OPEC bulletin

12/07

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OPEC Summit round-up

UAE hosts 146th Conference

OPEC's commitment

As 2007 draws to a close, what can we, as an industry, take forward for 2008? It is not a question with any given answer, and it is likely to elicit an array of responses from a variety of stakeholders. Yet, what is core to all of us is to look beyond the near term. Despite all uncertainties, it remains clear that we all stand to benefit from a stable, sustainable and environmentally conscious energy future.

It is something on which OPEC places great credence. This is why the Third Summit of OPEC Heads of State and Government held last month emphasized the triumvirate of providing petroleum, promoting prosperity and protecting the environment. Moreover, the Riyadh Declaration agreed that the principles to guide the Organization and its Member Countries' economic, energy and environmental endeavours into the future are: the stability of global energy markets; energy for sustainable development; and, energy and the environment.

From its inception, stability has always been a central tenet of OPEC's market outlook. Today, globalization and increasing economic interdependence make this even more of a necessity. It is fundamental in not only securing the efficient, economic and regular supply of petroleum to consumers, but also as a means to provide for a steady and reasonable income to the petroleum resource-owning producers and a fair return on capital to those investing in the industry. ***OPEC is committed to the stability of global energy markets.***

OPEC and its Member Countries are steadfast in their determination to help advance sustainable development and eradicate poverty, by way of providing the needed supplies of petroleum, supporting global initiatives such as the United Nations Millennium Development Goals and the Johannesburg Plan of Implementation, as well as through the OPEC Fund for International Development and its Member Countries' bilateral, regional and multilateral aid agencies. It is critical that the world community continues to make sure access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy services is available for all. ***OPEC is committed to energy for sustainable development.***

The use of energy poses various local and global environmental challenges. While it is recognized that developed countries should take the lead, in line with the principle of common but differentiated responsibilities, OPEC's Member Countries will continue to respond to environmental challenges before them, as well as further develop collaboration in the petroleum field among science and technology institutions. In this regard, a number of OPEC Members at the Riyadh Summit pledged $750 million to help fund research and development in this area. There will also be continued support for international efforts, such as through the UN Framework Convention on Climate Change, to address these issues in the most comprehensible, equitable and effective manner. ***OPEC is committed to energy and the protection of the environment.***

To the world at large, the interrelationships among economic growth, social progress and the protection of the environment will be fundamental in the years ahead. It means that as an industry providing such essential goods and services, we must be inclusive and continue to develop and explore existing and new avenues of cooperation with innovative thinking, proactive stance, timely adaptation and swift action on these issues.

For OPEC, these commitments are both short- and long-term. They will be part of any decision-making process at December's OPEC Conference in Abu Dhabi, as well as the years ahead. The Organization recognizes its leading role in meeting growing global energy needs and will do all it can to make sure that these principles benefit both this and future generations.

Season's greetings and a happy new year to all our readers! We will see you in 2008.

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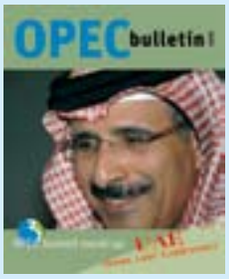

Cover
Mohamed Bin Dhaen Al Hamli, OPEC Conference President and Energy Minister of the United Arab Emirates, which is hosting the 146th (Extraordinary) Meeting of the OPEC Conference in Abu Dhabi, on December 5.
Photo: OPEC

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

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Contributions
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United Arab Emirates:

On December 5, 2007, the United Arab Emirates (UAE) will host oil and energy ministers of the 12 OPEC Member nations. Expected to be in attendance also, is the Energy and Mines Minister of Ecuador, which will be resuming the membership it suspended on December 31, 1992, as well as oil ministers of non-OPEC countries and industry analysts.

By Angela Ulunma Agoawike

a nation in transformation

The event will be the 146th (Extraordinary) Meeting of the OPEC Conference and it will take place in the UAE capital city of Abu Dhabi. It will be the fourth time the UAE will be playing host to OPEC Ministers. The last time it held an OPEC Conference was in 1981. Prior to that, it hosted the Conference in 1971 and 1978.

When delegates, analysts and journalists arrive in the UAE for the December 5 Meeting, they will be confronting a nation that has changed significantly over the years. This change has been the embodiment of vision, willpower, and commitment to a cause that has succeeded in transforming the once individual Sheikhdoms situated along the southern coast of the Gulf and the north-western coast of the Gulf of Oman to what is today a thriving, modern and forward-looking nation.

While the Sheikhdoms of Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al-Khaimah, Sharjah and Umm Al-Qaiwain had prospered according to their individual resources, the journey to the UAE's amazing transformation began earnestly in 1972, when the seven Sheikhdoms came together in a federation now called the United Arab Emirates.

The UAE today prides itself as the inheritor of a diverse history and culture that have evolved over a hundred thousand years. In the process, it has managed to preserve the old, while embracing the new — allowing both to strengthen and complement each other.

No wonder visitors to the country have used various words ranging from "awe-inspiring" to the "world's fastest growing tourist destination" to describe it. Whichever word one chooses, certain

Two examples of the diverse architecture one can see in Dubai today.

AP Photo

The current President of the UAE, HH Sheikh Khalifa Bin Zayed Al-Nahyan.

Left: An aerial view of the port and downtown area of the UAE capital, Abu Dhabi.

Below: A general view of the sky-rise buildings in Abu Dhabi.

Reuters

Reuters

The UAE's first President, Sheikh Zayed Bin Sultan Al-Nahyan, who passed away in November 2004.

The imposing Burj Al Arab luxury hotel in Dubai.

Reuters

A tasty treat ... a plantation worker checks on the condition of dates growing on palm trees in the Emirate of Ras Al-Khaimah.

features stand the country out. Its sand dunes, oases, rocky mountains, fertile plains, shopping centres, top-class hotels and restaurants, coupled with its intriguing tradition and culture, all combine to give the country its seductive aura.

The UAE before 1971

From history, the place that is today known as the United Arab Emirates had a lot of interaction with the world outside the region. In this interaction, trade was the main driver and the port of Omana, which it is believed, may have been the present day Umm Al-Qaiwain was an important trading port in the first century AD, providing an alternative route to the Red Sea and replacing the caravan trade between Syria and parts of Iraq and India. There were also trade relations with China and by 630, the UAE came under the influence of Islam.

Reuters

Wildlife care. More than 95 Arabian oryxes have been released into the desert of the UAE, in an attempt to reintroduce the creature to its natural habitat after 40 years of extinction in the Gulf country.

A view of Dubai city during sunset.

Reuters

Right: A young chess player from Sharjah Emirate, competing in the Asian Youth Chess Championship held in Al Ain, Abu Dhabi Emirate, earlier this year.

Below: Team colours — a UAE soccer fan cheering on his team during a match with Oman in Abu Dhabi in January this year.

Reuters

Pearling, which thrived among the people of the Arabian Gulf, was also an important occupation which stood the town of Abu Dhabi out as a pearling centre under the political leadership of the Sheikh of the Al Bu Falah (Al-Nahyan family), who was also leader of the Bani Yas groups. That was in the early 1790s when they moved from Liwa, just as the members of the Al Bu Falasah, a branch of the Bani Yas, settled by the Creek in Dubai and established the Maktoum rule in Dubai Emirate.

In the early 20th century, pearling was dealt a huge blow by two major events — World War I and the subsequent economic depression. However, by the early 1960s, this gloomy picture lifted with the discovery of crude oil and its subsequent export from Abu Dhabi in 1962.

With the discovery, the transformation of the region began with an amazing speed and dedication. With the new-found wealth, Sheikh Zayed Bin Sultan Al-Nahyan, the ruler of Abu Dhabi since 1969, embarked on the

Reuters

Reuters

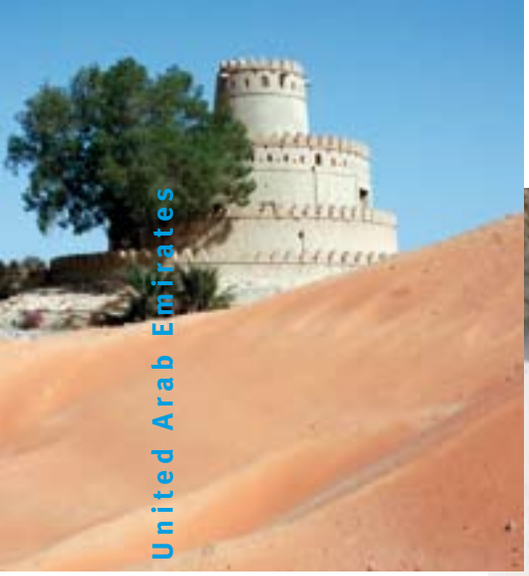
Giant cranes dwarf Jebel Ali port in Dubai and, right, hundreds of containers waiting to be loaded onto vessels.

Reuters

Above: Construction work being carried out on the Sheikh Zayed Bin Sultan Al-Nahyan mosque, in Abu Dhabi.

Below: This computer-generated image shows the master plan of Dubai World Central complexes. This will include the Al-Maktoum International Airport, in Jebel Ali, which is set to be the world's largest.

Reuters



An old fort in Al Ain.

Reuters

A model displays an outfit by UAE designer Rabia Z during the Dubai International Fashion Week in October.

Riding the dunes in four-wheeled vehicles — a great pastime in the UAE.

An old Arabic doorway at an abandoned village in Ras Al-Khaimah.

Peculiar vegetation growing in the sands of the UAE.

Reuters

A trainer holds a falcon in Al Ain zoo, which is home to numerous species, both common and rare. The zoo runs a breeding programme for endangered animals.

Another old fort, here seen in Hatta, Dubai.

An old dhow sailing vessel, common in UAE waters.

The Al-Bidyah mosque in Fujairah is believed to be 580 years old.

Hunting and depletion of food sources have made the Arabian leopard one of the rarest animals in the world. In January 2000, two female Arabian leopard cubs were born at the Breeding Centre for Endangered Arabian Wildlife in Sharjah.

The ship of the desert — Arabian camels are still seen as the workhorse of the Gulf region.

construction of schools, houses, hospitals and roads. The same transformation was apparent in the Emirate of Dubai in 1969, instigated by Sheikh Rashid Bin Saeed Al-Maktoum, following the export of oil from the region. Sheikh Al-Maktoum had ruled Dubai since 1939.

When the British finally withdrew from the Gulf in 1971, the Emirates decided to come together to establish the Federation of the United Arab Emirates, with its capital at Abu Dhabi, on December 2 of that year. A Federal Supreme Council made up of the rulers of the seven Emirates and which is also the highest constitutional authority of the UAE, elected as President, the ruler of Abu Dhabi, Sheikh Zayed. Sheikh Zayed brought his vision to bear on the UAE and is credited with transforming the country into the formidable and modern country it is today. He died in 2004, after an eventful 33 years as leader of the UAE.

Economic success

Sheikh Zayed was succeeded as Ruler of Abu Dhabi by his son, Sheikh Khalifa Bin Zayed Al-Nahyan, who was also elected by the Federal Supreme Council as President of the UAE on November 3, 2004. To date, Sheikh Khalifa has continued to lead with the vision and openness of his late father, ensuring that both the Emirate of Abu Dhabi and the UAE, continue to thrive along the path of development envisioned by his father.

Today, all the Emirates have recorded varying degrees of economic success. While Abu Dhabi, which ranks as one of the most developed cities in the world, is the political capital of the UAE, Dubai is no doubt the commercial capital. In the same vein, the Emirate of Sharjah is seen as the cultural capital of the Gulf nation, confirmed by its 1998 designation as Cultural Capital of the Arab World by the United Nations Educational Scientific and Cultural Organization (UNESCO).

The other Emirates have some distinguishing features too. The coastal Emirate of Ajman, for instance, boasts of the port of Ajman and Masfout, an agricultural area and, therefore, a major supplier of food, while Umm Al-Qaiwain has a long tradition of mainly fishing and date cultivation. Agricultural activities also thrive in this Emirate, which is home to a natural reserve for a large species of birds, deer and Al Qaram trees. And situated in the northernmost part of the country, Ras Al-Khaimah is distinguished by its history, which stretches back into 'antiquity'. The Emirate is noted for its fishing, trading and agricultural activities, the latter having been heavily modernized to

A splendid view of Jumeirah Beach Residence in Dubai, with Palm Island Jumeirah in the background.

meet the demands of the UAE's economy. Fruits, vegetables, milk and poultry are also supplied to the other Emirates from here. With its clean beaches, water sports, like swimming, yachting, surfing and deep sea fishing, Ras Al-Khaimah attracts tourists to the Emirate all year round. For Fujairah, it is home to the world's largest livestock shipping companies, which use the Emirate as a base for their operations of transporting sheep and cattle throughout the Arabian peninsular.

And so, while the UAE is a country rich in oil, it has diversified its economic activities and attracted direct foreign investments, making the country less dependent

Another stunning view of Palm Island Jumeirah. Many residential homes have already been completed.

Falconry is still one of the most popular pastimes in the UAE.

Above: A rare sight indeed — snowfall on the hills in Ras Al-Khaimah, December 2004.

Left: An Emirates photographer takes a picture of a billboard showing the $3.3 billion Umm Al-Qaiwain Marina development, north of Dubai.

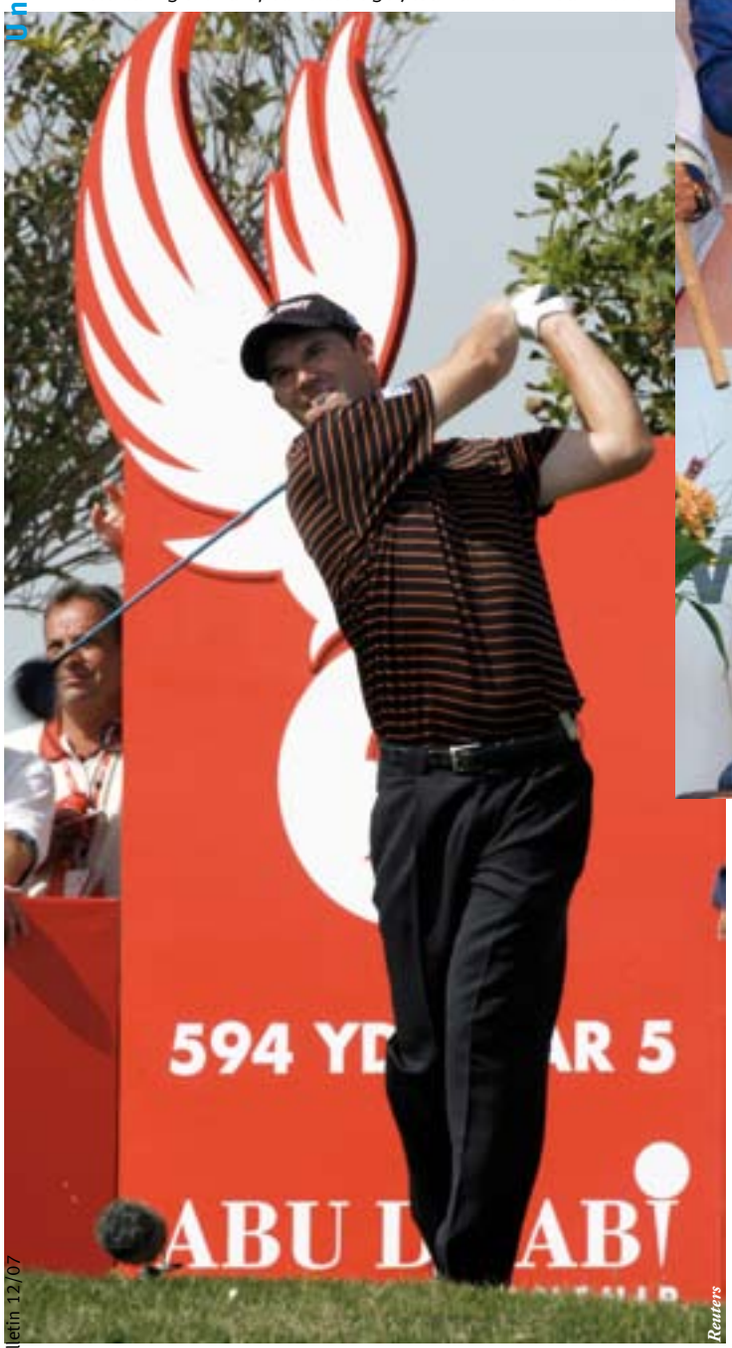
Al Majarra souq, or marketplace, in Sharjah.

on petroleum and natural gas. This diversification has been most visible in the frenzied construction projects, valued at more than $350 billion going on in some of the Emirates. These include the prospective tallest building in the world, the Burj Dubai, the Dubai Mall, which has the prospect of becoming the world's largest shopping mall, the world's largest artificial islands, the Palm Malls, the Dubai World Central International Airport, which is aiming to be the most expensive airport ever built, and another project simply called *The World,* a man-made archipelago. All these schemes have made the region a major attraction for real estate developers and tourists.

... the people and culture

Called Emiratis, citizens of the UAE, like their leaders, are a forward-looking people. They are also amazingly

Below: The UAE is growing in importance for world sporting events. Here, Padraig Harrington of Ireland tees off on the second hole during the European classic golf tournament in Abu Dhabi.



Reuters

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Above: Arif Saif Al Zafeen (l) of the UAE, and his team-mate, Jean Marc Sanchez, celebrate winning a world powerboat championship race with their boat 'Victory 77' (pictured right) in September 2007.

accommodating, which explains why there are more people from other ethnic nationalities and countries living in the UAE than Emiratis themselves, who constitute just about 21 per cent of the country's 4.76 million population. Education, health and social services are of a very high standard. The official language in the UAE is Arabic, although English is very widely spoken. And while Islam

is the national religion, as a country enjoying high multicultural diversity, adherents of other religions also freely practice their faith.

Notwithstanding, the UAE is a country deeply rooted in the Islamic culture and closely linked to its Arab neighbours. The Abu Dhabi Cultural Foundation has the responsibility of ensuring the preservation of the country's cultural heritage.

The UAE is ranked 41 in the UN Human Development Index. With a literacy rate that is put at nine per cent, maternal mortality at 0.01 for every 1,000 births, an under-five mortality rate of eight per 1,000, and a GDP per capita of about 75 per cent, the country is indeed a nation with a very high standard of living and one of the most developed countries in the world.

... falconry

In the not-too-prosperous UAE of the past, falconry was a way of supplementing the food needs of the country's desert dwellers. But not any more. Falconry has become a pastime, and one well loved by the late Ruler of Abu Dhabi and Founding President of the UAE, Sheikh Zayed.

While this art of hunting has become more popular, the hunting birds have not changed and still remain the Saker and Peregrine falcons.

And even though the sport is still popular, the hunting birds have become endangered species.

Equally as important to the UAE is the date palm, which serves the people in a variety of ways. It used to be a source of food and nourishment to itinerant *Bedu* families who moved around looking for fertile grass for their livestock. They also used it for their clothing and housing needs. But unlike falconry, which has become a pastime, the date palm has remained a major produce of the country.


Reuters

A smiling student in traditional dress, seen at Zayed University in Abu Dhabi.

... dressing in the UAE

Though most of the Emirates have cosmopolitan cities, there is still a huge conservative element in the people's way of dressing, a conservatism influenced by the Islamic religion. And just like visiting someone at home, it is important that anyone going to the UAE takes into consideration the sensibility of the people when packing a suitcase.

It is always necessary to dress appropriately for whatever event one is attending in the country. Business suits and generally western style dressing are in vogue. However, it is important to ensure that beach wear is only worn on the beaches and that parts of the body are not unnecessarily exposed.

Traditionally, however, Emiratis dress like any other Arab citizen in long flowing gowns, which are more practical in the heat of the region.

Emirati women wear the *sheilah*, a head covering, as well as the *burga*, originally worn to protect the mouth against the desert sand. It has, however, evolved to become a traditional way of dressing, common mostly among women of the older generation.

Abaya, a black long piece of cloth worn over regular clothes, is equally worn by women in the UAE, as in other Arab nations, when going out shopping and making visits.

Working together — the key to ensuring stable oil markets


Reuters

The year 2007 has been an extremely busy 12 months for OPEC, and not more so than for the United Arab Emirates (UAE), which held the Presidency of the Organization. As the year draws to a close, we asked the Conference President and UAE Energy Minister, ***Mohamed Bin Dhaen Al Hamli*** *(pictured), what it meant to his country to host its fourth OPEC Ministerial Meeting and also for his impressions of the challenges facing OPEC. In the following question and answer session, he told the Bulletin how he thought OPEC was on the right path in working towards oil market stability. But he stressed that this could only be secured through continued dialogue and by producers and consumers working together.*

The Emirates Palace hotel in Abu Dhabi will be the venue of the 146th (Extraordinary) Meeting of the OPEC Conference.

