Assaf noted that the Kingdom had been updating its economic systems, stating that the Supreme Economic Council, headed by the Crown Prince, Abdullah bin Abdulaziz, was responsible for the formulation of economic policies.

“Moreover, we have established the higher investment commission for encouraging the implementation of investment projects and serving investors’ interests,” Al-Assaf said.

“We have also approved the system of foreign investment and ownership of real estate by non-Saudi nationals. And to
develop the tourism industry, the Kingdom has established the tourism higher commission,” he was quoted by the Saudi Press Agency (SPA) as saying.

Al-Assaf said the privatization strategy in the Kingdom was aimed at enabling the private sector to play an important role in the process of economic development.

“The rate of inflation in the Kingdom is very low and its currency is stable and strong,” the Minister said, adding that Saudi Arabia did not face the problem of foreign debt.

During the talks, Saleh stated that both countries were keen to enhance and boost ties, particularly in the fields of trade and the economy.

Boutros-Ghali lauded the fraternity of spirit and co-operation Iraq had showed Egypt.

Qatar, Italian firms in plastics joint venture

Doha — Several Italian firms and Qatar plan to form an alliance to develop a new industrial complex to produce over 150 types of plastic materials used in the automobile industry and for household products.

The Deputy General Manager of the Qatar Industrial Development Bank, Shawki Abdulaziz Al Mahmoud, signed the agreement on behalf of Qatar, while a senior official from Plast Mechanica signed for the Italian firms.

The Italian partners plan to export 70 per cent of the products from the Qatari venture to markets in Europe.

Qatar would own a 51 per cent stake in the project, while the Italian firms would hold the remainder.

The Italian firms would also provide the technical expertise and other essential support for the scheme.

According to Al Mahmoud, the project would be the first of its kind in Qatar.

The project would cost an estimated $25 million to complete, he said.

IMF crisis loans to Indonesia no longer relevant — official

Jakarta — Loans from the International Monetary Fund (IMF), which pledged to lend $43 billion to rebuild the Indonesian economy following the country’s 1997 monetary crisis, are no longer relevant, it was announced last month.

The claim was made by the State Minister of National Development Planning, Kwik Kian Gie.

He said the IMF loans had stopped being relevant to Indonesia since the first quarter of 2001 because the country had been making quarterly payments to the IMF exceeding the amount in loans it was receiving from the fund.

Moreover, the IMF loans were simply being stashed away because they could only be used after Indonesia’s foreign exchange reserves in the Central Bank had been used up, Kwik explained.

He pointed out that the IMF had disbursed $12bn until the end of the second quarter, out of the $43bn pledged following the crisis.

But the Fund had also withdrawn $3.0bn, leaving only $9.0bn, which Indonesia was not allowed to use as long as its foreign exchange reserves had not been depleted.

Kwik said Indonesia had $18bn in reserves, which were never used to refinance the economy.

Iraq, Egypt sign minutes of co-operation

Baghdad — Iraq and Egypt concluded two days of talks in Cairo in October, focusing on economic and commercial co-operation between the two countries.

At the end of the discussions, the two countries signed minutes of co-operation covering commercial and economic domains.

The minutes were signed by the Iraqi Minister of Trade, Mohammed Mehdi Saleh, and the Egyptian Minister of Foreign Trade, Youssef Boutros-Ghali.

The minutes provided for an agreement between Egypt’s General Authority for Monitoring Exports and Imports and its Iraqi counterpart.

They also made a commitment to the protocol of setting up a free trade zone, signed in 2001, establishing fairs, carrying out joint projects, training Iraqi experts in agriculture and exchanging expertise in various domains.

Algeria, Nigeria study ways to boost bilateral ties

Algiers — Algeria and Nigeria are examining new mechanisms to boost bilateral co-operation and joint partnerships between the two countries.

Talks started in October between the two sides, led by Algeria’s Minister of African Affairs, Abdelkader Messahel, and the Nigerian Minister of Co-operation, Bimbola Ogunkehu.

Speaking to the media on the sidelines of the meeting, Messahel indicated that the delegations were discussing a complementary framework, to develop new mechanisms to reinforce bilateral co-operation.

These mechanisms, he said, should lead to strategic and ambitious economic projects in a number of sectors, including energy, telecommunications, public works and the rehabilitation of the trans-Saharan road.

Ogunkehu noted that the two presidents were working together in setting up a structure to boost bilateral ties.

The Nigerian Minister pointed out that his visit to Algiers was not only aimed at reinforcing bilateral economic co-operation between the two countries, but also at strengthening ties on a regional level, with a view to establishing an African union.

IMF crisis loans to Indonesia no longer relevant — official

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In recognition of the need to support developing countries in their quest for security and self-sufficiency in food production, the OPEC Fund for International Development promotes scientific schemes that are aimed at achieving these goals without jeopardizing the environment. The Fund supports agricultural research programmes and encourages the sharing and exchange of scientific information. Among the major recipients of such Fund support is the Third World Academy of Sciences (TWAS), based in Trieste, Italy.

Established in 1985, TWAS is a non-governmental, non-profit organization and the first international forum to facilitate contact between scientists from the South, with a view to strengthening their work and fostering collaboration. Some of this work has concerned the conservation and wise use of indigenous and medicinal plants, effective water management policies and the protection and conservation of biodiversity in arid and semi-arid lands.

Scientific centres of excellence
In many parts of the South, scientists work in relative isolation, and are unable to benefit from the sharing of expertise and resources. To fulfil this need, an associate membership scheme at centres of excellence in the South was set up by TWAS in 1994. The scheme accomplishes its goals in the following way: an institution in the South, recognized for its scientific excellence, selects a promising scientist from another institution in a developing country and invites him or her to conduct research at its centre for several months. TWAS provides a small stipend, and the scientists’ transport costs are covered by additional grants, such as those provided by the OPEC Fund. Thus, a network of specialists is created in the fields of science and technology that will facilitate communication not just during the project, but long afterwards as well.

Morocco–Brazil exchange
Over the years, the Fund has provided $200,000 to help finance exchange visits for 60 candidates. One such visiting associate, Jamal Ibijbijen, a Moroccan-born microbiologist and professor at the faculty of sciences at Moulay Ismail University in Meknes, Morocco, was able to hone his skills in advanced microbiological and biochemical techniques from his research trip to the National Research Centre for Agrobiology (CNPAB/EMBRAPA) in Rio de Janeiro, Brazil. One of Ibijbijen’s fields of study is helping develop an environmentally-friendly, inexpensive means of improving soil fertility.

Benefits of bio-fertilizers
Although essential for boosting crop yields, chemical fertilizers can have an adverse effect on soil and water, endangering, over the long term, both public health and the well-being of ecological systems. At CNPAB/EMBRAPA, Ibijbijen and other scientists were able to work together on developing biofertilizers — biological techniques designed to increase the robustness of plants without resorting to expensive, and often harmful, pesticides. The challenge lies in nurturing the growth of helpful bacteria and fungi that help plants in a symbiotic (i.e., mutually beneficial) way, which will not only improve the health of the plants, but also increase their resistance to disease.

Most plants, for example, have a symbiotic relationship with micorrhizal fungi, which live beneath the soil’s surface. The host plant provides the fungi with nutrients, while the fungi, in turn, aerate the soil and help protect roots from water loss, all of which promote the host’s uptake of micro-nutrients. One naturally-occurring, complex process vital to most plants’ survival is nitrogen fixation. Although nitrogen is a primary...
nutrient for all green plants, it must be modified before it can be readily utilized. Nitrogen fixation is carried out by nitrogen-fixing bacteria, which are present in soils, and convert the nutrient to ammonia in a form the plant can use.

In poor quality soils, however, these biological mechanisms are undermined, resulting in sparser, less robust plants, a problem that is prevalent in Ibijbijen’s home country, Morocco. This, in combination with over a decade of drought has necessitated the import of nearly one half of the country’s foodstuffs, placing a large burden on the economy. However, if the nitrogen fixation and other biological processes could be enhanced in Morocco’s native plants, farmers would enjoy higher crop yields, thereby increasing food security, and the country would be less reliant on imported products.

Techniques through collaboration

Therefore, Ibijbijen’s research collaboration with fellow scientists at CNPAB/EMBRAPA has helped him master the microbiological and biochemical techniques that lie at the heart of plant mycorrhization and nitrogen fixing processes. The first skill was learning to calculate the amount of mycorrhizal fungi in a plant using chitin analysis and using this data to determine what would be an ideal number of fungi for the plant to achieve optimal growth. Then, practical strategies are devised to improve and strengthen the relationship between the plants and the fungus.

This technique has been successful in Brazil for helping to improve nitrogen fixation among important plants such as maize, wheat, soybeans and sugar cane.

Ibijbijen has, so far, been able to apply chitin analysis to plant species found in abundance in Morocco, such as common beans and other legumes, native shrubs and trees such as the acacia and eucalyptus. Long term goals of the research are to perfect a way to ‘infect’ plants with extra fungi and bacteria to produce viable, heartier species.

Once he brings his newly-found knowledge home, Ibijbijen anticipates publishing his findings in professional journals, which will also benefit other countries interested in pursuing similar research.

**Fund’s first loan to Cuba will help upgrade Havana sanitation system**

The OPEC Fund has joined forces with the government of Cuba to implement an extensive water supply and sanitation project in the capital Havana. A $10 million Fund loan, the first to the Caribbean republic, will help finance the rehabilitation of the city’s waste water treatment and disposal system, expanding coverage to 70 per cent of the 2.2 million-strong population.