Question: How do you feel hosting the Conference almost 30 years after the UAE last hosted it and how prepared is Abu Dhabi for the event?

Answer: The last time an OPEC meeting was held in Abu Dhabi was in December 1981 and it is an honour and a privilege to welcome Ministers and Delegates from OPEC Member Countries after such a long time. The UAE team has worked hard with the OPEC Secretariat to organize the event and I am confident that their efforts will result in a well organized conference.

As you approach the end of your term as OPEC Conference President, can you tell us what have been the most challenging experiences of your Presidency?

Well, quite apart from having to travel so extensively throughout the world, the most challenging experience has been the need to maintain the momentum in the producer-consumer dialogue. As you know, the last few years have seen a marked increase in the level of engagement between oil consuming and producing nations, both under the auspices of the OPEC Secretariat and the International Energy Forum. For me personally, it has been very satisfying to see that there is considerably greater mutual understanding between the two sides. Both producers and consumers understand that we need to work together to ensure stable oil markets. Continued global economic growth is the aim of both producers and consumers.

As someone who has been your country's Governor and Head of Delegation to the OPEC

"Overall, I see a more positive spirit in the Organization."

Oil, which was discovered in Abu Dhabi in 1962, has enabled the country to undergo its remarkable transformation.

Conference and now OPEC Conference President, can you tell us what has changed in OPEC in the last 13 years since you first came on board and what has remained the same?

Overall, I see a more positive spirit in the Organization. We all understand that we need to work together in a responsible manner to ensure balanced economic development in our own countries and in those outside the Organization. Overall, I feel we are more aware of our role in promoting global sustainable development and the need to develop our hydrocarbons resources in a way that limits damage to the environment. On a more technical level, the big change I have noticed in the Secretariat is its move towards being a global leader in energy research. Its research output now matches those of other acknowledged organizations.

Al Hamli (l) conferring with Ali Obaid Al Yabhouni, Governor for OPEC and National Representative of the UAE, at the 145th OPEC Conference in Vienna in September 2007.

What are your visions for the Organization as you prepare to step down as the Conference President?

I am confident that the Organization is on the right path. I see OPEC continuing to work towards ensuring oil market stability, while proactively, engaging consuming countries in continuing dialogue. For the Secretariat, I see it becoming a leaner Organization focusing on the production of high-quality energy research, while providing technical support to international meetings.

Speaking specifically about the UAE, it is a country known for its oil. But in more recent times, it has gained a reputation as a fast diversifying economy. The service sector is growing at an amazing pace. So is real estate development, and trade. How did this come about?

In the UAE, our leaders have recognized the need to diversify our economy and to use our hydrocarbons wealth in a way that would contribute to the long-term sustainable growth of our economy. Implementation of that policy had the effect, *inter alia* of developing the industrial, real state and tourist sectors of the economy. Education has advanced significantly and many universities, technical colleges and other specialized institutions of higher learning exist today. Infrastructure in the UAE rivals the best in the developed world. These steps and actions brought about the fast developing diversification which you have seen.

How do you see the contribution of oil to the economy of the UAE in the next two decades? Will it increase as a result of your capacity expansion programmes, or will it increase in absolute terms, while decreasing relative to other sectors' contributions?

Oil plays and will continue to play a significant role in the UAE economy for the foreseeable future. It is simply the backbone of the economy. However, both the private and public sectors are seriously engaged in developing our economy away from being oil dependent to a diversified sustainable economy. We will continue to use our oil revenues in a cautious and responsible manner to secure the long-term future and prosperity of our nation.

Providing petroleum ... promoting prosperity ... protecting the planet ...

Heads of State and government pledge firm commitment to the future

Oil market stability, economic development and environmental protection were the three central themes of the Third OPEC Summit, hosted by Saudi Arabia on November 17–18.

The landmark event, held in Riyadh, concluded with the signing of the Riyadh Declaration by the gathered Heads of State and Government of the 13 Member Countries.

These included Angola, which became OPEC's first new Member for more than three decades in January this year, and Ecuador, which is rejoining the Organization after an absence of 15 years (its Membership will be officially endorsed by the 146th (Extraordinary) Meeting of the OPEC Conference, due to be held in Abu Dhabi, the United Arab Emirates (UAE) on December 5).

HM King Abdullah Bin Abdulaziz Al-Saud of Saudi Arabia (l) with Venezuelan President, Hugo Chávez Frías.

By Keith Aylward-Marchant

The Summit, held at the magnificent King Abdulaziz International Centre for Conferences, a vast circular arena with breathtaking, harmonious pastel tones and shimmering crystal chandeliers, was preceded by the *Kingdom familiarization tours* for opinion leaders and journalists to sites of interest in the Eastern, Western and Central provinces, a two-day *Ministerial symposium* and a four-day *International oil exhibition,* symbolizing the theoretical and practical dimensions of OPEC's global outreach.

President Hugo Chávez Frías of Venezuela, which hosted the Second OPEC Summit in Caracas in 2000, delivered the opening address to the inaugural session, urging the Organization to be a more active geopolitical agent and not to lose sight of its revolutionary roots and fight against poverty in Latin America, Africa and Asia.

In the address, President Chávez, who thanked the Custodian of the Two Holy Mosques King Abdullah Bin Abdulaziz Al-Saud, heads of the delegations of OPEC Member States and their accompanying delegations, also

قمة أوبك الثالثة
Third OPEC Summit
Riyadh 2007 الرياض ١٤٢٨ هـ

Pictured from left to right: OPEC Secretary General, Abdalla Salem El-Badri; Angolan President, Dr José Eduardo dos Santos; the Emir of Qatar, HH Sheikh Hamad Bin Khalifa Al Thani; United Arab Emirates President, HH Sheikh Khalifa Bin Zayed Al-Nahyan; Iranian President, Mahmoud Ahmadinejad; Venezuelan President, Hugo Chávez Frías; The Custodian of the Two Holy Mosques, HM King Abdullah Bin Abdulaziz Al-Saud of Saudi Arabia; Iraqi President, Jalal Talabani; Indonesian Vice President, Jusuf Kalla, representing the President, Dr Susilo Bambang Yudhoyono; Chairman of the People's Committee, the National Oil Corporation of Libya, Dr Shokri Ghanem, representing the Leader of the Revolution, Colonel Moammer El Qaddafi; Nigerian President, Umaru Musa Yar'Adua, GCFR; the Emir of Kuwait, HH Sheikh Sabah Al-Ahmad Al-Sabah; Algerian President, Abdelaziz Bouteflika; Saudi Arabian Crown Prince Sultan Bin Abdul Aziz, Second Deputy Prime Minister and Minister of Defense and Aviation and Inspector General; Ecuadorean President, Rafael Correa.

"OPEC has always acted on the grounds of moderation and wisdom"

— King Abdullah of Saudi Arabia

conveyed the greetings of the Venezuelan people to all those represented at the Summit, particularly the Arab people who, he said, share with his country, "a cultural identity throughout years of struggle in search for a better world and peace."

He emphasized that the only road to peace is justice, pointing out that the Summit brings together culture, traditions, brotherhood, justice and peace.

The Venezuelan President not only refreshed the minds of the delegates on the historical journey of the Organization, which he traced back to 1960, but also pointed out that "OPEC is a conservative Organization and we suggest rational consumption of this certainly depleting resource. We must establish some mechanisms and promote development programmes with the poorest countries in the world."

Chávez then formally handed over the hosting of the Summit to King Abdullah.

After welcoming the visitors to the Kingdom, the Saudi Monarch said that since OPEC's establishment, it has set for itself two essential objectives — to protect the interests of its Member Countries, and to shield the world economy against sudden shocks from oil prices and supplies.

"Experience has proved that OPEC has maintained these two. Aware that prosperity of the world is one whole unit, OPEC has provided enough — at times at the expense of its immediate interests," he affirmed.

King Abdullah stressed that petroleum is energy for "construction and building" and should not be transferred into a means of "conflict and whims."

"We must establish mechanisms and promote development programmes with the poorest countries in the world"

— Hugo Chavez Frías, President of Venezuela

"Since its founding 47 years ago, OPEC has not wavered in the pursuit of its aims and objectives"

— Abdalla Salem El-Badri, OPEC Secretary General

Algerian President, Abdelaziz Bouteflika.

He said those who repeatedly claim OPEC is a monopoly and an exploitative Organization ignore the fact that it has always acted on the grounds of moderation and wisdom.

"The most evident proof here is that, taking into consideration the inflation rates of today, the current real price of oil has not reached its rate seen during the early 1980s."

Continuing, King Abdullah drew the attention of delegates to the role OPEC has played in bringing producers and consumers together through its various dialogues. It is for this reason he said, that the International Energy Forum (IEF), on which great hopes are attached, and which has its Secretariat in the Saudi Arabian capital, Riyadh, was established.

"Moreover, the Organization did not disavow its responsibilities towards developing countries and combating poverty. In this regard, it set up the OPEC Fund for International Development (OFID), whose contributions cover more than 120 countries."

Additionally, said King Abdullah, Member States of OPEC have extended, perhaps, the highest developmental assistance to beneficiary countries "if we take into consideration their national revenues."

Angolan President, Dr José Eduardo dos Santos.

Concerning climate change, the Saudi Monarch said talk nowadays of the negative impact of oil on the environment "fuses the truth with falsehood". And he professed that attempts at targeting oil with high taxes are more harmful to consumers than producers.

King Abdullah called for a scientific and objective study, devoid of political pressures, on the issue of petroleum and the environment. "Accordingly, I am pleased to announce that the government of the Kingdom of Saudi Arabia has allocated $300 million as a nucleus for a programme that funds scholarly research relating to energy, the environment, and climate change."

He said he hopes that consuming and producing countries will contribute to similar programmes, in order to reach accurate conclusions that ensure the safety of the environment and satisfy the escalating needs for petroleum.

Indonesian Vice President, Jusuf Kalla, representing the President, Dr Susilo Bambang Yudhoyono.

Ecuadorean President, Rafael Correa.

The Saudi initiative was immediately followed by contributions to the tune of $150 million each from Kuwait, Qatar and the United Arab Emirates.

Meanwhile, OPEC Secretary General, Abdalla Salem El-Badri, in highlighting the significance of the Summit during the closing address of the opening session, said OPEC has been a success story.

"Since its founding 47 years ago, it has not wavered in the pursuit of its aims and objectives, namely the protection of the interests of its Member Countries through the stabilization of the international oil market and the provision of adequate and reliable oil supplies to the world.

"These, we have continued to do, in a very professional manner, by studying the oil market day-by-day, month-by-month and year-by-year, and forecasting for the medium and long terms," he said.

Iraqi President, Jalal Talabani.

Iranian President, Mahmoud Ahmadinejad.

El-Badri said that two of the most important challenges facing the Organization in the future is providing adequate and reliable petroleum to the world's growing population, in order to support healthy world economic growth and social progress, and protecting the environment. The latter was something OPEC, as a group of oil-producing countries, is committed to contributing to by providing cleaner energy and developing cleaner technologies.

King Abdullah then formally honoured 12 past and present Secretaries General of OPEC, bringing them altogether on one platform for the first time. They com-

The Emir of Kuwait, HH Sheikh Sabah Al-Ahmad Al-Sabah.

Nigerian President, Umaru Musa Yar'Adua, GCFR.

Chairman of the People's Committee, the National Oil Corporation of Libya, Dr Shokri Ghanem, representing the Leader of the Revolution, Colonel Moammer El Qaddafi.

prised: Mohammad Saleh Joukhdar of Saudi Arabia (January 1, 1967–December 31, 1967); Francisco R Parra of Venezuela (January 1, 1968–December 31, 1968); Omar El-Badri of Libya (January 1, 1970–December 31, 1970); Abderrahman Khene of Algeria (January 1, 1973–December 31, 1974); Ali M Jaidah of Qatar (January 1, 1977–December 31, 1978); Rene G Ortiz of Ecuador (January 1, 1979–June 30, 1981); Dr Marc Saturnin

The Emir of Qatar, HH Sheikh Hamad Bin Khalifa Al Thani (r).

Above: United Arab Emirates President, HH Sheikh Khalifa Bin Zayed Al-Nahyan.

Above left: The Custodian of the Two Holy Mosques, HM King Abdullah Bin Abdulaziz Al-Saud of Saudi Arabia.

Venezuelan President, Hugo Chávez Frías.

Nan Nguema of Gabon (July 1, 1981–June 30, 1983); Dr Subroto of Indonesia (July 1, 1988–June 30, 1994); Dr Rilwanu Lukman of Nigeria (January 1, 1995–December 31, 2000); Dr Alí Rodríguez Araque of Venezuela (January 1, 2001–June 30, 2002); Alvaro Silva-Calderón of Venezuela (July 1, 2002–December 31, 2003); and Abdalla Salem El-Badri of Libya (current OPEC Secretary General, who assumed office on January 1, 2007).

He also honoured three distinguished researchers and three prominent journalists in the field of energy. The three industry researchers were Dr Daniel Yergin, Prof Robert Mabro and Dr John Mitchell, while the journalists comprised Walid Khadduri, Bhushan Bahree and Samira Kawar.

At the closing ceremony on the second day of the event, the OPEC Secretary General read out the Third Summit's Riyadh Declaration *(see full text on page 32)*, which said that the Heads of State and Government had agreed to a set of principles to guide the Organization's and Member Countries' economic, energy and environmental endeavours, within the following three themes:

- Stability of global energy markets
- Energy for sustainable development
- Energy and environment

King Abdullah with the honourees.

The Declaration also elaborated upon the Summit's three primary themes of:

- Providing petroleum
- Promoting prosperity
- Protecting the planet

These themes also provided the framework for the *Ministerial symposium,* which took place on November 15–16, in the King Faisal Hall at the Intercontinental Hotel in Riyadh. The high-level of participation covered the academia, research institutes, government, intergovernmental organizations (including the OPEC Secretariat), industry and the media.

The titles of the sessions were: oil and gas markets — current conditions and future prospects; energy and the environment — challenges and opportunities; energy for sustainable development; the role of OPEC in providing petroleum and promoting stability; OPEC and the global economy; and the future of oil in the global energy mix.

The presentations and discussions were of a very high level and played an important part in the build-up to the Summit itself.

The four-day *International oil exhibition,* on November 13–16, gave the chance for Member Countries, intergovernmental organizations (including the OPEC Secretariat), national and international oil and oil service companies to gain maximum exposure from the important audiences. It also enabled visitors to the Summit to receive comprehensive information on business opportunities in the petroleum industry.

There was an interesting variety of stands on show, including a large display from the OPEC Secretariat. The focus was on not only business, but also on culture and other pursuits of a more general nature.

The entire six days of the Summit were well-received by all who attended and participated, and much thanks was expressed to the Saudi Arabian authorities and everyone else who had helped organize it.

Riyadh Declaration

The Third Summit of Heads of State and Government of OPEC Member Countries

Riyadh, Kingdom of Saudi Arabia, November 17–18, 2007

Pictured at the press conference (from l–r): Ibrahim Al-Assaf, Saudi Arabia's Minister of Finance and National Economy; Ali I Naimi, Saudi Arabian Minister of Petroleum and Mineral Resources; Prince Saud Al-Faisal, Saudi Minister of Foreign Affairs; Abdalla Salem El-Badri, OPEC Secretary General; HRH Prince Abdulaziz Bin Salman Bin Abdulaziz, Saudi Arabia's Assistant Minister of Petroleum and Mineral Resources.

We, the Heads of State and Government of Member Countries of the Organization of the Petroleum Exporting Countries (OPEC), continuing in the spirit of our First and Second Summits, held in Algiers and Caracas in 1975 and 2000, respectively, have accepted the invitation extended by the Custodian of the Two Holy Mosques, King Abdullah Bin Abdulaziz Al-Saud, to meet for our Third Summit in Riyadh, the Kingdom of Saudi Arabia, from November 17–18, 2007.

Reaffirming the inalienable and permanent sovereign rights of our Countries over their natural resources;

Cognizant of our Countries' commitments to conserve, efficiently manage and prolong the exploitation of their exhaustible petroleum resources, in order to promote the sustainable development and the welfare of our future generations;

Recognizing our obligation to develop our Countries and raise the living standards of our peoples;

And emphasizing the role of our Organization and its contribution to global energy market stability and economic prosperity;

Have agreed to the following principles to guide our Organization and Member Countries' economic, energy and environmental endeavours, within the following three themes:

- Stability of global energy markets
- Energy for sustainable development
- Energy and environment

Stability of global energy markets

We recognize the importance of reliable, affordable and competitive energy supplies in ensuring global prosperity and the role of petroleum in world energy consumption. We also recognize the leading role of our Organization in meeting growing global energy needs, including those of developing economies, and our Organization's mission of securing the efficient, economic and regular supply of petroleum to consumers, with a steady and reasonable income to the petroleum resource-owning producers and a fair return on capital to those investing in the petroleum industry.

Globalization has expanded international trade and accelerated economic growth. It has also improved communications, interconnected financial markets, advanced technology and increased mobility. As a result, the world's energy trade has expanded and is projected to continue to be driven by global economic and energy demand growth. While globalization provides opportunities, it poses many challenges, such as income inequality, recurring market volatility and underlying uncertainties.

The central role that petroleum plays in the economies of our Countries, as well as the world, makes petroleum market stability essential, not only for resource conservation, but also to our economic and social development. Moreover, the role of energy, especially petroleum, in the economies of the consuming countries makes energy security essential for their sustained economic growth. While we endeavour to diversify our economies and improve the living standards of our peoples, we recognize that, with globalization, the economies of the world, as well as markets, including energy markets, are integrated and interdependent.

Our Organization is well-positioned to continue to meet a substantial share of the global petroleum need, and, while acknowledging the challenges of globalization and changing world energy market dynamics, we resolve to:

1. Reaffirm our commitment to the principles and objectives, as stated in the Organization's Statute, Algiers and Caracas Solemn Declarations of our Summits in 1975 and 2000, as well as the Long-Term Strategy of our Organization.
2. Continue providing adequate, timely, efficient, economic and reliable petroleum supplies to world markets.
3. Work with all parties to achieve balanced energy markets and stable and competitive petroleum prices.
4. Emphasize the importance of global peace in enhancing energy investment and market stability and predictability.
5. Undertake the necessary investments to increase upstream and downstream capacities in our Member

HRH Prince Abdulaziz Bin Salman Bin Abdulaziz, Saudi Arabia's Assistant Minister of Petroleum and Mineral Resources, and Chairman of the high-level officials on drafting the Riyadh Declaration.

Countries, and, at the same time, urge consuming nations to provide the environment conducive to petroleum investments in their countries.

6. Underscore the interrelationships between global security of petroleum supply and the security and predictability of demand.
7. Urge all parties to find ways and means to enhance the efficiency of financial petroleum markets with the aim of reducing short-term price volatility that is harmful to producers and consumers.
8. Promote efficiency and sustainability of the production and consumption of petroleum resources, while recognizing the roles of technology and innovation.
9. Continue the process of coordination and consultation with other petroleum-exporting countries, in the interests of all petroleum producers.
10. Strengthen and broaden the dialogue between energy producers and consumers through the International Energy Forum and other international and regional fora, for the benefit of all, and note successful dialogues between OPEC, the European Union, the People's Republic of China, the Russian Federation, the International Energy Agency and others.
11. Reiterate that measures or legislation undermining the spirit of producer-consumer cooperation would jeopardize market stability and energy security.
12. Encourage cooperation and exchanges in the fields of technology and human resource development, among petroleum industries in OPEC Member Countries and with other stakeholders, to promote efficiency, innovation, governance and international best practices.
13. Urge consuming governments to adopt transparent, non-discriminatory and predictable trade, fiscal, environmental and energy policies and promote free access to markets and financial resources.
14. Work with other governments, international organizations and the international business community to facilitate investment in, and the transfer of technology to, our Member Countries, in order to diversify our economies and achieve social progress and sustainable development.

Energy for sustainable development

We recognize that energy is essential for poverty eradication, sustainable development and the achievement of the Millennium Development Goals and the Johannesburg Plan of Implementation. The world community has agreed, through different international initiatives, that access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy services is crucial, particularly for developing countries. We associate our Countries with all global efforts aimed at bridging the development gap, making energy accessible to the world's poor, while protecting the environment.

Addressing the economic, social and environmental pillars of sustainable development requires a comprehensive approach to international trade, finance, energy and technology issues. Reaffirming the principle of sovereignty, it is important to continue working towards an early conclusion of the development-oriented Doha Round of trade negotiations, as well as mobilizing development assistance and foreign direct investment to developing countries. It is equally important, in this regard, to ensure that investment and trade policies are fair and structured to promote and facilitate technology transfer to developing countries on affordable and cost-effective terms, especially of environmentally-sound technologies.