The project is an integral part of an ongoing investment programme that aims to improve the quality and reach of water supply and sanitation services across the country. Nationwide, success to date has been substantial, with all but a fraction of Cubans receiving piped, clean water. On the sanitation front, however, the picture is not quite so impressive. Although over 90 per cent of the population enjoy access to waste water disposal services, not all are connected to a proper sewerage system. In fact, more than half make do with inadequate septic tanks and latrines. Moreover, only one-third of waste water is treated.

**Water pollution a health risk**

Havana itself remains a special problem because of concerns over contamination of the city’s main water source, the 402 sq km Almendares-Vento watershed. Located directly beneath the Almendares River, the Vento aquifer provides Havana with around one-third of its potable water. Over the years, though, the improper disposal of industrial and residential waste has led to the river and its tributaries becoming polluted, resulting in serious health risks for the city’s inhabitants. One of the major goals of the proposed project is therefore to improve waste water management and protect this valuable water source.

**New waste water treatment plants**

The project will target three municipalities in Havana — Cotorro, Maria del Carmen and Puentes Grandes — carrying out extensive improvements to the sanitation infrastructure. Both Puentes Grandes and Cotorro will receive new waste water treatment plants, while the existing facility in Maria del Carmen will be upgraded to increase processing capacity. Additionally, distribution and adduction networks in all three project areas will be rehabilitated through the installation of around 260 km of new sewage pipes. These efforts, together with a considerable number of new house connections, will eventually afford an estimated 1.55m of Havana’s population access to a reliable and efficient sanitation service.

**Boost to tourism**

Once the new system is operational — hopefully by the end of 2006 — the proper disposal of waste water will reduce pollution of the Almendares River and alleviate the infiltration of contaminated water into the Vento aquifer. This will improve and protect the city’s drinking water quality and reduce the risk of water-borne disease. Better environmental conditions are also expected to help strengthen local economic activities, particularly tourism.
Grants approved

October 2002

OPEC Fund supports agricultural research project in West Africa

WEST AFRICA. $70,000.
The OPEC Fund has extended a grant to help finance an initiative sponsored by the International Trypanotolerance Centre (ITC) that aims to increase livestock production, boost incomes and enhance food security in selected villages in Gambia and Guinea. ITC, an autonomous, non-profit livestock research institute, was established in Gambia in 1982. Its mission is to boost livestock productivity in the West African region through the optimal and sustainable exploitation of the genetic resistance of indigenous breeds.

Loans signed

October 2002

The loan will support a scheme to rehabilitate the country’s irrigation network. Aims of the project are to reduce poverty in farming communities by improving the reliability and quality of irrigation water and thus raise food production. Under the project, 19.2 km of main and 168.4 km of secondary canals in Al Buhhiyah will be rehabilitated and modernized, and surface water sources will be supplemented with the construction of 28 wells. Other improvements will take place on a net area of 47,454 feddans (approximately 20,000 ha), where pumping stations will be installed at various intakes. Extension workers will receive on-farm water management training through the use of 18 demonstration plots, and will then pass this knowledge on to other farmers. An institutional strengthening component will also be included.

The supplementary loan retroactively financed repair works at the Hiriggi Thermal Power Plant situated around 10 km from the city of Massawa on the Red Sea coast. Construction of the plant originally began in 1997 with co-financing from the OPEC Fund. Shortly before the plant was fully commissioned, however, it was a casualty of conflict in the region and sustained extensive damage, hindering Eritrea’s goal of providing an inexpensive, steady supply of electricity to underserved communities. Therefore, at the request of the government of Eritrea, all concerned co-financiers, after a full review and assessment of the damage, agreed to contribute to the necessary repair work to prevent the project’s success from being jeopardized.

GUINEA. $5m. Telimele integrated rural development. Interest rate of 1.5 per cent per annum. Executing agency: Ministry of Agriculture and Livestock. Co-financiers: IsDB; Government of Guinea. Total cost: $16.54m.
The loan will support a rural development project in the prefecture of Telimele. To be implemented within the framework of a government initiative to reduce poverty in rural communities, this multi-faceted scheme will introduce a number of strategies aimed at increasing agricultural production and improving basic infrastructure. Under the project, agricultural production will be improved through the development of 675 ha of land, with the installation of an irrigation network and drainage system and construction of a small dam to store excess water. Inputs such as seeds, pesticides and fertilizers will be provided, and the region’s numerous small farmers assisted by the establishment of farmers’ associations and training programmes. Access to potable water supplies will be boosted through the drilling of boreholes and wells. Around 192 km
of feeder roads will be built to provide links to the main road network. Additionally, ten new primary schools in underserved villages will be constructed, and the availability of health care will be enhanced through the construction and equipping of two major health centres and ten health units.


The loan will help finance the rehabilitation of three critical road segments in the west of the island. This project falls within the framework of a government initiative to provide the population with reliable and durable roads, especially in rural areas. Under the current scheme, works will entail the rehabilitation of these three sections (totalling 22.1 km), where the existing surface will be removed and the road re-paved with a 50–80 mm asphalt layer. Drainage systems and culverts will also be installed, and road safety enhanced through the provision of signposts, road markings and safety rails.


The loan will help finance an initiative that aims to strengthen access to basic education, especially among girls and children with special needs. Some 200 multipurpose teaching units will be constructed in 200 primary schools, designed to take into account the requirements of children with special needs. Additionally, an extensive range of learning materials will be provided. Four of the country’s Special Needs Resource Centres will be fitted out with items such as Braille machines, ramps, rails and other appropriate furnishings. Additionally, 20 science laboratories in secondary schools will be constructed, and ten others refurbished, and all equipped accordingly. Around 250 primary, secondary and head teachers will receive training on the use of the new scientific material and equipment, placing a strong emphasis on security, safety and efficiency, as well as science-related teaching methodologies.


The loan will help to finance rehabilitation of an extensive irrigation system in the North Pyongbuk province. The project has a dual aim of increasing agricultural production, while at the same time conserving energy supplies. The Pyongbuk irrigation system is located in the country’s prime grain-producing area and consists of nearly 100 co-operative farms of around 500 ha each. Under the project, a new reservoir with a storage capacity of 275 million cubic metres of water will be formed through the construction of a 650 m long dam on the Samgyo River in Beama. Water will be drawn from the reservoir via a separate outlet tower that will be constructed 1,500 m upstream, thereby replacing the existing pump-driven system with one using more reliable, gravity-fed technology. Around 64 km of new canals will be built and connected to the existing canal system which will also be rehabilitated. A pilot project will be introduced on two farm collectives that have soil types representative to the area.


The loan will help to finance rehabilitation of the Otorongo-Cerro Pucara road, situated in the department of Chuquisaca in the south of the country. This project falls in line with a wider government initiative to improve transport infrastructure, particularly serving rural areas, and develop main roads that comprise the Andean network. Under the project, the stretch will be reconstructed, widened and re-aligned to improve travel and safety. Flood prevention measures will entail the construction/rehabilitation of drainage culverts and channels. After its completion, the newly upgraded road will enable numerous households to enjoy year-round, safer travel and better access to marketplaces and social services. An estimated 3,600 small farmers in the project area are also anticipated to benefit from the scheme.
**Secretary General’s diary**

The *GasTech 2002 Conference and Exhibition* was organized by Turret RAI plc and took place in Doha, Qatar, October 13–16, 2002 (see pp6–7 and pp11–12 of this issue).

The 8th *Session of the Conference of the Parties (COP8)* to the United Nations Framework Convention on Climate Change (UNFCCC) was held in New Delhi, India, October 28–November 8, 2002.

**Secretariat missions**

The 9th *Co-ordination Meeting on the Environment* was organized by the Organization of Arab Petroleum Exporting Countries (OAPEC) and held in Cairo, Egypt, October 5–6, 2002.

The 22nd *Annual North American Conference of the United States Association for Energy Economics/International Association for Energy Economics (USAEIEIAEE)* was held in Vancouver, Canada, October 6–8, 2002.

The Centre for Global Energy Studies’ 6th symposium on *A new role for Russian oil and gas* was held in Surrey, UK, October 8–9, 2002.

The annual *Oil & gas transportation in the CIS & Caspian conference* was organized by Energy Exchange Ltd and held in Vienna, Austria, October 8–9, 2002.

The *Frankfurt International Book Fair* was organized by the Frankfurt Book Fair Exhibition Management and took place in Frankfurt, Germany, October 9–14, 2002.

**Forthcoming OPEC meetings**

The 4th *Special Meeting of the Economic Commission Board (ECB)* will be held at the OPEC Secretariat in Vienna, Austria, February 5, 2003.

The 108th *Meeting of the Board of Governors* will be held at the OPEC Secretariat in Vienna, Austria, February 18, 2003.

The 3rd *Joint Meeting of OPEC/non-OPEC Experts* will be held in Bergen, Norway, February 28, 2003.

The 99th *Meeting of the ECB* will be held at the OPEC Secretariat in Vienna, Austria, March 3, 2003.

The 42nd *Meeting of the MMSC* will be held at the OPEC Secretariat in Vienna, Austria, March 10, 2003.

The 124th (Ordinary) *Meeting of the OPEC Conference* will be held in Vienna, Austria, March 11, 2003.

The 4th (Annual) *Multi-Disciplinary Training Course for Member Countries’ Trainees* will be held at the OPEC Secretariat in Vienna, Austria, April 7–11, 2003.
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