The Member Countries of our Organization, while joining the international community in the efforts to achieve the Millennium Development Goals, take the interests of fellow developing countries into full account in our petroleum production and investment decisions, as well as our development assistance programmes and initiatives. It was during our First Summit in Algiers that the OPEC Fund for International Development (OFID) was established to provide development assistance to developing countries. Our Member Countries, acknowledging the strong interrelationships between energy and development and the potential for their enhancement to achieve sustainable development, resolve to:

1. Emphasize that eradicating poverty should be the first and overriding global priority guiding local, regional and international efforts.
2. Continue working with the international community towards the advancement of the interdependent and mutually supportive pillars of sustainable development, namely economic development, social progress and environmental protection.
3. Highlight the importance for the global community to achieve its development goals, including those contained in Agenda 21, the United Nations Millennium Development Goals, the Johannesburg Plan of Implementation, the Monterrey Consensus and the New Partnership for African Development (NEPAD) initiative.

4. Urge developed countries to facilitate access to modern technologies by developing countries that are reliable, affordable, economically viable, socially acceptable and environmentally sound.
5. Reaffirm OPEC's continued commitment to development assistance through OFID and its Member Countries' bilateral, regional and multilateral development assistance channels.
6. Continue to align the programmes of our aid institutions, including those of OFID, with the objective of achieving sustainable development and the eradication of energy poverty in the developing countries, and study ways and means of enhancing this endeavour, in association with the energy industry and other financial institutions.
7. Instruct our Petroleum/Energy and Finance Ministers to study ways and means of enhancing financial cooperation among OPEC Member Countries, including proposals by some of the Heads of State and Government in their statements to the Summit.

Energy and environment

The process of production and consumption of energy resources poses different local, regional and global environmental challenges. Human ingenuity and technological development have long played pivotal roles in addressing such challenges and providing the world with clean, affordable and competitive petroleum resources for global prosperity.

Producers of petroleum are called upon to continue their central role in providing the world with its present and future energy needs, while addressing, along with the international community, global environmental concerns associated with their use.

We share the international community's concern that climate change is a long-term challenge, and recognize the interrelationships between addressing such concerns on the one hand, and ensuring secure and stable petroleum supplies to support global economic growth and development, on the other. While addressing global environmental concerns, such as climate change, it is important to emphasize the roles of governments, as well as those of innovation, markets and technological development, in any local and global undertaking.

In the run-up to the 13th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) and the Third Meeting of the Parties to the Kyoto Protocol, in our Member Country, Indonesia — and beyond — we continue to collaborate with the international community in addressing the issues and challenges in a comprehensive, equitable and effective manner. Our Member Countries, acknowledging the interrelationships between energy production and consumption, environmental protection and preservation and economic growth and social development, resolve to:

1. Continue our Member Countries' response to global environmental challenges and support international efforts to address these issues in the most cost-effective manner.
2. Promote collaboration in research and development in the petroleum field among OPEC science and technology centres, as well as collaboration with other international centres and the industry, with the objective of increasing the petroleum resource base, producing it more efficiently and continue introducing cleaner fuels.
3. Acknowledge that forests play a crucial role in maintaining ecological balance, as sinks, sources and reservoirs of greenhouse gases. In this regard, we are committed to the promotion of the management, conservation and sustainable development of all types of forest. To this end, global cooperation is needed to intensify collective international efforts in this field.
4. Reaffirm the core principle of common but differentiated responsibilities and respective capabilities, in addressing climate change policies and measures, including the implementation of the United Nations Framework Convention on Climate Change and the Kyoto Protocol.
5. Ensure that all policies and measures developed to address climate change concerns are both balanced and comprehensive, taking into account their impact on developing countries, including countries heavily dependent on the production and export of fossil fuels.
6. Emphasize the importance of a comprehensive approach to climate change that addresses all contributing greenhouse gases, their sources, sectors and sinks, and benefits from the relevant Kyoto Protocol mechanism.
7. Stress the importance of cleaner and more efficient petroleum technologies for the protection of the local, regional and global environment, and the importance of expediting the development of technologies that address climate change, such as carbon capture and storage.


CHAIRMAN OF THE HIGH LEVEL OFFICIALS
OF DRAFTING RIYADH DECLARATION
OPEC


PEOPLE'S DEMOCRATIC
REPUBLIC OF ALGERIA


REPUBLIC OF ANGOLA


REPUBLIC OF ECUADOR


REPUBLIC OF INDONESIA


IRAN


REPUBLIC OF IRAQ

During the Summit, OPEC Ministers of Oil and Energy, Finance, and Foreign Affairs (pictured here) held a special meeting, at which they agreed on the formulation of the Riyadh Declaration.

قمة أوبك الثالثة
Third OPEC Summit
Riyadh 2007

The Third Ministerial Symposium

15 - 16
November 2007
Riyadh

November 17 - 18, 2007 Riyadh, Kingdom of Saudi

Providing Petroleum
Promoting Prosperity
Protecting the Planet


Mohammad Ali Hamdi
Speaker
Robert Emile Mabro
Panelist


Dr. Daniel Yergin


Dr. Salam Sultanem
Panelist
Prof. Mohammad Salaam Kotaka
Panelist


Alan John Reilly
Panelist

Symposium's guest speakers

Alan John Kelly, US National Petroleum Council Coordinating Subcommittee Chair.

JoAnne DiSano, former UN Director, Sustainable Development Adviser.

Dr Adnan Shihab-Eldin, former Acting for the OPEC Secretary General and former Director of OPEC's Research Division.

Ali Aissaoui, Chief Economist, Apicorp.

Pierre Terzian, Petrostrategies, France.

Prof Tatsuo Masuda, Tokyo Institute of Technology and former Vice President of the Japan National Oil Corporation.

Mohamed Hamel, Head of OPEC's Energy Studies Department.

In the media spotlight ...


قمة أوبك الثالثة
Third OPEC Summit

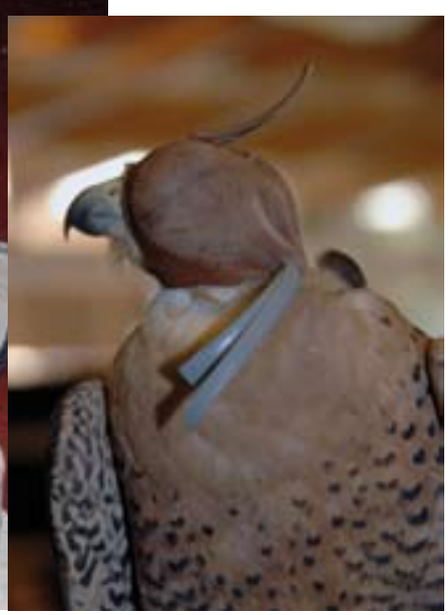

OPEC
OPEC


OPEC


PEC FUND FOR
ONAL DEVELOPMENT
OFID
OFID


A HISTORY IN TIME


Saudi Aramco



Ecuador rejoins OPEC

The year 2007 has indeed been a busy one for OPEC, as far as energy matters are concerned. But it has also been an eventful 12 months with regards to its Membership. At the end of 2006, the Organization consisted of 11 Members; by the end of this year it will boast 13 names. Angola joined OPEC on January 1, 2007, and at the 146th (Extraordinary) Meeting of the OPEC Conference, to be held in Abu Dhabi on December 5, Ecuador will once again take up its association with the Organization, after suspending its Membership 15 years ago. With the OPEC Bulletin covering Angola earlier this year, it is now the turn of Ecuador and its oil industry to enter the spotlight. James Griffin reports.

Full name:
Republic of Ecuador
Population:
13.4 million (UN, 2005)
Capital:
Quito
Area:
272,045 sq km
Major languages:
Spanish, indigenous languages
Main exports:
Petroleum, bananas, shrimp, coffee, cocoa, cut flowers, fish
GNI per capita:
$2,630 (World Bank, 2006)

An aerial view of the capital, Quito.

Ecuadorean President, Rafael Correa.

Ecuador first became an Associate Member of OPEC in June 1973. Full Membership followed in November the same year. The move came after the country's transformation in the 1960s, from a traditionally farming country, to one that saw rapid growth and progress in the economy, health, education and housing, following the discovery of oil. In its first 19-year tenure at the Organization, it was party to, amongst other things, the First Conference of Sovereigns and Heads of State of OPEC Member Countries in Algiers in 1975; the establishment of the OPEC Fund; a period of steep price rises between 1978–80 and the oil price collapse in 1986; as well as the Secretariat's move to its present headquarters in Vienna. And, on a more Ecuador-specific level, it held the position of OPEC Secretary General between January 1979 and June 1981, through Rene G Ortiz, while in 1974 and 1982, the country hosted the 40th and 64th Meetings of the OPEC Conference, respectively.

Ecuador's decision to suspend its Membership in 1992 came at a time, according to the Opening Address to the 92nd Meeting of the OPEC Conference by the then President of the Conference, Yousef Omeir Bin Yousef, when there were economic constraints facing the country. Bin Yousef added that "whilst we must, and shall, respect Ecuador's decision, whatever it may be, we naturally hope it will continue to be associated with OPEC in one form or another."

Fifteen years later, following an announcement at last

Ecuador's President struggles to open a fuel valve at the Manuelita Saenz tank ship during a ceremony in Esmeraldas.

month's Third OPEC Heads of State Summit in Riyadh, the country will once more be directly associated with OPEC as a Full Member of the Organization. With a few formalities still to be completed, the official stamp of approval will be made at the 146th (Extraordinary) Meeting of the OPEC Conference in Abu Dhabi, on December 5.

The move to rejoin OPEC has been on the agenda of Ecuadorean President, Rafael Correa, since his victory in last year's national elections. In fact, Correa said in a statement on the presidential website that it had been a "mistake" for the country to drop out of the Organization in the first place. This was supported by comments in Riyadh from the country's Energy and Mines Minister, Galo Chiriboga, who stressed that OPEC had been a good partner. He said: "As an oil-producing country, we are interested in being in OPEC again, fundamentally because it is a place where Ecuador can look for, and find, better technical cooperation, better information about oil markets and a better interchange of experiences with state oil companies." On the flip side, he added that Ecuador's re-entry, although it is a marginal producer, will strengthen OPEC.


Reuters

Ecuador's Energy and Mines Minister, Galo Chiriboga, during a news conference at the Third OPEC Summit of Heads of State in Riyadh, Saudi Arabia.

Ecuador's oil industry today

So, after 15 years away from OPEC, where does the country's oil industry stand today? Ecuador holds the third largest proven oil reserves in Latin America and is the fifth largest producer of oil on the continent. It currently produces

Pumping equipment at an oil well in the Ecuadorean Amazon.

Ecuador is a haven for many exotic animals and birds. Above can be seen the blue footed booby, and below the orange iguana, both of which can be found on the country's Galapagos Islands.

around 500,000 b/d, which would make it OPEC's smallest producer. Speaking to reporters in Riyadh, Chiriboga said he hopes the country will receive an OPEC production allocation of about 530,000 b/d as it expects to boost its current output capacity by 30,000 b/d over the next year or two from marginal field projects.

There is also much optimism for future increases in Ecuador's oil production volumes. The most likely area for development is the Ishpingo-Tapococha-Tiputini (ITT) block.

This was underlined by President Correa speaking at the Heads of State Summit. He stated that he would talk to Chinese firms about developing the ITT concession, during an upcoming visit to China. He added that "there is a consortium of Petrobras and Sinopec that is quite interested in the field." The ITT block, located in Ecuador's Amazon region, contains an estimated 900 million barrels of proven reserves, with potential recoverable reserves as high as 1.3 billion barrels.

Ecuador is also a significant oil exporter, mostly to the United States, which accounts for almost 50 per cent of the country's exports, with the remainder split between Latin America and Asia. Ecuador is the second-largest source of crude oil imports from Latin America, after Venezuela.

The country has two major oil pipeline systems. The first is the Sistema Oleducto Trans-Ecuatoriano (SOTE), built in the early 1970s. The 500 kilometre, 400,000 b/d SOTE runs from Lago Agrio to the Balao oil terminal on the Pacific coast. The second pipeline is the Oleducto de Crudos Pesados (OCP). The 380 km, 450,000 b/d OCP mostly parallels the route of the SOTE. The OCP began operations in September 2003, and its completion immediately doubled Ecuador's oil pipeline capacity. The completion of the OCP pipeline also led to a sharp increase in Ecuador's crude oil production.

On the downstream side, Ecuador has three oil refineries, with a combined capacity of 176,000 b/d. The largest refinery is Esmeraldas (110,000 b/d), located on the Pacific coast. However, Ecuador is a net importer of refined oil products and it is believed that a government priority is to increase domestic refining capacity by improving the efficiency of existing plants and building a fourth refinery.

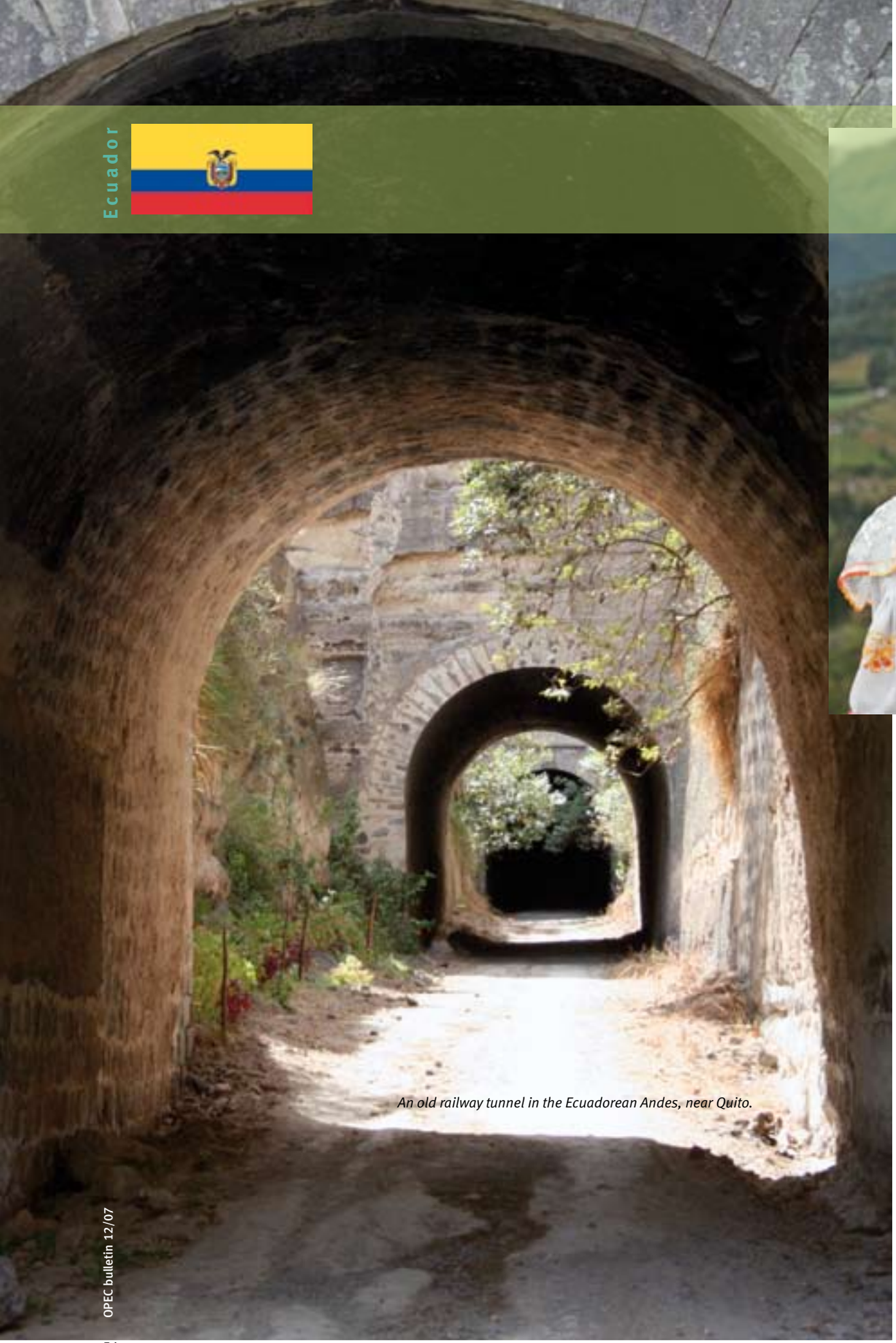
Smile please ... a Galapagos giant tortoise.

Oil companies operating in Ecuador

Petroecuador is the country's national oil company. It was founded in 1989, the successor to the Corporación Estatal Petrolera Ecuatoriana, which was formed in 1972. It operates the country's largest oil field, the Shushufindi field, which is located in the north-east corner of the country.

Alongside Petroecuador, there are a number of international oil companies operating in the country. The government is currently negotiating with many of these to put in place new contracts, which, according to Chiriboga, "is to guarantee legal security for the state, as well as the contracted companies within a negotiated framework that will benefit the oil firms, as well as the Ecuadorean state."

Below, a crude oil pumping station and, right, an oil well, both situated in the Ecuadorean Amazon.



An old railway tunnel in the Ecuadorean Andes, near Quito.

Above: An Ecuadorean girl in national dress leading a llama.

Ecuadorean man making music with a flute.

Earlier this year, Presidient Correa created a commission to audit oil contracts with a focus on investigating contractual compliance, including operational and environmental performance. An interdisciplinary team made up of technicians from state oil company Petroecuador's oil-contracting unit, lawyers from the ministry and the attorney general's office, the comptroller general and financial analysts will be created for the renegotiation. According to a September 2007 statement from the Energy and Mines Ministry, the renegotiated contracts will run on average five years.

However, Petroecuador continues to work with and sign new agreements with international oil firms. This includes a recent Memorandum of Understanding with Venezuela's national oil company, Petróleos de Venezuela SA (PDVSA), that covers the optimization of production at the country's Sacha mature oil field. PDVSA will introduce 'state-of-the-art' production technologies to expand output at Sacha and, as a result, output could double in 36 months from current rates of roughly 46,000 b/d.

Additionally, there has been an agreement with Indonesia's state oil firm, Pertamina, that covers several projects to boost oil production in Ecuador. This includes passing on information to Pertamina about projects to revive 101 oil wells in the Ecuadorean Amazon that are no longer producing. And with the Chinese National Petroleum Corporation (CNPC), Petroecuador recently signed a strategic alliance agreement to develop joint hydrocarbons activities. The five-year agreement covers exploration and production, transport, storage, industrialization, commercialization, oil services, environmental management, institutional strengthening and training.

OPEC in 2008

OPEC will be 13 Members as the Organization heads into 2008. Angola's joining and Ecuador's rejoining are both welcomed by the Organization. Yet whether OPEC is 11, 12 or 13 Members, the overall goals remain the same — to ensure the stabilization of oil markets in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital to those investing in the petroleum industry; and to develop and explore, existing and new avenues of cooperation, in the context of an increasingly interdependent world.

Unless otherwise credited, photographs courtesy Shutterstock.

Egypt hosts seventh informal meeting of high-level petroleum experts

OPEC gratified at continuing non-OPEC support of its policies

OPEC welcomes all the support its policy measures receive from other producers outside the Organization. That was the message ***Dr Hasan M Qabazard,*** *Director of the Research Division at the OPEC Secretariat in Vienna, had for delegates attending the seventh informal meeting of High-Level Experts from OPEC and Non-OPEC producing countries, held in Cairo, Egypt, in November.*

"... We all have a role to play in achieving and maintaining a stable oil market, with secure supply, reasonable prices and fair returns to investors."

Dr Qabazard, who headed the OPEC Secretariat's delegation to the talks, hosted by the government of Egypt, said: "... We all have a role to play in achieving and maintaining a stable oil market, with secure supply, reasonable prices and fair returns to investors."

He said he was pleased to see that, once again, the meeting was well-represented on both the OPEC and non-OPEC sides. This, he stressed, reflected the importance attached to "this process of dialogue, the scope of which increases every year, as it embraces more issues of concern to each of us."

Nine OPEC Member Countries were represented at the meeting — Algeria, Indonesia, Iran, Kuwait, Libya, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela — in addition to officials from eight oil producers outside the Organization — Sudan, Syria, Mexico, Norway, Oman, Yemen, Egypt and Ecuador, which is actually set to rejoin OPEC in December.

In his concluding remarks to the experts' meeting, Qabazard said their discussions had been very fruitful and stimulating.

The series of informal meetings, which had become

an established and worthy initiative, were covering substantive issues and providing insights into oil market developments and prospects for the future, as well as numerous related topics.

They reflected the importance attached by both sides to the continuing process of stimulating dialogue aimed at strengthening and enhancing bilateral ties and gaining a better understanding of the challenges facing producers.

In reviewing the oil market since the two sides last met 12 months ago in Mexico, it was observed that oil prices have continued to rise in market conditions of varying levels of volatility.

This has been in spite of OPEC's efforts to contain such a development. It was stressed that very high oil prices and volatility are in the longer-term interests of no responsible party in the industry.

Delegates heard that one effect of high prices in any commodity sector is to make alternatives more attractive to consumers, by making them more economic to develop and more competitive to produce.

This was said to have been the case in the oil sector in recent years and was something that affected all producing countries. While, on the one hand, it meant that some of the marginal areas of producers' oil fields could be brought onstream, on the other, it encouraged the development and exploitation of other energy sources, both in the hydrocarbons sector and beyond.

The meeting acknowledged that the international spotlight has been very much on biofuels this year with regulatory changes, fiscal incentives and various political statements favouring the use of such fuels.

In fact, biofuels was one of the special themes of the Cairo meeting and delegates were able to benefit from the insights of experts on recent biofuel policy measures being adopted in the industrialized world. This was covered during a full session devoted to the subject during the busy two-day programme.

Delegates discussed existing policies and targets, the utilization of current technologies, international trade, and the economics of biofuels production, as well as prospects for the future, including the environmental dimension and sustainability.

It was felt that sustainability would be one of the main issues affecting the future production of biofuels, with contesting views on the cultivation of agricultural acreage, safeguarding natural land and biodiversity, the food versus fuel argument, feedstock costs and the economics of the industry, as well as the extent of the carbon footprint associated with biofuels use.

The meeting heard that even though biofuels seemed set to grow in importance in the coming years, this growth could have implications for Latin American and Asian exporting countries.

Market well supplied

The other principal sessions of the Cairo meeting were oriented more towards regular oil market matters. These included short-term oil market developments and the longer-term outlook, covering, among other things, the fast-growing economies of China and India, as well as the situation in downstream activities.

The meeting also reviewed production and capacity-expansion plans in an environment of increasing uncertainty and, in a wrap-up discussion, looked at the impact of rising costs in the industry, as well as shortages in skilled personnel on operations upstream and downstream.

Addressing the current oil market situation, the meeting heard that what was being experienced today was not a true reflection of market fundamentals. The market remained well-supplied with crude and there had been no recent interruption in crude supplies. OECD commercial inventories were above five-year levels and persistent refinery bottlenecks and seasonal maintenance work, ongoing geopolitical problems in the Middle East and fluctuations in the US dollar, continued to play a role in pushing oil prices higher.

However, it was considered that the principal driving force remained market speculation, through the involvement of financial institutions and hedge funds, and it was felt there was a need for good regulation and a supporting policy framework that would benefit all market participants.

In response to the situation, OPEC's most recent efforts to keep the market well supplied — by deciding to raise output by 500,000 b/d from November 1 — had come on top of a series of market-stabilization measures the Organization had taken since the middle of 2004 to address the issue of volatility and the persistent upward pressure on prices.

"Not only have these measures involved increasing supply to the market in the near term ... they have also seen our Member Countries accelerating plans to raise crude oil capacity, to ensure that markets are adequately supplied at all times, with a comfortable cushion of spare capacity," commented Qabazard.

It was pointed out that many OPEC Member Countries are also investing in the downstream, both inside and outside their borders, to help address the bottlenecks that have been troubling the industry in recent years.

OPEC's commitment was to a stable and secure international oil market — a commitment that the meeting felt was being matched by other oil-producing countries.

A report presented to the meeting on the future outlook said that despite rising costs, a shortage of skilled labour and experienced professionals, as well as demand outlook uncertainties, the Organization's Member Countries were still continuing to invest in the upstream and downstream.

In the medium term, over 120 upstream projects were said to be in the development or planning stage with cumulative capital expenditure estimated at more than $150 billion up to 2012, when an extra five million barrels per day of crude capacity would be in place. By the same time, OPEC's capacity for producing natural gas liquids and gas-to-liquids would reach 6.6m b/d.

And it was pointed out that just as security of supply is important for the consumers, so is security of demand equally as important for the producers. Investments in idle output capacity were said to be a waste of precious financial resources.

However, it was clear that fossil fuels would supply the bulk of global energy demand in the foreseeable future, while oil would continue to be the leading source in the global energy mix.

Serious challenge

It was also stated that an increase in the use of fossil fuels could be made compatible with a carbon-constrained world, with more attention paid to energy efficiency, cleaner fossil fuel technologies and carbon capture and storage (CCS), a technically proven process that has a large economic mitigation potential.

It was felt that CCS costs need to be lowered, which could be accommodated through more research and development activities, while the development of legal and regulatory frameworks was also required. Policy incentives were also needed, while it was said that the industrialized countries should be urged to take the lead in setting up such projects.

Delegates considered that protection of the environment would pose a serious challenge to the industry in the future. At all times, OPEC's ongoing mission was to ensure that the oil market was adequately supplied.

Turning to the short-term outlook for oil, the meeting

heard that global economic growth had been healthy this year with only a moderate downward revision expected for 2008. However, downside risks had increased significantly across many regions.

According to OPEC's assessments, world oil demand is forecast to grow by 1.3m b/d in 2007, a figure that will be maintained into 2008, with non-OPEC supply estimated to expand by 0.81m b/d in 2007 and 1.08m b/d in 2008.

Baffled by high prices

Refinery capacity tightness is expected to continue to have an effect on prices, but it was stated at the meeting that this could ease in 2010, when supply is expected to increase, influenced in part by the biofuels market. OPEC is consequently closely monitoring supply and demand fundamentals to ensure a balanced market.

The meeting was told that although supply and demand fundamentals were contributing to the oil price gains seen today, the market was not "alarmingly" tight.

Crude oil stocks had fallen in several key areas, such as the United States and Europe, but were not at historically low levels. Prices were being affected by the increase in Middle East tensions, while, since the summer, a flood of investment monies had been underway from speculative investors, who were moving into the oil market.

It was interesting to note that physical market traders appeared somewhat baffled by the high prices, since unsold cargoes were still available in the market. However, a near-term crisis in supply meeting demand was not envisioned. Stocks were likely to draw down this quarter, but that was considered typical for the fourth quarter and, at the same time, OPEC was increasing its production.

Looking at 2008, the meeting heard that global economies were forecast to remain robust. However, a warning was issued that if prices stayed as high as they were today, demand would ultimately be affected next year. Already United States oil demand growth was tending to be weaker.

The meeting had the benefit of hearing some of the projections from the International Energy Agency's *World Energy Outlook for 2007*, which says that, under its reference scenario, oil prices are assumed to ease in the near term as spare capacity rises. However, geopolitical tensions could push prices back up.

Oil demand is forecast to increase the most rapidly in China, India and other developing countries, with China's oil imports expected to jump from 3.5m b/d in 2006 to 13m b/d in 2030, backed by a seven-fold increase in car ownership.

Oil will continue to dominate energy use for transport, with the contribution from biofuels remaining marginal.

The majority of vehicle stock growth in the years ahead will come from developing countries, even though in the high-growth countries of China and India ownership levels will still be comparatively low in 2030.

In addition, all the major car markets are slated to see a significant improvement in fuel efficiency in the next decade, most notably in the European Union and China.

Cumulative global oil investments will reach more than $5 trillion in the Agency's reference scenario. And the increasing concentration of production in OPEC and other major exporters will increase their market dominance.

In the years ahead, even though China will see the biggest jump in oil imports in absolute terms, North America will remain the largest importer.

Non-OPEC conventional oil production is forecast to plateau by around 2015, with OPEC providing the bulk of additional oil supply.

Of global oil supply prospects up to 2015, demand in the IEA's reference scenario is seen rising by 13.6m b/d. OPEC is likely to add 11.4m b/d, with non-OPEC producers 13.6m b/d by 2012.

A further 12.5m b/d of gross capacity would need to be added by 2015 with, in total, 37.5m b/d of gross capacity additions needed in 2006–15.

China's oil imports are forecast to grow four-fold between 2006 and 2030, while oil imports in India, already representing 70 per cent of domestic demand, could reach more than 90 per cent in 2030 on current policies.

However, under its alternative policy scenario, the IEA analyses the impact of government policies under consideration on supply and demand prospects for the future.

For example, new policies, including energy efficiency in production and use, increased reliance on non-fossil fuels and higher output of oil and gas in the net importing countries, could cut energy demand in China by 15 per cent in 2030 and by 17 per cent in India.

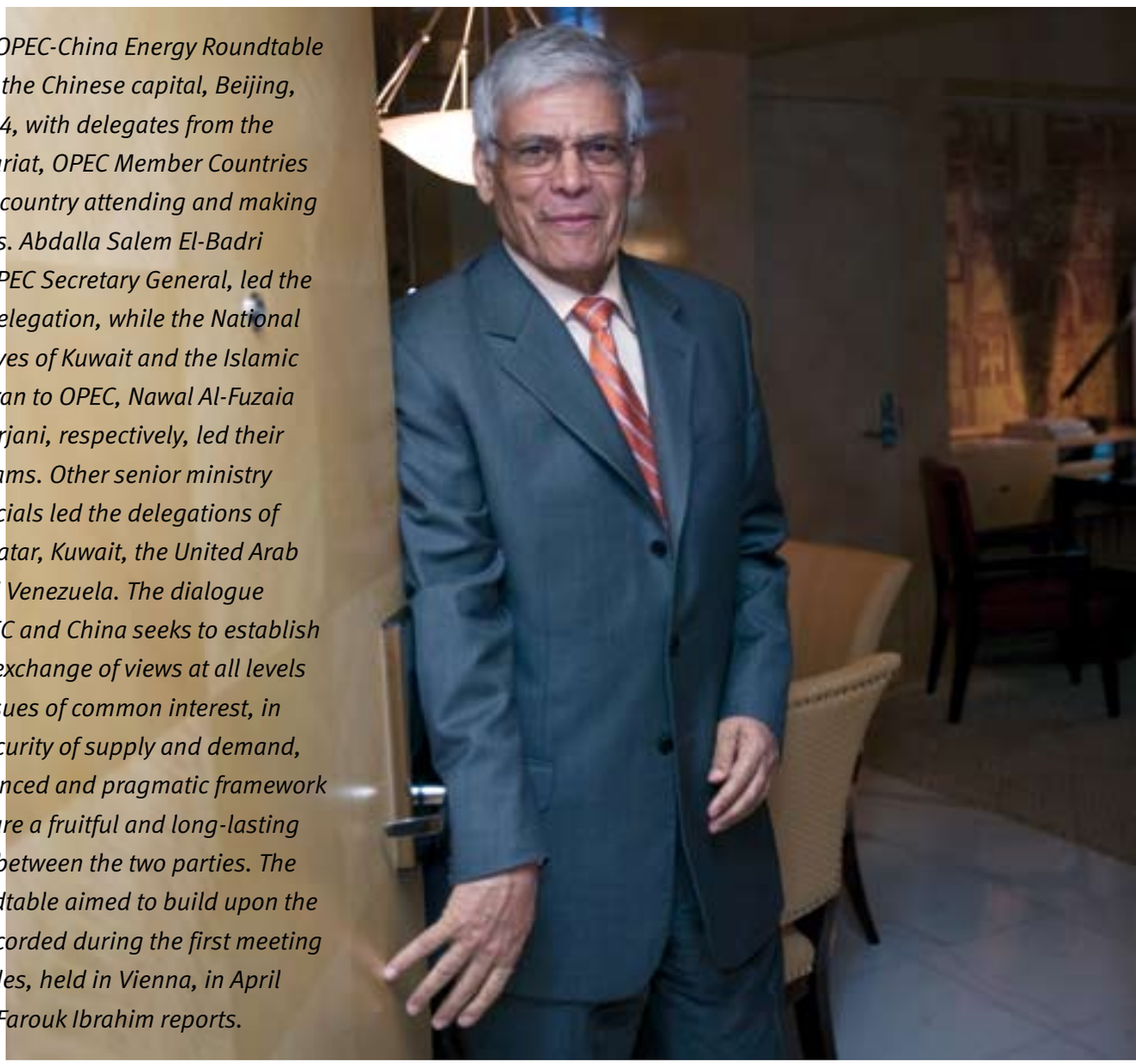
Most of the oil savings come from the transport sector, largely through efficiency gains and switching to biofuels.

The eighth round of OPEC/non-OPEC informal talks is scheduled to be held in Vienna, Austria, next year and in Esfahan, Iran in 2009.

OPEC China

strengthen strategic partnership

A high-level OPEC-China Energy Roundtable took place in the Chinese capital, Beijing, on October 24, with delegates from the OPEC Secretariat, OPEC Member Countries and the host country attending and making presentations. Abdalla Salem El-Badri (pictured), OPEC Secretary General, led the Secretariat delegation, while the National Representatives of Kuwait and the Islamic Republic of Iran to OPEC, Nawal Al-Fuzaia and Javad Yarjani, respectively, led their countries' teams. Other senior ministry and NOC officials led the delegations of Indonesia, Qatar, Kuwait, the United Arab Emirates and Venezuela. The dialogue between OPEC and China seeks to establish a continued exchange of views at all levels on energy issues of common interest, in particular security of supply and demand, within a balanced and pragmatic framework that will ensure a fruitful and long-lasting cooperation between the two parties. The Beijing roundtable aimed to build upon the successes recorded during the first meeting of the two sides, held in Vienna, in April 2006. Omar Farouk Ibrahim reports.



El-Badri assured the meeting that OPEC Member Countries will continue to support China's economy by providing the petroleum it requires.

The Chinese delegation comprised senior officials from various Departments of the National Development and Reform Commission (NDRC), as well as senior executives from Chinese oil companies. It was led by Zhao Xiaoping, Director General of the Energy Bureau of the NDRC.

Conducted under Chatham House Rules, the objective of the OPEC-China roundtable was to enhance cooperation on energy matters between the two parties with a view to creating a better understanding of energy issues and the oil market in particular. The latest talks provided the two parties an excellent opportunity to exchange information, data and analyses on various energy issues of interest. The agenda included a review of the outlook for energy and the oil market, the role of OPEC in oil market stability, general policies covering China's 11th Five-year Development Plan and their energy requirements, the outlook for the world economy with special focus on China; the world oil outlook and Chinese demand; cooperation between China and OPEC Member Countries in upstream and downstream developments; data issues; and the outlook for China's transportation over the near to medium term.

In his opening remarks, OPEC Secretary General, Abdalla Salem El-Badri, noted that at the conclusion of the *First Energy Roundtable,* held in Vienna in April last year, three areas were identified for further cooperation. These comprised promoting upstream and downstream synergies; strengthening multilateral cooperation; and facilitating the exchange of data methodologies used in forecasting oil demand, as well as information on developments regarding China's energy policies and OPEC supply.

Abdalla Salem El-Badri, OPEC Secretary General.

Zhao Xiaoping, Director General of the Energy Bureau, National Development and Reform Commission (NDRC).

Mohammad Alipour-Jeddi, Head of OPEC's Petroleum Market Analysis Department.

Acknowledging the huge strides the Chinese economy has made in the last few years, El-Badri assured the meeting that OPEC Member Countries will continue to support China's economy by providing it with the petroleum it requires, both adequately and timely, noting with satisfaction that today the top three crude oil suppliers to China are OPEC Member Countries: Saudi Arabia, Angola and the Islamic Republic of Iran. Commenting on the Organization's commitment to oil market stability, El-Badri said OPEC Member Countries are investing heavily in maintaining existing capacity and building new provision, in order to ensure that markets are adequately supplied at all times and that there is a comfortable level of spare capacity. OPEC crude oil capacity expansion plans already in place are expected to result in an increase of over 5.5 million b/d capacity by 2012, underpinned by more than 120 projects, estimated at costing over $150 billion. He added that many OPEC Member Countries are today investing in the refining sector, both inside and outside their own borders. This, he said, is important in view of the existing tightness in the downstream which has come to impact considerably on the oil market in recent years.

Zhao Xiaoping commended the successes recorded by the China-OPEC Energy Dialogue since its inception in

Nawal Al-Fuzaia, Assistant Undersecretary for Economic Affairs at the Kuwaiti Ministry of Energy, and Kuwait's National Representative to OPEC.

Javad Yarjani, General Manager, OPEC & Energy Affairs Department at the Iranian Ministry of Petroleum, and Iran's National Representative to OPEC.

2005, saying that the initiative affords the partners the opportunity to exchange ideas and review issues with a view to enhancing understanding and closer cooperation between China and OPEC. This, he said, would allow for proper and informed planning, which is required for a more stable oil market.

OPEC Member Countries currently supply about 56 per cent of China's oil imports. With China's gross domestic product forecast to quadruple between 2000 and 2020, OPEC Members are investing in huge capacity expansion programmes to meet the additional energy requirements. A number of OPEC Member Countries have entered into strategic partnerships with China in both the upstream and downstream sectors of the oil industry. Chinese oil firms are actively prospecting for oil in a number of OPEC Member Countries, while some OPEC Members are working on constructing refineries in partnership with the Chinese, in order to ease some of the bottlenecks associated with the downstream sector.

Participants from OPEC included Mohammad Alipour-Jeddi, Head of the Secretariat's Petroleum Market Analysis Department, who coordinated the workshop and made a presentation, as well as messrs Al-Khalifa, El-Shahati, Mazraati and Christodoulides.

Xu Yongsheng, Deputy Director General, Energy Bureau, NDRC.

Gao Gao, Division Director of the Department of National Economy, NDRC.

Liu Deshun, Director of the Division of International Cooperation, Energy Bureau, NDRC.

Did You know that ...

- China produces 3.7 million b/d of crude oil
- China has 16.3 billion barrels of proven reserves of oil
- China's GDP is forecast to quadruple between 2000 and 2020
- OPEC supplied 56 per cent of China's oil imports in 2006
- Global car ownership per 1,000 population in China in 2005 stood at 175; and that

  OECD North America had 470

  OECD Western — Europe 416

  OECD — Pacific 408

  Other — Europe 211

  FSU — 153

  Latin America — 109

  South East Asia — 83

  OPEC — 31

  Africa — 25

  China — 14

  South Asia — 9
- Conventional cars' efficiency in China: 2000 — 28.2 mpg; 2007 — 29.1 mpg
- Diesel car sales on the increase in China — from 22 per cent in 1997 to 51 per cent in 2007
- In 2007, 55.5 per cent of all vehicles sold in China will have been diesel-powered

OPEC reaches out to the Chinese press

As part of the OPEC–China dialogue initiative, the OPEC Secretariat held a media workshop for the Chinese press. The workshop was in response to the findings of a global perception survey about the Organization, which indicated that journalists in the emerging economies of Asia did not know much about OPEC, and that their reporting of the Organization was largely based on feeds from the Western press. The objective of the workshop, therefore, was to introduce OPEC to the local energy press in China with a view to getting them to know the Organization directly, and not through third parties. It was also to introduce them to how to source news and material from OPEC and its Member Countries' oil industries.

The OPEC website can be found at www.opec.org.

The workshop, entitled *Reporting OPEC*, was conducted by the PR and Information Department of the Secretariat for the Chinese media at the Hyatt Regency Hotel, Beijing, on October 25, 2007. A total of 40 journalists representing 28 media houses based mainly in Beijing and Shanghai attended the workshop. Conducted in English and Mandarin, the one-day workshop was addressed by the Head of OPEC's PR and Information Department, Omar Farouk Ibrahim, and Media Relations Advisor, Sally Jones.

In his presentation, Dr Ibrahim touched on the background to the formation of the Organization, which he traced from the late 1940s to the inaugural meeting by the five Founding Members in Baghdad in September 1960. He noted that the principal objectives of the Organization have remained unchanged in the 47 years of its existence. These he enumerated to include the coordination and unification of the petroleum policies of its Member Countries with a view to protecting their individual and collective interests, the stabilization of the international oil markets, ensuring secure, efficient, economic and regular supply of petroleum to consumers, a steady income for producers and a fair return on their capital to those investing in the petroleum industry. He also discussed OPEC structures and their functions, the Organization's decision-making process and how to source information from or about OPEC and its Member Countries' oil industries.

A demonstration of the OPEC website was made to the journalists where they were able to see the wealth of information contained therein. These ranged from the daily, monthly and annual OPEC Reference Basket prices, various OPEC Reports, including the Daily Oil Market Report (DOMR), the Monthly Oil Market Report (MOMR), the Annual Statistical Bulletin (ASB), the OPEC Annual Report and the World Oil Outlook etc. In addition, the workshop also went through the websites of some OPEC Member Countries. A demonstration of the OPEC webcast and on-demand video was also made.

The journalists exchanged contact information with the staff of the Secretariat with Dr Ibrahim assuring them of the preparedness of the OPEC Secretariat to assist them in the course of their work.

As his country prepares to host latest round of climate change talks ...

Indonesian President expresses optimism road map for "vigorous and concerted" action will be found in Bali

*Indonesian President, **Dr Susilo Bambang Yudhoyono,** has expressed optimism that the climate change talks to be held in his country in December will come up with an appropriate road map that will lead to both "vigorous and concerted" action for helping to ensure the planet's future welfare. Addressing a press conference in New York after a high-level meeting on climate change, he said a great many people, including himself, are looking forward to the 13th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) and 3rd Meeting of the Parties to the Kyoto Protocol and are anticipating its results.*

UN Climate Change Conference 2007
Bali - Indonesia

"There is today a great deal of public awareness of the reality of climate change and the devastation that it can bring if nothing is done about it. There is an urgent and widespread public demand for vigorous and concerted action to achieve long-term climate stability." That is the message President Yudhoyono had for delegates and interested parties ahead of the landmark climate change talks, due to be held in Bali on December 3–14. He stressed that it was expected that the Bali Conference will provide the road map for such action.

The President said Indonesia is truly honoured to serve as host to the Bali Conference, which promises to be "one of the most important global gatherings of our time."

He stated: "We are aiming for ambitious but realizable goals with regard to such issues as mitigation, adaptation, technology transfer and financing. I particularly expect a successful outcome on the issue of reducing greenhouse gas emissions from deforestation in developing countries: there must be sufficient incentives for developing countries to undertake such difficult and costly measures as reforestation, afforestation and avoidance of deforestation."

The President stressed that the developed countries,

on the other hand, must strive to significantly reduce the carbon emissions they bring about through unsustainable economic activities. They must also provide resources, environmentally sound technology and necessary financial support for all measures toward climate stability.

According to Daniel Murdiyarso, Editor of the Intergovernmental Panel on Climate Change (IPCC) WG2 report, the time had come for policymakers to pay particular attention to the problems of adaptation to climate change.


Reuters

Indonesia's President, Dr Susilo Bambang Yudhoyono, speaking at the opening ceremony of a two-day informal ministerial meeting on environmental issues at the Presidential Palace in Bogor, West Java, in October.

Representatives from some 180 countries, together with observers from intergovernmental and non-governmental organizations, as well as the international media, will converge on the resort island of Bali to attend the 13th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), and the Third Meeting of the Parties to the Kyoto Protocol on December 3–14. An international agreement on climate change needs to be found to follow the end of the Kyoto Protocol's first commitment period, which ends in 2012. And in order to avoid a gap between then and the entry into force of a new framework, the aim is to conclude a new deal by 2009 to allow enough time for country ratification. The 'Bali road map', as it is being called, hopes to establish the process for working on the key building blocks of a future climate change regime, one that will include adaptation, mitigation, technology cooperation and the financing necessary for bringing about a suitable coordinated response.

"Today we are looking forward to Bali. In Bali we will look forward to a future with greater hope," he added.

The Indonesian national news agency, Antara, quoted the President as calling for developed nations to take the lead in fighting climate change, although he added that developing nations should step up their efforts also.

He was speaking after two days of informal talks in Indonesia aimed at setting the stage for the meetings.

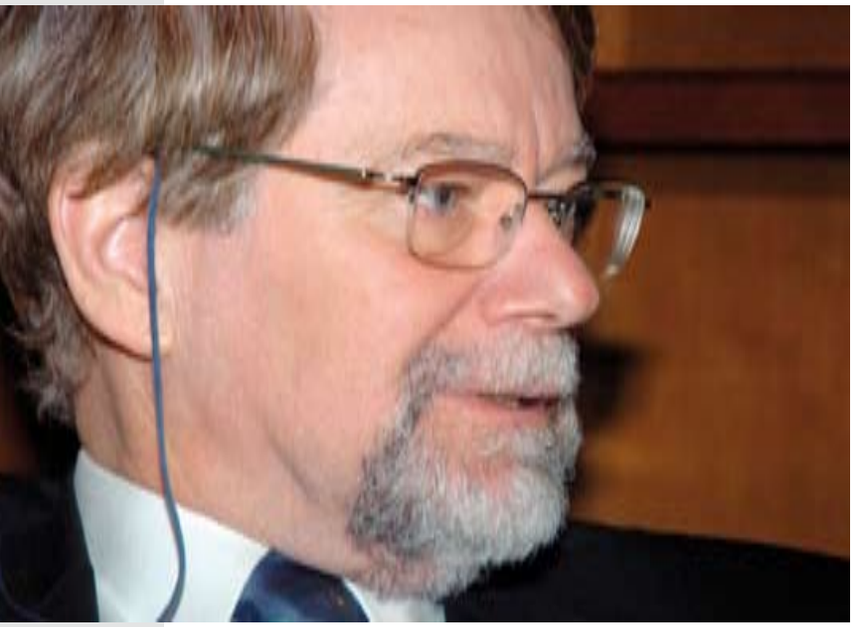
Meanwhile, Indonesia will bring a seven-point agenda for discussion to the UNFCCC talks, including adaptation, mitigation, the clean development mechanism, the financial mechanism, technology and capacity-building, reduced deforestation and a post-Kyoto protocol.

"After passing through the adaptation process, we must conduct a mitigation process which serves as a response to or control of the problem of climate change," he was quoted by Antara as saying.

He said the issue of technology and capacity-building was aimed at encouraging advanced countries at the conference to transfer their environment-friendly technology to developing nations.

"The parties in the conference of the UNFCCC capable of developing (environment-friendly) technology, or contributing capacity-building assistance, are obliged to distribute it (among the developing nations)," he maintained.

Algeria hosts JODI training workshop



Secretary General of the IEF Secretariat, Arne Walther.

IEF's Walther describes data initiative as a "work in progress"

Algeria underlined its support for the Riyadh-based International Energy Forum (IEF) and the Joint Oil Data Initiative (JODI) in hosting the third regional training workshop — for oil statisticians from Middle Eastern and North African countries — towards the end of October. The four-day workshop was organized by the Algerian Ministry of Energy and Mines, the Riyadh-based IEF Secretariat and partner organizations in Algiers.

"By holding this seminar in Algiers, the Ministry of Energy and Mines makes a contribution to the capacity-building of the concerned institutions in the field of data collection, processing and dissemination, as well as regarding data transparency in the vital sectors of the economies of Middle East and North Africa, that are those of oil and energy", said Abdelkader El-Mekki, General Director for Energy at the Algerian Energy and Mines Ministry, in a press release issued during the workshop.

"Regarding JODI, Algeria contributes in an effective and sustained way to the establishment of the monthly statistics that the Secretariat of the IEF publishes," he added.

JODI is the concrete outcome of the producer-consumer dialogue promoted by the IEF. Algeria and more than 90 other countries, accounting for more than 90 per cent of global oil production and demand, are now providing national oil data to JODI. The initiative is being coordinated by the IEF Secretariat, with the active support of the six organizations that helped set it up — APEC, the EU, the IEA, OLADE, OPEC and the UN.

In fact, the launching of the initiative in November 2005 coincided with the inauguration of the IEF Secretariat in Riyadh. The primary goal in building the JODI database was to raise awareness of all oil market players of the need for more transparency in providing essential data and information.

The move was also seen as an important contribution to strengthening global consumer-producer dialogue.

"The transparency of data and information relating to the oil market is one of the cornerstones of the relationship between oil producers and consumers," Saudi Arabian Petroleum and Mineral Resources Minister Ali I Naimi said at the time.

It is widely considered that a lack of transparent and reliable oil data is a contributing factor to market uncertainty and speculation, resulting in volatility of oil prices.

"The importance of this initiative cannot be overstated. After all, oil is, and will continue to be, the predominant source of the world's energy and the most traded commodity for many years to come. Reliable oil

data can make this vast and critical system work more smoothly, to the benefit of both consumers and producers," commented Naimi.

IEF Secretariat Energy Director Dr Said Nachet, quoted in the latest JODI press release, underlined the importance of transparency and exchange of data for market predictability and for the investments required to enhance energy security.

The training workshop formed part of the IEF Secretariat's efforts to promote JODI and improve the quality of oil market data. Expert speakers from the IEF Secretariat, the IEA, OPEC, UNSD and IMF delivered addresses to officials from Algeria, Egypt, Iraq, Jordan, Kuwait, Libya, Mauritania, Morocco, Qatar, Saudi Arabia and Venezuela.

Meanwhile, the Secretary General of the IEF Secretariat, Arne Walther, in reporting recently on the success of JODI, was quoted as stating that the organization's efforts to assemble an accurate database of global oil supply and demand trends are "a work in progress".

He said that, unfortunately, many producer and consumer nations continue to hold their energy data as state secrets, making the endeavor more challenging.

But he remained confident, saying that JODI is making inroads into understanding the world's oil supply and demand picture, but adding that that it will "probably never have a perfect system in place."

He noted that JODI is attempting to address the controversial issue of producing country reserve estimates, as well as lay the groundwork for better demand forecasting and better public energy policy by broadening the coverage of global demand.

He was pleased that IEF meetings are well-attended by energy ministers from producing and consuming nations, from both developed and developing countries. But the need for such meetings became apparent once "it emerged that sharply fluctuating oil prices were bad for producers and consumers."

Walther pointed out that since the IEF must respect "some states that keep secrets" about their energy sectors, the only way to put pressure on them is to improve the data they supply for JODI — to exert peer pressure.

The IEF has actually developed a novel way to adjudge the quantity and quality of data they receive from nations. There is a "smiley face" for good participation; a "neutral face" for average participation; and a "grumpy face" for poor participation.

"This is a way to embarrass countries into providing better data. You'd be surprised how many ministers don't want to see that grumpy face and push for better data," Walther mused.

Walther, who was addressing the Centre for Strategic International Studies in Washington, also pointed to other shortcomings of the initiative, such as the fact that many developing countries do not have energy sector statistics, or a means to collect them.

However, he said oil companies found the database useful and the IEF was fostering helpful relationships between ministers that could be used to possibly calm markets in the future.

"They can now pick up the telephone and talk to one another. Without communication, the situation today would be much worse," he maintained.

Despite JODI's deficiencies, Walther said participants have been encouraged enough about the information exchange to call for a similar database on worldwide natural gas supply and demand trends.

The IEF, which last met in Qatar in 2006, will meet again in April 2008 in Rome.

Participants of the workshop held in Algiers.

Former OPEC Secretary General makes return visit to Secretariat … after 33 years

Former OPEC Secretary General, Dr Abderrahman Khene (l), with the present OPEC Secretary General, Abdalla Salem El-Badri.

In 1973–74, when he presided over affairs at the OPEC Secretariat in Vienna, he was just in his early forties, with extensive experience garnered in the course of service rendered to his country, Algeria. Thirty-three years later, when he again visited OPEC headquarters and met present Secretary General, Abdalla Salem El-Badri, in October, ***Dr Abderrahman Khene****, a medical doctor by training, was a dignified 76-year-old retiree, filled with nostalgic memories of his days at OPEC. It was, indeed, one of those rare opportunities to re-visit part of the Organization's history and the* OPEC Bulletin *could not miss the golden opportunity of a one-to-one with the former Secretary General, who spoke to* ***Angela Agoawike****, Senior Editorial Coordinator, and shared his views on some of those past experiences.*

Dr Khene in 1973 (left) and in 2007 (above).

First, Dr Khene was asked how he got involved in the oil industry and OPEC, seeing that he originally trained as a physician. Smiling, he told the Bulletin that although he was educated as a doctor, "I didn't have the time to practice. I belong to a generation in Algeria which had the privilege of fighting French colonialism. So, I was 'drafted' into the political field, rather than the medical field."

By this time, Dr Khene continued, oil had been discovered in the Sahara and the then Algerian/French Treaty provided for the common supervision of the Saharan area. This joint supervisory arrangement was set up as the Organisme Saharien and, "I was made the Chairman of that Organization. In that way, I came to be acquainted with oil activities and, therefore, when my country offered its partners in OPEC (the proposition) that I should take over the Organization as Secretary General, they did put on the table that I had some experience in the field of oil. That is how it came about."

He said that between 1973 and today, the oil sector and the way things are done in the industry have gone through some significant transformations. The former Secretary General was requested to share with us what, in his opinion, has changed or remained the same in the industry. He replied:

"I said I had disconnected from the oil industry, but I still remember that before 1973 there were quite some activities in the oil sector and within OPEC. That was the time of the so-called Tehran-Tripoli Agreement. Then, it was a question of the pricing of oil and mainly what the producing countries were getting back from their (resource) wealth. There was the feeling then that they were being exploited by the multi-nationals and the Agreement sought to bring about some improvement in the revenues producing countries received from the oil companies for each barrel of oil extracted from their land. In those days, the main activity of OPEC was around the pricing of oil, so to speak, and the revenues OPEC Countries were rightly entitled to. Nowadays, I understand things have changed and pricing is no longer the main subject of oil. Rather, in the present circumstances, there is the problem of supplying the market, making the consuming countries feel that everything is alright with regards to the availability of OPEC oil. So, today, it is another scenario whereby OPEC is listened to more than before."

Almost on the heels of the 1971 Tehran-Tripoli Agreement was the oil embargo of 1973. Dr Khene was asked how he managed to steer OPEC out of that crisis. Having been taken by surprise with the interview, the former Secretary General said he could not recollect the details of what transpired at that time, but he stressed that OPEC, as an Organization, was not directly involved in the 1973 oil embargo and that many people did not

understand the difference between OPEC and OAPEC (the Organization of Arab Petroleum Exporting Countries) with its headquarters in Kuwait City. Dr Khene recalled that it was indeed a challenging time for him as Secretary General and for the Organization too.

Improved agreement

When the headquarters agreement for the Vienna-based OPEC Secretariat was signed, Dr Khene was in charge as Secretary General. He, therefore, signed the agreement with the Austrian authorities on behalf of the Organization. Asked how he felt coming back to the Secretariat — this time as a visitor, he said: "The first Agreement for OPEC in Vienna was signed by the first Secretary General, Dr Rouhani from Iran. But when I came in, I had some problems and views that it should be improved and we talked to the Austrian authorities at that time. We then agreed on a new text for the headquarters agreement. I had the privilege of signing it with the then Austrian Minister of Foreign Affairs. It was the second headquarters agreement in Austria and, really, I feel very much at home coming here."

Asked what he is doing now that he is retired, and specifically what had brought him to Vienna, Dr Khene, a father and grandfather, waxing philosophical, said: "Sometimes, people think they have chosen their lives for themselves. I am not that type. I lived my life as it came. I went into retirement early — I was not even 55-years-old at that time. From OPEC, I moved to the United Nations Industrial Development Organization (UNIDO) as Executive Director, as it was then called. I served there for 11 years. Today, UNIDO has been transformed into a specialized agency and it had to elect a new Director General. At that time, I was not in the picture. So, I went back to my country where I went into full retirement.

"I wasn't doing anything, but I enjoyed myself, especially with gardening. I had a small garden and even today I am still on that wavelength. The beauty of retirement is that, in the morning, you don't have to hurry, and, in the evening, you can go to bed when you like."

When he was leaving Vienna, after his UNIDO term, Dr Khene left behind two children — a boy and a girl. The 'girl' is today the proud mother of two children, while the 'boy' holds a PhD and works with OPEC sister organization, the OPEC Fund for International Development (OFID), as an Operations Officer. "So you can see, I still have some cross connection with OPEC, family wise," he concluded on a happy note.

Dr Abderrahman Khene

Born in Collo, Algeria, on March 6, 1931, Abderrahman Khene attended the University of Algiers and obtained a doctorate degree in Medicine in 1968. He served Algeria variously as Officer in the National Liberation Army, ALN; Secretary of State in the Provisional Government of the Algerian Republic, GPRA, 1958–60; General Controller of the Organization of the National Liberation Front, 1960–61; Head of the Finance Department, GPRA, 1961–62; President of the Algerian-French Organisme de Mise en Valeur des Ressources du Soussol Saharien, 1962–65; President, Electricite et Gaz d'Algerie, 1964; Member, Board of Directors of Societe Nationale de Recherches et d'Exploitation des Petroles en Algerie (SNREPAL); and in charge of implementation of "the settlement of question concerning hydrocarbons and the industrial development of Algeria". He participated in negotiations with the oil companies on the revision of fiscal terms, 1965–66, and was President of the Algerian-French Organisme de Cooperation Industrielle, 1966–71; Minister of Public Works, 1966–70; Physician in the Department of Cardiology, University Hospital of Algiers, 1970–73; and Secretary General of OPEC, 1973–74. Thereafter, he worked with the United Nations Industrial Development Organization (UNIDO) as Executive Director, 1974–85.

At his office in Vienna, OPEC Secretary General, Abdalla Salem El-Badri, meets with numerous dignitaries and officials.
Some of the most recent visitors to the Secretariat are pictured here.

Abdalla Salem El-Badri giving an interview to Maja Lapcevic and David Seale, from E-P Oil & Gas Investor, October 18.

El-Badri receiving Dr Abderrahman Khene, former OPEC Secretary General from Algeria, October 19. Dr Khene was Secretary General from January 1, 1973, to December 31, 1974 (see interview on page 70).

Simon Smith, the newly appointed UK Ambassador to Austria, paying a courtesy call on El-Badri, October 17.

El-Badri receives Mag Byron Morejon Almeida, Ambassador of Ecuador to Austria, October 16.

Nobuo Tanaka, the newly appointed Executive Director of the International Energy Agency, who took office on September 1, 2007, visiting El-Badri, September 5.

El-Badri receiving C E Angastiniotis, Cypriot Ambassador to Austria and President of the Nicosia Chamber of Commerce and Industry, September 21.

Yvo de Boer, Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC), visiting El-Badri, August 29.

El-Badri seen with the Saudi Arabian Ambassador to Austria, Omer Mohammed Kurdi, celebrating the Kingdom's National Day, September 5.

El-Badri receiving Jacques Diouf, Director-General of the Food and Agriculture Organization (FAO).

Natural disasters:

Going beyond relief to mitigation

Floods, earthquakes, cyclones, tsunamis, droughts and famine have always been part of life. And despite all the advances that modern technology has brought they seem, if anything, to have become more frequent – and, in recent times, certainly more deadly. According to the United Nations Bureau for Crisis Prevention and Recovery, some 75 per cent of the world's population lives in areas that were affected at least once by either a earthquake, a tropical cyclone, flooding, or drought between 1980 and 2000.

The human death toll in the past few years alone has been staggering: the greatest natural disaster in modern times, the December 2004 tsunami, claimed over 226,000 lives. And in the first nine months of 2005, another 88,000 people worldwide were killed in natural disasters - ranging from Hurricane Katrina in North and Central America, to a famine in Niger caused by locusts, to the October earthquake in India and Pakistan.

Scientists believe the rising toll taken by natural phenomena may be due not only to the continuing population growth, but to the increased concentration of people in vulnerable areas, such as coastal regions, flood plains, drought-prone areas and seismically active zones.

As a result, it is feared that more lives will be lost, more property will be destroyed and the social and economic fabric of disaster-prone communities will be disrupted. But this does not have to be so. Just as human activity can worsen the damage caused by natural disasters, so human ingenuity can help mitigate it.

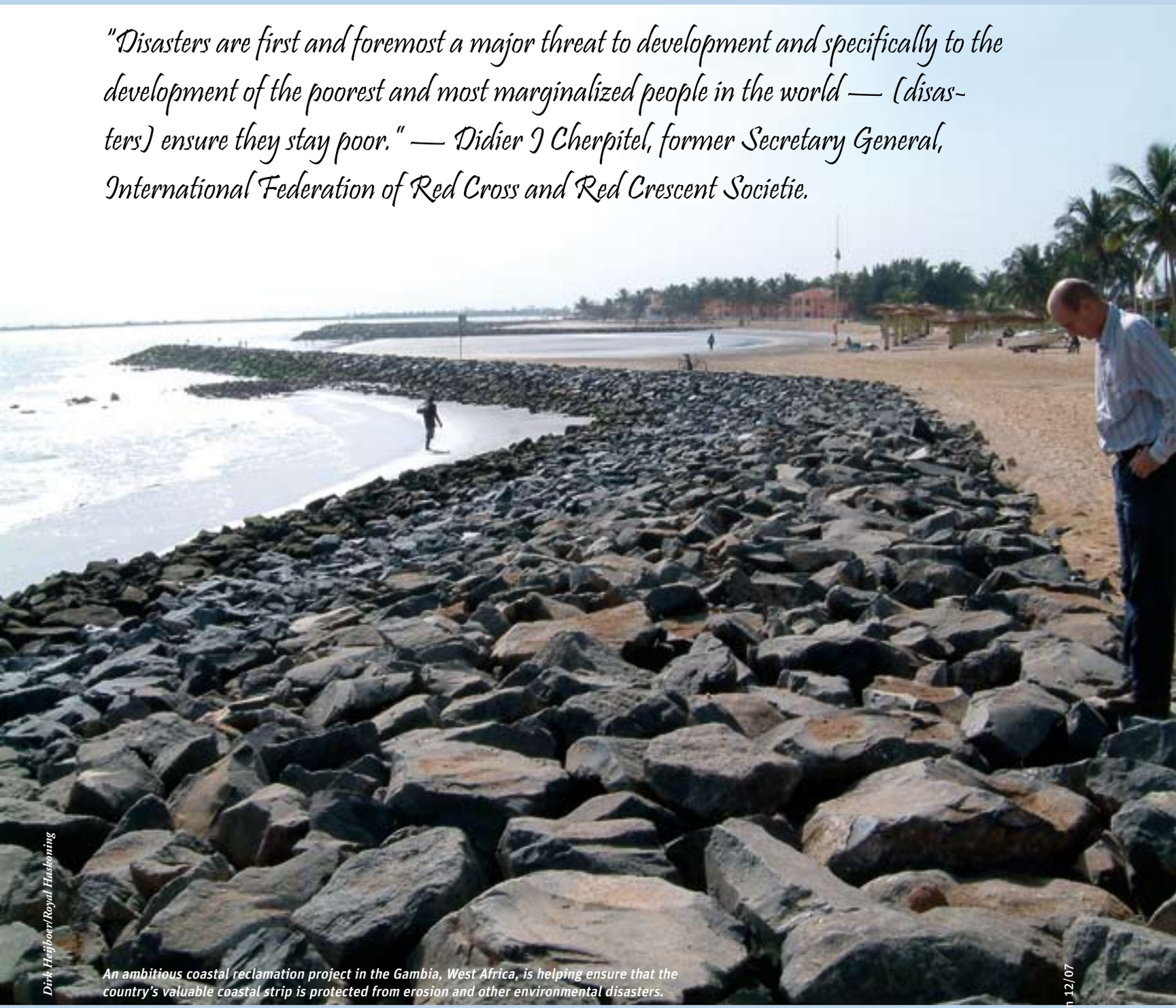
There is no doubt that disasters hit developing countries the hardest. Already coping with food insecurity, poor infrastructure, crippling debt burdens and, in many cases, ongoing civil conflict, they are ill-prepared to withstand such onslaughts. Loss of life and injuries apart, the aftermath of such events sees numerous families left homeless, while livelihoods are brought to a standstill by the destruction of crops and livestock.

Ruined seed stores jeopardize the next harvest, and all too often affected populations must rely on emergency assistance to rebuild their lives. In economic terms, figures compiled by the World Bank show that between 1990 and 2000 natural disasters hit the affected countries' gross domestic product (GDP) by anything between two and 15 per cent.

Natural phenomena

While it is important to deliver humanitarian aid after natural disasters to ease the suffering of populations and to prevent further fatalities, it is equally as important to look

"Disasters are first and foremost a major threat to development and specifically to the development of the poorest and most marginalized people in the world — (disasters) ensure they stay poor." — Didier J Cherpitel, former Secretary General, International Federation of Red Cross and Red Crescent Societie.



Dirk Heijboer/Royal Haskoning

An ambitious coastal reclamation project in the Gambia, West Africa, is helping ensure that the country's valuable coastal strip is protected from erosion and other environmental disasters.

beyond the immediate needs and examine how future disasters can at least be managed, if not avoided, so that the toll of damage and human loss is minimized.

The harm done by natural disasters and the need to try to mitigate this harm, was recognized by aid donors and other relevant institutions as far back as 1989, when the UN declared the International Decade for Natural Disaster Reduction. But, like many ideas in development, the importance of this issue has taken some time to become widely accepted within the development community.

As donors increasingly focus their interventions to meet the Millennium Development Goals, they are looking more closely at how disasters can affect their work and how they can reduce the impact of natural phenomena on their development efforts.

The particular challenge for development institutions is not only to support projects aimed directly at disaster mitigation, but to incorporate the whole concept of disaster management into their policymaking, so that every project or programme automatically takes this important point into account.

This is more challenging than it sounds, however. There are countless variables involved in disaster management and mitigation and sometimes the issue is seen as an 'add on' to the core tasks of development agencies that threatens to divert resources from mainstream development activities.

The execution of disaster mitigation is also very complicated, involving many different actors in areas ranging from the health, engineering and science to government agencies, non-governmental organizations (NGOs) and commercial firms.

It is no wonder that disaster mitigation has a reputation as a bureaucratic nightmare. Notwithstanding this, research centres and NGOs, as well as disaster-affected communities themselves, have developed mitigation strategies that have proven to be viable and, in some cases, require little in the way of investment.

Flood mitigation in Bangladesh

Although The OPEC Fund for International Development (OFID) has always been willing to respond swiftly to the emergency needs of developing countries in the face of natural catastrophes, it has made a point also of supporting projects that fall within the context of disaster mitigation.

An example of the latter is its contribution to a project that aims to protect nine regional Bangladeshi towns from flood damage. Situated in the broad delta of the Ganges and Brahmaputra rivers in South Asia, and with its extremely flat topography, Bangladesh is one of the most flood-prone countries in the world.

During a normal monsoon season, a quarter of the land area is generally flooded and in years of particularly heavy rain up to three-quarters of the country is submerged. While, ironically, the flooding contributes to the high fertility of Bangladesh's soil, it wreaks havoc on urban areas, where commercial and industrial activity is severely disrupted.

The social impact is also profound, with waterlogged sewage systems leading to widespread environmental degradation and unsanitary living conditions. The floodwaters often lie around for weeks, allowing the spread of waterborne disease and the death toll from such diseases usually exceeds that of deaths from drowning.

The civic and economic devastation caused by floods and other natural disasters, such as cyclones, is a prime reason why Bangladesh is one of the poorest coun-

tries in Asia, with the UN estimating that 49 per cent of its 144 million people lived on less than a dollar a day in 2005.

OFID's flood protection project involves building and reinforcing embankments in the targeted towns, excavating drainage outfalls and enlarging existing ones, as well as a wide range of solid waste management works.

A capacity-building component will also strengthen the ability of local authorities to manage and maintain the new assets.

Under Phase 1 of the project, the Bangladeshi capital, Dhaka, and six district towns have already benefited from these measures. OFID's loan of $15 million, extended in 2005, is helping extend flood protection to a further nine towns that are vulnerable to extreme flooding.

The completed project will bring many benefits to Bangladesh's town dwellers as the residents of the seven settlements that have already received flood protection will testify. As well as enjoying cleaner and healthier living environments, the beneficiary populations will be able to access markets and social services more easily.

The project will also generate considerable income-earning opportunities, thus making a significant contribution to poverty alleviation.

The total cost of the second phase, 'The Secondary Towns Integrated Flood Protection Project,' is $115.9 million. The project is being co-financed by the Asian Development Bank and the Government of Bangladesh and is one of a number of preventative measures undertaken by Bangladesh in recent years.

While the monsoons will remain an annual fixture and Bangladesh's location and geography mean that it will always suffer some degree of extreme flooding, the hope is that, in future, the impact will be reduced because of wide-ranging measures to protect the infrastructure.

An official disseminates weather information via VHF radio from Bangladesh Red Crescent Society headquarters in Dhaka. This radio early warning system relays information to vounteers in flood-prone areas so they can give communities advance warning of heavy rain on the way.
Photo: Yoshi Shimizu, International Federation of Red Cross and Red Crescent Societies.

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

October 2007

Crude oil price movements

OPEC Reference Basket

The OPEC Reference Basket[1] in September averaged a record-high of $74.18/b, up by $5.47, or nearly eight per cent, from the previous month.

Prices began the month on a bullish note, supported by a storm in the Caribbean Sea, refinery outages and uncertainty over OPEC's decisions on output ahead of its September Meeting in Vienna. Autumn maintenance in the United States also added to the market's strength on concerns over a depletion of seasonal fuel stocks. Sentiment continued to strengthen into the second week on reports of attacks on Mexico's oil and gas facilities, coupled with the prospect of field maintenance in the Middle East. The third week saw slower gains on geopolitical concerns, weather threats, refinery outages and a weakening US dollar and the fourth week saw another rise with the Basket closing the month at $77.43/b. It was interesting to note that prices maintained their bullishness, despite OPEC's move to introduce additional barrels to the market.

On the United States market, prices also moved up strongly with WTI averaging $79.69/b in September, up by $7.32 over the previous month. The market was supported by a tropical storm in the US Gulf of Mexico, refiner glitches and tight supplies of rival crude imports, which kept light sweet grades firm.

In the North Sea, prices firmed on healthy refining margins, with Dated Brent averaging the month at $76.87/b, higher by $6.13 over the previous month.

In the Mediterranean market, improved refining margins also supported Urals crude, although the momentum was short-lived. Urals averaged the month at $73.78/b, for a gain of $4.53.

World oil demand

In its review of the market, the OPEC report left world oil demand growth for 2007 unchanged at 1.3 million b/d, 1.5 per cent higher than in 2006.

It said September oil demand expanded the most in the developing countries, especially China, India and the Middle East, adding that other demand drivers in the non-OECD region were strong enough to offset weak demand seen in the OECD in the third quarter.

World oil demand in the fourth quarter is expected to follow its customary high winter seasonal consumption dates, with demand for fuel and heating forecast to be very strong. Total world oil demand growth in the fourth quarter is forecast to average 87.07m b/d, up by at 1.8m b/d.

Demand for OPEC crude in 2007 is expected to average 31.07m b/d, an increase of 139,000 b/d over the previous year. On a quarterly basis, demand is expected to average 31.23m b/d, 30.29m b/d, 31.34m b/d and 31.43m b/d, respectively.

For 2008, demand for OPEC crude is forecast to average 30.82m b/d, a decline of 253,000 b/d from the current year. On a quarterly basis, demand for OPEC crude is expected to average 31.17m b/d, 29.84m b/d, 30.80m b/d and 31.47m b/d, respectively.

Concerning the OECD North American

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

region, third-quarter year-on-year oil demand was revised down by 140,000 b/d to show growth of only 130,000 b/d. The report said that with the expectation that the coming winter might be slightly warmer than average, North America's oil demand growth for the fourth quarter was revised down by 25,000 b/d.

It noted that US oil demand declined by 100,000 b/d in the third quarter. Other figures showed that Mexican oil demand in August declined by 26,000 b/d to average 1.76m b/d year-on-year, while Canadian oil demand showed moderate growth of 22,000 b/d in the same month to average 1.9m b/d.

In OECD Europe, weak transport and industrial fuel demand in the summer months, led to third-quarter oil demand declining by of 30,000 b/d to average 15.54m b/d.

In the OECD Pacific, third quarter and fourth quarter oil demand growth is both forecast at 100,000 b/d y-o-y.

In the developing countries, oil demand is estimated to contribute the most to total world oil demand growth in 2007, reaching an expansion level of 660,000 b/d to average 23.94m b/d.

Of note, India's oil demand expanded by a strong 115,000 b/d in August, boosted by demand for transport fuels. Hence, India's oil demand growth for the third quarter is slated at 113,000 b/d.

Other Asia's oil demand for the year is forecast to reach 165,000 b/d. The OPEC report noted that this was a conservative growth estimate and reflected energy conservation movements throughout the continent and the widespread use of biofuels.

The fourth quarter is generally a low season as far as oil consumption in the Middle East is concerned. Its demand growth in the last three months of 2007 is put at 300,000 b/d for an average of 6.46m b/d y-o-y.

In the Other regions grouping, the report stated that China's oil imports in August were less than in July, expanding by 8.3 per cent y-o-y. China's apparent oil demand in August was up by 447,000 b/d y-o-y to average 7.5m b/d. The country's apparent oil demand growth for 2007 is forecast at 450,000 b/d y-o-y to average 7.6m b/d.

Russian economic activities are keeping oil demand in the country healthy. Although the third quarter is normally a low oil demand season for the nation, annual oil demand is expected to grow by 70,000 b/d y-o-y to average 3.95m b/d.

Turning to 2008, world oil demand is forecast to grow by 1.3m b/d to average 87.09m b/d, virtually unchanged from OPEC's last report. Due to an expected slower summer driving season next year, North America's third-quarter oil demand growth has been revised down to reflect the weaker transport fuel consumption. Transport and industrial fuel are the sectors growing most in world oil demand in 2008. Non-OECD countries are expected to account for 1.1m b/d, or 79 per cent, of total world oil demand growth next year. OECD countries' oil demand growth in 2008 will be mostly attributed to North America, where the forecast for growth is 300,000 b/d y o y to average 25.87m b/d.

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

World oil supply

Preliminary figures indicate that world oil supply averaged 85.30m b/d in September, a significant increase of around 1.13m b/d from the previous month. OPEC's Members were estimated to have accounted for around 36 per cent of the total.

Looking at 2007, non-OPEC supply is expected to increase by around 810,000 b/d over last year to reach 50.29m b/d. This represents a downward revision of 28,000 b/d from OPEC's last assessment. Downward revisions were made to Mexico, the United Kingdom, Brazil and Sudan, which were partially offset by some upward revisions to the US, Canada, Malaysia and China. On a quarterly basis for 2007, non-OPEC supply now stands at 50.33m b/d, 49.93m b/d, 49.85m b/d and 51.04m b/d, respectively.

Total OECD oil supply is expected to reach 20.29m b/d in 2007, an increase of around 68,000 b/d over the 2006 figure. North America is estimated to see growth of 114,000 b/d to 14.39m b/d, while the OECD Pacific is expected to see growth of 80,000 b/d to 640,000 b/d. However, supply growth in Western Europe is seen declining by 127,000 b/d to 5.26m b/d, with most of the supply loss coming from Norway.

Oil supply in the US this year is expected to reach 7.53m b/d, up by 140,000 b/d over 2006 and an upward revision of around 15,000 b/d from the last assessment.

Canadian oil supply for 2007 is put at an average of 3.32m b/d, an increase of 121,000 b/d over 2006 and an upward revision of 23,000 b/d from OPEC's last assessment.

Transport and industrial fuel are the sectors set to grow most in world oil demand in 2008.

Mexico's oil supply has witnessed significant downward revisions for the third and fourth quarters of around 105,000 b/d and 80,000 b/d, respectively. The annual figure now stands at 3.54m b/d, down by 147,000 b/d from 2006 and a downward revision of around 46,000 b/d from last month.

In Western Europe, oil supply is now expected to reach a level of 5.26m b/d, representing a decline of around 127,000 b/d from the 2006 figure and an increase of around 18,000 b/d compared with last month's assessment. The upward revision is due to biofuel production in France and Spain, partially offset by a downward revision to UK figures.

Norway's September production has been estimated at an average of 2.51m b/d, 47,000

b/d less than forecast, while UK output is expected to decline by around 26,000 b/d from last year.

In the Asia Pacific region, oil supply is forecast to average 640,000 b/d in 2007, 80,000 b/d more than in 2006, which represents an upward revision of around 4,000 b/d compared with OPEC last assessment.

Australia's oil supply is expected to average 560,000 b/d this year, representing growth of 56,000 b/d over 2006 and an upward revision of 4,000 b/d compared with last month's report. New Zealand is slated to add 25,000 b/d to its 2007 production over 2006 levels to reach around 78,000 b/d.

In the developing countries, oil supply in 2007 is forecast to reach 11.57m b/d, 69,000 b/d more than last year's figure and a downward revision of 39,000 b/d compared with last month's OPEC assessment.

The other Asia group is expected to see supply in 2007 grow by 30,000 b/d over 2006 to 2.74m b/d.

The Latin American oil supply is forecast to average 4.46m b/d in 2007, representing growth of 44,000 b/d over 2006 and a downward revision of 42,000 b/d compared with last month's assessment.

OPEC crude oil production averaged 30.61m b/d in September, an increase of 245,300 b/d from August.

In Africa, supply is expected to average 2.69m b/d in 2007 with growth of around 83,000 b/d over 2006 and a downward revision of around 19,000 b/d from last month's assessment. Most of the growth is forecast to come from Sudan (95,000 b/d), Equatorial Guinea (14,000 b/d) and other countries (27,000 b/d).

The Middle East is the only group of countries expected to see a supply decline this year – of around 87,000 b/d, which is attributed to Oman, Syria and Yemen.

Oil supply in the former Soviet Union (FSU) is expected to average 12.56m b/d this year, 540,000 b/d more than in 2006 and a downward revision of 5,000 b/d from OPEC's last assessment.

Other Europe supply is forecast to remain flat over 2006 at around 150,000 b/d. China is expected to perform well with growth of around 110,000 b/d over 2006 to reach a level of around 3.80m b/d in 2007.

Russian oil supply is expected to reach 9.89m b/d in 2007, 239,000 b/d more than last year, while in the Caspian, oil supply in Kazakhstan is forecast to grow by 47,000 b/d over 2006 to 1.35m b/d. Oil supply in Azerbaijan, is expected to see growth of 244,000 b/d over 2006 to a 2007 level of 890,000 b/d.

Oil supply in China is forecast to average 3.80m b/d this year, 110,000 b/d more than in 2006 and an upward revision of around 6,000 b/d compared with last month's assessment.

Turning to the forecast for 2008, non-OPEC supply is expected to average around 51.36m b/d in the year, an increase of around 1.08m b/d over the 2007 figure and an upward revision of 6,000 b/d from OPEC's last assessment. On a quarterly basis, non-OPEC supply is expected to average 51.45m b/d, 50.94m b/d, 50.94m b/d and 52.12m b/d, respectively.

Looking at revisions to the 2008 forecast, in the US, growth in biofuels is set to restrict the increase in supply. The 2008 annual figure is now forecast at around 7.75m b/d, representing growth of 222,000 b/d over the 2007 forecast.

Canada's oil supply has been revised upwards by 14,000 b/d, with the annual average now forecast at 3.32m b/d, representing growth of around 5,000 b/d over the 2007 forecast.

Supply figures for other Western Europe were revised up by 39,000 b/d, due to biofuel production in Spain and France. Supply is set to reach 69,000 b/d, which represents minor growth of around 15,000 b/d over 2007.

In Malaysia, the 2008 supply figure is now expected to reach a level of around 760,000 b/d, which represents growth of around 16,000 b/d over 2007, while Brazil's 2008 supply has been revised up by 57,000 b/d to 2.58m b/d, which represents growth of 380,000 b/d over 2007.

In China, the annual figure has been revised upwards by 23,000 b/d compared with last month's OPEC assessment. China's oil supply in 2008 is now expected to reach around 3.83m b/d, 25,000 b/d over the 2007 figure.

OPEC oil production

Total OPEC crude oil production averaged 30.61m b/d in September, an increase of 245,300 b/d from August, according to secondary sources. Excluding Angola and Iraq, which are not subject to output allocations, OPEC production averaged 26.73m b/d in the month, an increase of 49,500 b/d over August. Iraq's production for September witnessed a significant rebound of around 166,300 b/d from August to average 2.18m b/d.

OPEC production of natural gas liquids (NGLs) and non-conventional oils are expected to average 4.39m b/d in 2007, an increase of 33,000 b/d over last year. The annual figure may reach 4.90m b/d in 2008, up by 52,000 b/d over the current year.

Downstream activity

Looking downstream, refining margins for benchmark WTI crude on the US Gulf Coast declined by 79¢ to $7.41/b from $8.20/b in August. In Europe, refining margins for North Sea Brent crude at Rotterdam declined to $5.01/b from $5.12/b the previous month. In Asia, the market followed the same trend and refining margins for benchmark Dubai crude fell to $2.98/b from $3.09/b in August.

Refinery maintenance schedules look relatively heavy in the US and Europe this year.

"If the oil industry faces another round of outages in the next months, as experienced

earlier this year, market sentiment may shift to product market developments rather than crude fundamentals," commented the OPEC report.

It said the US refinery utilization rate had fallen by 1.6 per cent to 89.7 per cent in September from 91.3 per cent in August. However, in Europe, the refinery utilization rate had increased by a marginal 0.7 per cent to 86.6 per cent from 85.9 per cent in August. In Asia, the refinery operational level improved in most countries, but slid significantly in Japan. The Japanese refinery utilization rate declined to 81.8 per cent from 90.5 per cent in August.

Oil trade

Regarding oil trade, US crude oil imports declined in September by 1.4 per cent from the previous month to their lowest level since March, according to preliminary data. The decline was particularly noticeable in the first half of the month on the back of weather-related issues.

Similarly, US oil product imports declined by three per cent to reach their second-lowest level since February this year. The drop consisted mainly of gasoline, distillates and kerosene. US gasoline imports in September were estimated to be seven per cent lower than August levels. However, a drop in demand offset the decrease in imports, which resulted in steady stock levels at the end of September, compared with a month earlier.

Kerosene imports fell by 18 per cent in September from August, while demand for distillates fell in line with lower imports, although stocks showed an increase, which was attributable to higher production in preparation for the winter.

Fuel oil imports increased in September from August, while demand decreased. As a result, stocks increased at the end of September. However, the increase in fuel oil imports was not enough to offset the decline in imports of other products. On an annual basis, US product imports indicated a y-o-y decrease of around two per cent.

Meanwhile, total US exports remained relatively steady in September, compared with the previous month, with a 25 per cent annual decline. Net oil imports fell in September by two per cent, driven by a 1.4 per cent decline in net crude oil imports and a four per cent loss in net product imports. On an annual basis, US net oil imports showed a decrease of around three per cent in September.

Canada with 18 per cent and Mexico (15 per cent) were the main suppliers of US crude oil in July. Saudi Arabia came next with 14 per cent followed by Venezuela (12 per cent), Nigeria (nine per cent) and Algeria (five per cent). OPEC Member Countries supplied around 53 per cent of the US' crude oil.

On the product side, Canada was the top supplier to the US with 15 per cent followed by Russia (11 per cent). The Virgin Islands came third with around ten per cent.

According to preliminary estimates, Japan's crude oil imports fell by around three per cent from August. The decline occurred despite the extra volume required for power generation after the shutdown of a nuclear facility following an earthquake. Compared with the same period last year, Japan's crude oil imports indicated growth of around five per cent.

Japan's product imports remained steady in September, compared with a month earlier. During the first nine months of this year, Japan imported around 15 per cent less products than in the same period of 2006. However, September product imports indicated an annual increase of around four per cent.

Japan exported slightly more products in September compared with August figures. It exported more gasoline, jet and fuel oil, while exports of gasoil declined slightly.

Accordingly, Japan's total net oil imports declined by more than three per cent in September from the previous month. Net imports of both crude oil and products drove the decline, with net product imports indicating a monthly fall of around 70 per cent. However, Japan's net oil imports showed an annual increase of more than five per cent in September.

Stocks

Regarding stock movements, US total commercial oil stocks remained relatively stable in September after having dropped a substantial 23 million barrels during the previous month. At 1,021m b, US commercial oil stocks were around 76m b below last year's level, but 15m b above the five-year average.

US crude oil stocks declined for the third consecutive month, implying a total draw of 33m b for the third quarter.

Autumn refining maintenance, which started in September, will probably add more crude oil to stocks.

"However … crude oil inventories showed two consecutive builds during the weeks ending September 21 and September 28, the first time in the last three months," said the OPEC report.

The decline in stocks was driven by increasing refining activity and backwardation in the futures curve, which removed incentives to hold crude stocks. Despite the drop, US crude oil stocks remained at the upper end of the five-year range and well above the five-year average with 28m b.

"Autumn refining maintenance, which started in September, will probably add more crude oil to stocks, as was the case during the second half of the month," noted the report.

US product stocks stood close to the five-year average at almost 700m b, while distillate inventories followed their seasonal trend, continuing to build for the third consecutive month on the back of healthy imports to stand at 136m b, up 3.5m b from the previous month and fourm b above the five-year average.

Gasoline stocks inched up by 200,000 b to 191.3m b, but remained below the lower end of the five-year range with a deficit of around 12m b to the five-year average.

Days of forward cover for gasoline rose to around 21 days, compared with a historically low 19 days the previous month, but remained two days below the five-year average, whereas distillates remained around 1.5 days below the five-year average. Residual fuel oil stocks rose by 1m b to 37.4m b and jet fuel remained almost stable at 41m b.

It is worth mentioning that in September crude oil in the Strategic Petroleum Reserve (SPR) increased 2.5m b after having been stable since July 2006, with the exception of April and May where they rose by 800,000 b each. The build from royalty-in-kind production was to replenish withdrawals which took place after hurricanes Katrina and Rita in 2005. It is expected that another 1.3m b will be added in October and 3m b in December according to the US Department of Energy.

The build in heating oil stocks should alleviate some of the concern heading into the winter season.

In the week ending October 5, US commercial oil stocks fell by 400,000 b to 1,021.0m b, lifting the y-o-y deficit to 68m b or six per cent, but remained 22m b, or two per cent, above the five-year average.

Crude oil stocks fell 1.7m b to 320.1m b, in contrast with analysts' expectations that they would grow by around 900,000 b. The draw came as crude oil imports fell by 384,000 b/d to 9.9m b/d, which combined with a 0.3 per cent increase to 87.8 per cent in the refinery utilization rate. Even with the draw, crude oil stocks remained 25m b, or eight per cent, above the five-year average.

Gasoline stocks posted a contra-seasonal build of 1.7m b to 193m b, boosted by higher production and imports. Gasoline output rose by 230,000 b/d to 8.9m b/d, while imports increased by 170,000 b/d to 1.32m b/d. Gasoline stocks were put at about 9m b, or four per cent, below the five-year average.

Total distillate stocks declined by 600,000 b to 135.3m b, slightly more than the market's expectation of a draw of 400,000 b, driven mainly by higher demand, which increased by 190,000 b/d to average 4.5m b/d.

Heating oil inventories were up 1.0m b, partially offsetting the drop in diesel stocks. "The build in heating oil stocks should alleviate some of the concern heading into the winter season," said the OPEC report. Total distillate stocks were put at around 5m b, or four per cent above the five-year average.

In Western Europe, EU-16 (EU-15 plus Norway) total oil stocks dropped by 12.3m b, with crude oil falling by 5.5m b and products by 6.8m b. With the decline, EU-16 stocks experienced a counter-seasonal draw of around 14m b during the third quarter to hit 1,133m b, the lowest level seen since June 2005, but still comfortably above the five-year average.

Crude oil stocks, which declined for the fourth consecutive month, still remained at the upper end of the five-year range. They displayed a cumulative drop of 23m b over the last four months and stood at 478m b at the end of September, which corresponds to 3.6m b below last year's level. This is a surplus of 13m b, or three per cent, over the five-year average.

On the product side, higher refinery utilization was not enough to help build product stocks. Middle distillates dropped by 5.3m b to 396m b, but remained comfortably at the upper end of the five-year range and at a surplus of 19m b, or five per cent, over the five year average.

The recovery in gasoline in August was short-lived as stocks fell again in September, albeit by a marginal 300,000 b to 123m b. They have stayed below the lower end of the five-year range since the beginning of the year. The gap with the five-year average remained at around nine per cent.

Naphtha stocks fell by around 1m b, offsetting the build of the previous month, to stand at 26.4m b, almost 2m b below last year, while residual fuel oil inventories remained almost unchanged at around 115m b, which corresponded to 1.2m b lower than a year earlier.

November 2007

Crude oil price movements

The OPEC Reference Basket moved into further record territory in October, average the month at $79.36/b, up by $5.18 or almost seven per cent over the previous month. The strong advance continued into November with the US dollar's weakening exchange rate inspiring speculative fund buying, while economic woes suggested slower energy demand growth. Prices were also supported by revived tensions in the Middle East. As a result, the Basket closed the first week of November at a new record high of $89.68/b, before falling to $86.57/b on November 14, mainly as a result of lower demand growth expectations. The market began October in a volatile bearish mood with profit-taking in the paper market exerting downward pressure on the entire petroleum complex. However, this sentiment was short-lived and the market soon regained its bullish posture. The effects of the weak dollar began to dominate proceedings with fund-buying in the futures market spiraling. Again, Mideast geopolitics added to the bullish momentum.

On the US market, the Nymex WTI front-month contract peaked at $94.53/b to average $84.20/b in October for a gain of $4.57, which represented a hefty increase of $25.06 over the same month last year.

In the North Sea market, Dated Brent averaged the month at $82.50/b, up by $5.63, and actually close the month at a high of over $90/b.

In the Mediterranean market, Russia's Urals crude began October under pressure, but recovered strongly later in the period. The crude blend averaged $79.50/b for the month, higher by $5.70 than in September.

In the Middle Eastern market, marker crude Dubai stood at an average for October of $77.12/b, up by $3.76/b over the previous month.

World oil demand

In its review of the market, the OPEC report pointed out that booming non-OECD economies have neutralized the negative effect of high oil prices on world oil demand. It said China, the Middle East and India had shown the strongest year-on-year oil demand growth in October. OECD oil consumption, as expected, was on the negative side.

World oil demand growth in the fourth quarter of this year was revised down by 100,000 b/d to 1.7m b/d to average 87.0m b/d year-on-year. Global oil demand growth for with whole of 2007 was put at 1.2m b/d, or 1.4 per cent, to average 85.70m b/d.

Demand for OPEC crude in 2007 is expected to average 31.07m b/d, an increase of 80,000 b/d over the previous year. On a quarterly basis, demand is expected to average 31.27m b/d, 30.20m b/d, 31.20m b/d and 31.62m b/d, respectively.

For 2008, demand for OPEC crude is slated to average 30.84m b/d, a decline of around 229,000 b/d compared with the 2007 figure. On a quarterly basis, demand is expected to average 31.35m b/d, 29.95m b/d, 30.66m b/d and 31.41m b/d, respectively.

Concerning the OECD region, United States oil consumption growth in the first ten months of 2007 was estimated at 40,000 b/d, one per cent below the previous estimate.

Unlike the US, Mexican gasoline demand in September grew by a strong 12,000 b/d. However, a strong decline in fuel oil demand pushed total Mexican oil demand into the red – showing a decline of 2.2 per cent year-on-year.

In Canada, strong industrial diesel demand neutralized a decline in fuel oil, causing total oil demand in the country to be flat. Due to the downward revision in North America by 70,000 b/d, OECD fourth-quarter oil demand growth was forecast at 540,000 b/d year-on-year.

In OECD Europe, preliminary data showed that Germany's oil demand declined by almost eight per cent in October with the mild start to winter in Europe reducing demand. As a result, OECD Europe fourth-quarter oil demand growth was forecast at 100,000 b/d to average 15.78m b/d.

In the OECD Pacific, given the expected winter forecast for the fourth quarter, oil demand for this group of countries was forecast to grow by 100,000 b/d to average 8.83m b/d.

Developing countries' oil demand is estimated to contribute the most to total world oil demand growth in 2007, reaching 670,000 b/d to average 23.95m b/d.

In the Middle East oil demand growth was forecast to grow by 290,000 b/d in 2007 to average 6.5m b/d.

Other Asia oil demand for 2007 is forecast to reach 175,000 b/d. This conservative growth estimate reflects energy conservation efforts in the region.

In other regions China's oil imports in the first three quarters of the year grew by 300,000 b/d, or over eight per cent, year-on-year.

"These strong oil imports occurred in response to China's thirst for energy as the country's economic boom is currently reaching double digits," commented the OPEC report.

China's apparent oil demand growth for 2007 is forecast at 440,000 b/d to average 7.6m b/d.

Russian economic activities are keeping oil demand in the country healthy. Total FSU apparent oil demand was revised up by 20,000 b/d.

Turning to 2008, world oil demand is forecast to grow by 1.3m b/d to average 87.01m b/d, reflecting a downward revision of 30,000 b/d from the last report. Due to the expected slower transport fuel demand next year, North America's first-quarter and third-quarter oil demand growth were revised down slightly. Transport and industrial fuel are the sectors growing most in world oil demand in 2008.

The OPEC report noted that non-OECD countries are expected to account for 1.05m b/d, or 80 per cent, of total world oil demand growth in 2008. OECD countries' oil demand growth next year will be mostly attributed to North America, where oil demand is forecast to grow by 300,000 b/d to average 25.82m b/d.

The Middle East and other Asia are expected to contribute 420,000 b/d to next year's world oil demand growth.

World oil supply

Preliminary figures for the month of October indicate that world oil supply averaged 85.89m b/d in the month, a significant increase of 970,000 b/d over September, with OPEC's share put at around 36.1 per cent.

Non-OPEC supply in 2007 is expected to increase by around 780,000 b/d to reach a level of around 50.23m b/d. This represents a decline of 52,000 b/d compared with last month's OPEC assessment. The estimate for 2007 was reduced for the US, Mexico, Norway, the United Kingdom, Brazil and Oman, and partially offset by some upward revisions made to Canada, Denmark, Colombia, Malaysia and Kazakhstan.

On a quarterly basis, non-OPEC supply now stands at 50.32m b/d, 50.04m b/d, 49.80m b/d and 50.77m b/d, respectively. The first, third and fourth quarters witnessed downward revisions of 4,000 b/d, 49,000 b/d and 264,000 b/d, respectively, while the second quarter saw an upward revision of around 111,000 b/d.

Total OECD oil supply for this year is expected to reach 20.25m b/d, an increase of around 66,000 b/d over the 2006 figure. On a quarterly basis, OECD oil supply is expected to average 20.46m b/d, 20.21m b/d, 19.96m b/d and 20.38m b/d, respectively.

North American supply is estimated to grow by 172,000 b/d over 2006 to reach a level of around 14.41m b/d. The OECD Pacific is estimated to increase by around 80,000 b/d over last year to reach a level of 640,000 b/d. However, Western Europe supply is forecast to decline by around 185,000 b/d to reach a level of 5.20m b/d in 2007. Most of the

supply loss in this group is attributed to Norway, which is estimated to see a decline of around 221,000 b/d from 2006 supply.

In the US, supply is expected to amount to around 7.50m b/d this year, representing growth of 149,000 b/d over 2006 and a downward revision of 23,000 b/d from the last OPEC assessment. The preliminary supply figure for October is 7.48m b/d.

Canadian oil supply for 2007 is forecast to average 3.38m b/d, an increase of 197,000 b/d over 2006 and an upward revision of 64,000 b/d from 2006. The preliminary October figure sees supply at 3.51m b/d.

For 2008, non-OPEC supply is expected to average 51.26m b/d, an increase of 1.02m b/d over the 2007 figure.

Mexico's oil supply has witnessed downward revisions in both the third and fourth quarters – by 14,000 b/d and 44,000 b/d. The annual figure now stands at 3.53m b/d, a decline of around 162,000 b/d from 2006 and a downward revision of around 15,000 b/d from last month's OPEC assessment.

In Western Europe, oil supply is expected to reach around 5.20m b/d, representing a decline of around 185,000 b/d from 2006 and 59,000 b/d less than last month's OPEC assessment. The upward revision, which came solely from Denmark, was offset by downward revisions to Norway and the UK. The preliminary figure for Norway's October production is 2.60m b/d.

The country's annual supply figure stands at 2.56m b/d, which represents a decline of around 221,000 b/d from last year and a downward revision of 49,000 b/d from last month's OPEC report.

The UK's production level for 2007 is now expected to come in at at 1.65m b/d, a decline of 53,000 b/d from the previous year and 27,000 b/d lower than in last month's OPEC assessment. Both the third and fourth quarters have been revised down by 70,000 b/d, while the second quarter was revised up by around 34,000 b/d. The preliminary supply figure for October was put at 1.68m b/d, around 70,000 b/d over the preliminary September figure. The current forecast for the fourth quarter stands at around 1.61m b/d.

In the Asia Pacific, oil supply is expected to average 640,000 b/d in 2007, up by 80,000 b/d over 2006 and unchanged from last month's OPEC assessment.

Australia's oil supply is expected to average around 560,000 b/d in 2007, which represents growth of 55,000 b/d over last year and virtually unchanged from last month's OPEC assessment.

New Zealand's supply performance is expected to add 25,000 b/d over the 2006 figure to reach a level of around 80,000 b/d.

In the developing countries, oil supply is forecast to reach a level of 11.55m b/d, which represents growth of 51,000 b/d over last year's figure and a downward revision of 21,000 b/d from last month's OPEC assessment.

Other Asia is expected to see expansion in supply of 28,000 b/d over 2006 to reach a level of 2.74m b/d in 2007.

Latin American oil supply is forecast to average 4.45m b/d in 2007, higher by 38,000 b/d than in over 2006 and a downward revision of 8,000 b/d compared with last month's OPEC assessment.

Africa's oil supply is expected to average around 2.68m b/d in 2007, representing growth of 77,000 b/d over last year and a downward revision of 5,000 b/d from OPEC's last assessment.

The Middle East is the only group which is expected to see a decline in supply this year of 92,000 b/d, contributed by Oman, Syria and Yemen.

Oil supply in the FSU is expected to average 12.56m b/d in 2007, which represents growth of 540,000 b/d over 2006 and a downward revision of 4,000 b/d from OPEC's last assessment.

Other Europe is forecast to see flat supply over 2006 at around 150,000 b/d, with China expected to perform well with growth of around 110,000 b/d over 2006 to reach a level of 3.80m b/d in 2007, unchanged from last month's OPEC assessment.

Russian oil supply is forecast to reach a level of 9.89m b/d in 2007, which represents growth of 239,000 b/d over last year, while oil supply in Kazakhstan is expected to expand by 56,000 b/d over to reach a level of 1.36m b/d, an upward revision of 9,000 b/d compared with last month's OPEC assessment.

Oil supply in Azerbaijan, based on latest data released, shows a downward revision for the second quarter of 25,000 b/d, resulting in an annual downward revision of 6,000 b/d. Supply growth is now expected to average 238,000 b/d over 2006 to reach a level of 890,000 b/d.

For 2008, non-OPEC supply is expected to average 51.26m b/d, an increase of 1.02m b/d over the 2007 figure and a downward revision of 71,000 b/d from last month's OPEC assessment. On a quarterly basis, non-OPEC oil supply next year is expected to average 51.29m b/d, 50.83m b/d, 50.83m b/d and 52.08m b/d, respectively.

Of the revisions for next year, in the US, the annual figure is now forecast at around 7.70m b/d, representing growth of 191,000 b/d over the 2007 forecast and a downward revision of 53,000 b/d from last month's OPEC assessment.

Canada's oil supply has been revised up by 87,000 b/d for next year, compared with last month's OPEC assessment. The annual average is now forecast at 3.41m b/d, representing growth of 28,000 b/d over the 2007 forecast.

Western Europe supply was revised down by 131,000 b/d to reach a level of 4.90m b/d for 2008, which represents a decline of 299,000 from the 2007 forecast.

Supply for Brazil has been revised down by 15,000 b/d with the annual figure now expected to reach 2.57m b/d, which still represents growth of 381,000 b/d over the 2007 figure.

In China, the annual figure is unchanged

compared with last month's OPEC assessment and is expected to reach a level of 3.83m b/d, which is 25,000 b/d over the 2007 figure.

OPEC oil production

Total OPEC crude oil production averaged 31.00m b/d in October, an increase of 267,900 b/d from the September figure, according to secondary sources. Excluding Angola and Iraq (who are not subject to production allocations), OPEC output averaged 27.01m b/d for the month, up by 156.800 b/d over September. Saudi Arabia contributed a significant increase of around 109,300 b/d to the total, while declines were seen in Nigeria and Iran.

In 2007, OPEC's production of natural gas liquids (NGLs) and non-conventional oils is expected to average 4.39m b/d, an increase of 330,000 b/d over 2006. In 2008, the annual figure is set to reach 4.91m b/d, up by 520,000 b/d over the forecast for 2007. Minor upward revisions have been made to non-conventional oils in 2007 and extended through 2008.

Downstream activity

Looking downstream, the OPEC report pointed out that, over the past two months, crude prices have outstripped product prices and undermined refining margins across the globe, especially for light sweet benchmark crudes.

"The current, relatively weak product market sentiment may change as we approach the peak demand season for heating oil, which could lift product prices and refinery margins," it noted.

However, it added that due to relatively comfortable middle distillate stocks, it is expected that over the near term the market will be driven by factors other than product price movements, "unless we face a severe winter in the Western Hemisphere or another round of unplanned refinery outages in the US."

Refining margins for benchmark WTI crude on the US Gulf Coast plummeted by $3.61/b to $3.80/b in October from $7.41/b the previous month. In Europe, margins for Brent crude in Rotterdam dropped by $1.91/b to $3.10/b from $5.01/b the previous month.

However, in Asia, the market did not follow suit. Refining margins for benchmark Dubai crude in Singapore surged by $2/b to $4.98/b in October from $2.98/b the previous month.

In October, refinery operation levels were negatively affected by annual plant turnarounds. The scheduled maintenance is set to continue until the end of November, but thereafter throughputs are expected to increase significantly, especially in the US.

As a result, the refinery utilization rate in the US declined by 0.3 per cent to 89.4 per cent in October from 89.7 per cent in September. In Europe, the rate also dropped – by 2.5 per cent to 82.7 per cent. In Asia, the situation was again different, with refinery operation levels improving in most countries.

Oil trade

Regarding oil trade, US crude oil imports declined in October by 3.5 per cent from the previous month, marking the lowest level since February. The decline came partially on the back of weather-related factors that affected production and exports from Mexico, the third-largest crude oil supplier to the US, in August. The drop in refinery runs in October also led to the decline in US crude oil imports. Additionally, the relatively high oil prices and the continued volatility discouraged some traders to import volumes from destinations far away from the US. As a result, US crude oil imports registered an annual decline of around five per cent in October.

On the other hand, US product imports increased by ten per cent in October from the previous month after declining for two consecutive months. Gasoline imports increased by around three per cent on the back of partially open arbitrage from Europe and the Asia-Pacific region, with demand increasing by around one per cent.

Distillate and kerosene imports rose by one per cent and five per cent, respectively, in October from the previous month, while imports of fuel oil remained at consistent levels.

With US oil exports remaining fairly steady in October, compared with the previous month, net oil imports remained steady as the decline in crude imports was offset by the increase in product imports. On an annual basis, net oil imports registered an increase of just under two per cent.

In Japan, according to preliminary data, crude oil imports increased by around nine per cent in October, compared with the previous month. The estimated rise was attributed to the preparation for winter demand with the usual increase in refinery throughput expected in the coming months.

Japan's product imports are expected to have suffered a decline of 3.5 per cent in October from the previous month. However, on an annual basis, product imports could have indicated a drop of around 22 per cent in October. However, imports of naphtha are estimated to have increased in Japan on the back of preparation for the post-maintenance period of petrochemical plants. Similarly, gasoline imports are estimated to be higher in October than in the previous month.

On the other hand, Japan's product exports are estimated to have declined by three per cent in October, compared with a month earlier.

Hence, Japan's total net oil imports were said to have surged by around 8.5 per cent in October from the previous month, supported by the increase in crude oil imports. However, despite the monthly increase, net oil imports indicated a decline of 5.5 per cent in October, compared with the same period last year.

Stock movements

Regarding stock movements, US total commercial oil stocks continued their downward trend, dropping by 7.4m b in October, the third consecutive decline, to stand at 1,014m b. More than 31m b, or around 350,000 b/d, have been drawn from stocks during the last three months. Consequently, the gap with the last five-year average has been narrowing

significantly to go from a surplus of 31m b in July to just 7m b in October.

The drop in inventories was attributed to crude oil, which fell 9m b to stand at 312m b, the lowest level since September 2005. Since reaching an all-time high of 354m b at the end of June, crude oil commercial stocks have lost around 43m b and the gap with the five-year average has fallen from a surplus of 41m b, or 13 per cent, to 5m b, or two per cent, for the corresponding period.

The draw on crude oil stocks was due to the sharp decline in imports, which fell 350,000 b/d to move below 10m b/d, the lowest level since last February. This was as a result of ongoing refining maintenance and bad weather.

US commercial oil stocks fell by 900,000 b in the week ending November 2 to stand at 1,014m b.

In contrast to crude oil, product inventories, driven by gasoline, reversed the trend of the previous two months and saw a build of 1.7m b to stand at nearly 702m b on the back of a modest increase in imports and slower demand. Gasoline stocks rose 3.8m b – the first build in four months – to stand at 195m b, but remained below the level seen at the same time last year and below the five-year average, although the deficit has narrowed.

On the other hand, distillate stocks remained stable at around 135m b, which corresponded to 7.5m b below last year, but 7.5m b above the five-year average.

Residual fuel oil and jet fuel stocks rose by 1.2m b and 500,000 b, respectively, but both remained below the five-year average.

Despite high crude oil prices, the US continued to replenish its Strategic Petroleum Reserve (SPR), using royalty-in-kind to compensate for crude withdrawals following hurricanes Katrina and Rita in 2005. A further 1.2m b was added in October to hit bring the total to 694m b, the highest level since August 2005. In addition, the Department of Energy (DOE) has plans to fill around 3.8m b in November-December and 70,000 b/d in the first half of 2008, in line with the policy to increase SPR capacity to one billion barrels.

Most recent data shows that US commercial oil stocks fell by 900,000 b in the week ending November 2 to stand at 1,014m b, which corresponds to 50m b, or five per cent, below last year's level, but 16m b, or two per cent, above the five-year average. Crude oil was the main driver of the decline after having dropped 800,000 b to nearly 312m b, the lowest in more than two years.

However, the deficit with the previous year remained at around 23m b, or seven per cent, but the surplus with the five-year average narrowed to less than 6m b, or two per cent. Nevertheless, when compared in terms of forward cover, crude oil stocks represented less than 21 days of cover corresponding to one per cent below the five-year average.

Similarly, gasoline stocks dropped 800,000 b, offsetting the gain of the previous week to stand at nearly 194m b, on the back of lower imports and production from refineries, which corresponded to 4m b, or two per cent, below the five-year average.

In contrast to gasoline and crude oil, distillate inventories rose 100,000 b to 135.4m b to stand at the upper end of the five-year average, implying a surplus of nearly 10m b, or eight per cent, over the five-year average.

European (EU-15 plus Norway) total oil stocks fell a further 16.2m b, or more than 500,000 b/d, in October to stand at 1,122m b, the lowest level since April 2005.

Products, particularly distillates, accounted for the bulk of the drop, due to longer-than-expected maintenance and unplanned outages, which slashed around 360,000 b/d in October, compared with the previous month.

The overhang from the five-year average narrowed to 11m b, or one per cent, compared with 75m b, or seven per cent, last May, when stocks reached an exceptionally high level.

Crude oil stocks continued their downward trend, dropping for the fifth consecutive time to hit 476m b, a decline of 4.7m b from the previous month. Despite a draw of 25m b since June, total crude oil stocks remained 6m b above the five-year average, but the gap is narrowing. The drop in crude oil stocks is attributed mainly to the cut from North Sea production, due to ongoing maintenance.

Product stocks, which fell 11m b due to tightness in the refining system, remained within the range of 5m b above the five-year average, but the picture is mixed when it comes to the category of products with gasoline remaining well below the lower end of the five-year average and distillates at the upper end of the range.

However, distillate stocks continued their downward trend and declined 10m b – the largest draw in almost 20 months – to stand at nearly 383m b, the lowest level so far this year.

In contrast, gasoline stocks inched up by 300,000 b to around 124m b, but have remained 11m b, or eight per cent, below the five-year average since the end of the second quarter of 2007.

Residual fuel stocks fell 2m b to 113m b, down more than 7m b, or six per cent, from a year earlier. The drop came as a result of refining maintenance, lower imports from Russia and strong demand from the Asia-Pacific, where the market remains bullish with prices hitting record highs.

Naphtha stocks remained unchanged at 26.4m b, representing a decline of 1.9m b from a year ago.

According to preliminary data, Japanese commercial oil stocks recovered moderately in October and have increased by 8m b during the week-ending November 3 with crude oil contributing 6.8m b, or 85 per cent. The build in products was attributed to fuel oil while gasoline and distillate stocks remained almost unchanged from the previous week.

Table A: World crude oil demand/supply balance														*m b/d*
World demand	**2003**	**2004**	**2005**	**2006**	**1Q07**	**2Q07**	**3Q07**	**4Q07**	**2007**	**1Q08**	**2Q08**	**3Q08**	**4Q08**	**2008**
OECD	48.6	49.4	49.7	49.3	49.8	48.2	48.8	50.3	49.3	50.3	48.2	48.7	50.8	49.5
North America	24.5	25.4	25.5	25.3	25.7	25.4	25.5	25.7	25.6	26.0	25.6	25.6	26.1	25.8
Western Europe	15.4	15.5	15.6	15.6	15.3	15.0	15.5	15.8	15.4	15.5	14.9	15.4	15.9	15.4
Pacific	8.6	8.5	8.6	8.4	8.8	7.8	7.8	8.8	8.3	8.9	7.7	7.7	8.9	8.3
Developing countries	20.6	21.8	22.5	23.3	23.7	24.0	24.0	24.1	23.9	24.3	24.5	24.6	24.7	24.5
FSU	3.7	3.8	3.9	3.9	3.9	3.7	4.0	4.3	4.0	3.9	3.8	4.1	4.4	4.0
Other Europe	0.8	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	0.9	0.9	1.0
China	5.6	6.5	6.5	7.1	7.5	7.8	7.7	7.4	7.6	7.8	8.1	8.2	7.8	8.0
(a) Total world demand	**79.3**	**82.3**	**83.5**	**84.5**	**85.8**	**84.6**	**85.4**	**87.0**	**85.7**	**87.3**	**85.6**	**86.4**	**88.6**	**87.0**
Non-OPEC supply														
OECD	21.7	21.3	20.5	20.2	20.5	20.2	20.0	20.4	20.3	20.6	20.0	19.8	20.7	20.3
North America	14.6	14.6	14.1	14.2	14.4	14.5	14.3	14.5	14.4	14.7	14.3	14.4	14.9	14.6
Western Europe	6.4	6.2	5.8	5.4	5.5	5.2	5.0	5.2	5.2	5.2	4.9	4.6	4.9	4.9
Pacific	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.7	0.8	0.8	0.9	0.8
Developing countries	10.7	11.0	11.3	11.5	11.5	11.5	11.5	11.7	11.5	11.8	11.9	12.0	12.1	12.0
FSU	10.3	11.1	11.5	12.0	12.5	12.4	12.5	12.8	12.6	12.9	13.0	13.1	13.4	13.1
Other Europe	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.4	3.5	3.6	3.7	3.8	3.8	3.8	3.8	3.8	3.9	3.8	3.8	3.8	3.8
Processing gains	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2.0	1.9	1.9	2.0	1.9
Total non-OPEC supply	48.1	49.0	49.0	49.4	50.3	50.0	49.8	50.8	50.2	51.3	50.8	50.8	52.1	51.3
OPEC NGLS and non-conventionals	3.7	4.0	4.1	4.1	4.2	4.3	4.4	4.6	4.4	4.7	4.8	4.9	5.1	4.9
(b) Total non-OPEC supply and OPEC NGLS	**51.8**	**53.0**	**53.1**	**53.5**	**54.5**	**54.4**	**54.2**	**55.4**	**54.6**	**56.0**	**55.7**	**55.8**	**57.2**	**56.2**
OPEC crude supply and balance														
OPEC crude oil production[1]	27.8	30.0	31.1	30.9	30.0	30.1	30.5							
Total supply	79.6	83.0	84.2	84.4	84.5	84.5	84.7							
Balance[2]	0.3	0.7	0.7	-0.1	-1.3	-0.1	-0.7							
Stocks														
OECD closing stock level *m b*														
Commercial	2517	2547	2597	2679	2600	2669	2648							
SPR	1411	1450	1487	1499	1503	1504	1517							
Total	3928	3998	4083	4177	4103	4173	4165							
Oil-on-water	882	905	958	910	911	905	*na*							
Days of forward consumption in OECD														
Commercial onland stocks	51	51	53	54	54	55	53							
SPR	29	29	30	30	31	31	30							
Total	80	80	83	85	85	86	83							
Memo items														
FSU net exports	6.5	7.3	7.7	8.1	8.6	8.7	8.5	8.5	8.6	9.0	9.3	9.0	9.0	9.1
[(a) – (b)]	**27.5**	**29.3**	**30.4**	**31.0**	**31.3**	**30.2**	**31.2**	**31.6**	**31.1**	**31.4**	**30.0**	**30.7**	**31.4**	**30.8**

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

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

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

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables One and Two*** *on page 92 while* ***Graphs One and Two*** *(on page 93 show the evolution on a weekly basis.* ***Tables Three to Eight****, and the corresponding graphs on pages 94–95 show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*

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

$/b

Crude/Member Country	2006 Oct	Nov	Dec	2007 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Weeks 40–44 (week ending) Oct 5	Oct 12	Oct 19	Oct 26	Nov 2
Arab Light – Saudi Arabia	55.64	55.53	57.70	50.86	54.29	58.08	62.83	64.15	65.92	71.05	68.76	74.28	79.31	75.28	75.90	80.57	82.00	86.14
Basrah Light – Iraq	51.53	52.31	55.23	47.64	51.19	55.99	59.74	61.79	64.09	70.53	66.83	72.14	77.47	73.05	73.88	79.06	80.05	84.45
BCF-17 – Venezuela	46.99	46.86	48.56	42.68	48.04	50.27	54.93	56.06	60.68	65.79	62.78	66.35	72.20	68.23	68.82	73.79	74.36	79.15
Bonny Light – Nigeria	58.75	60.32	64.28	56.18	59.58	64.59	70.01	70.03	74.45	79.21	73.34	79.87	85.60	81.07	82.05	87.57	87.45	93.29
Es Sider – SP Libyan AJ	56.20	57.32	60.73	52.08	55.83	60.60	66.06	66.03	70.25	75.81	69.84	76.07	81.80	77.27	78.25	83.77	83.65	89.65
Girassol – Angola				51.99	56.66	60.77	66.44	66.52	69.00	74.42	69.81	75.48	80.23	75.79	76.35	81.76	82.72	87.95
Iran Heavy – IR Iran	53.27	53.97	55.75	47.91	51.87	56.39	61.41	62.72	64.77	69.65	66.60	72.63	77.30	73.46	74.03	78.42	79.75	84.09
Kuwait Export – Kuwait	53.02	53.56	55.69	48.42	52.33	56.22	61.07	62.06	63.61	67.73	65.91	71.94	76.33	72.64	73.19	77.43	78.78	82.90
Marine – Qatar	57.15	57.33	59.25	52.58	55.86	59.39	64.79	65.34	66.15	70.20	69.43	73.78	78.68	75.80	75.69	79.03	80.76	85.09
Minas – Indonesia	54.87	56.93	62.55	55.39	58.44	62.83	68.74	68.12	68.41	76.88	73.67	76.98	84.96	81.05	81.01	85.80	87.84	92.43
Murban – UAE	61.04	60.94	63.12	56.42	59.58	63.19	68.39	69.21	70.74	74.40	71.80	77.16	81.98	78.45	79.01	82.92	84.20	88.20
Saharan Blend – Algeria	58.55	59.77	63.55	55.78	59.58	64.30	69.71	70.13	74.05	78.21	73.44	78.60	84.45	79.92	80.90	86.42	86.30	92.30
OPEC Reference Basket	**54.97**	**55.42**	**57.95**	**50.79**	**54.56**	**58.59**	**63.55**	**64.48**	**66.89**	**71.89**	**68.71**	**74.18**	**79.36**	**75.33**	**75.97**	**80.71**	**81.75**	**86.35**

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

$/b

Crude/country	2006 Oct	Nov	Dec	2007 Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Weeks 40–44 (week ending) Oct 5	Oct 12	Oct 19	Oct 26	Nov 2
Arab Heavy – Saudi Arabia	50.49	51.54	53.72	46.15	50.21	54.40	59.16	60.07	61.44	64.99	63.55	69.86	73.99	70.50	71.02	75.01	76.31	80.39
Brega – SP Libyan AJ	57.50	58.62	62.23	53.78	57.53	62.30	67.71	67.73	71.90	77.36	71.29	77.42	83.10	78.57	79.55	85.07	84.95	90.95
Brent – North Sea	57.80	58.62	62.23	53.78	57.43	62.15	67.51	67.38	71.55	77.01	70.74	76.87	82.50	77.97	78.95	84.47	84.35	90.35
Dubai – UAE	56.36	58.92	62.33	53.68	55.61	58.80	63.97	64.59	65.79	69.49	67.36	73.36	77.12	73.58	74.07	78.07	79.54	83.57
Ekofisk – North Sea	58.17	56.72	58.69	51.92	58.41	62.84	67.73	68.36	72.09	77.76	72.00	78.08	83.38	78.82	79.61	85.06	85.72	91.03
Iran Light – IR Iran	55.42	59.15	62.17	53.93	53.64	57.92	63.87	64.05	67.99	73.70	69.34	74.88	79.74	75.78	76.19	80.86	81.95	87.21
Isthmus – Mexico	52.46	55.39	56.98	49.12	53.48	56.78	60.60	60.60	65.40	71.11	66.60	72.65	78.79	74.50	75.54	80.80	80.91	85.33
Oman -Oman	57.32	53.34	56.82	48.90	55.82	59.19	64.45	65.04	66.08	70.09	68.34	73.56	77.55	74.12	74.67	78.64	79.77	83.70
Suez Mix – Egypt	52.91	57.37	59.35	52.38	51.38	56.16	61.27	61.34	65.42	71.44	66.94	71.41	76.90	72.44	73.51	78.24	79.03	84.78
Tia Juana Light[1] – Venez.	48.05	53.60	55.05	47.19	51.82	54.90	58.60	58.54	63.31	68.98	64.93	70.69	76.90	72.71	73.73	78.86	78.97	83.23
Urals – Russia	55.68	51.63	54.89	47.83	53.82	58.81	63.92	64.29	67.83	73.90	69.25	73.78	79.52	74.80	75.96	80.99	81.88	87.54
WTI – North America	58.82	55.95	57.95	50.13	59.21	60.63	63.85	63.46	67.44	73.98	72.37	79.69	85.87	80.62	81.48	87.77	89.56	93.46

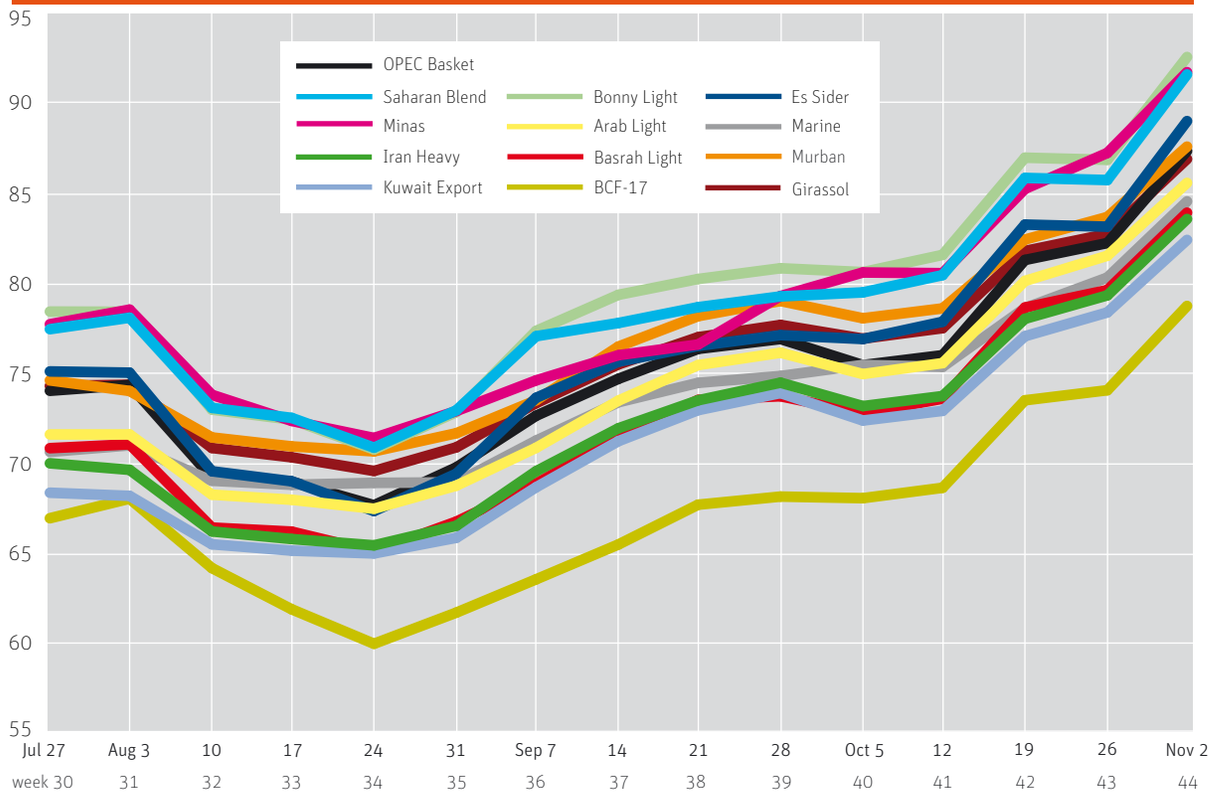
Note: As per the decision of the 108th ECB, the basket has been recalculated including the Angolan crude Girassol, retroactive January 2007. As of January 2006, monthly averages are based on daily quotations (as approved by the 105th Meeting of the Economic Commission Board). As of June 16, 2005 (ie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

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

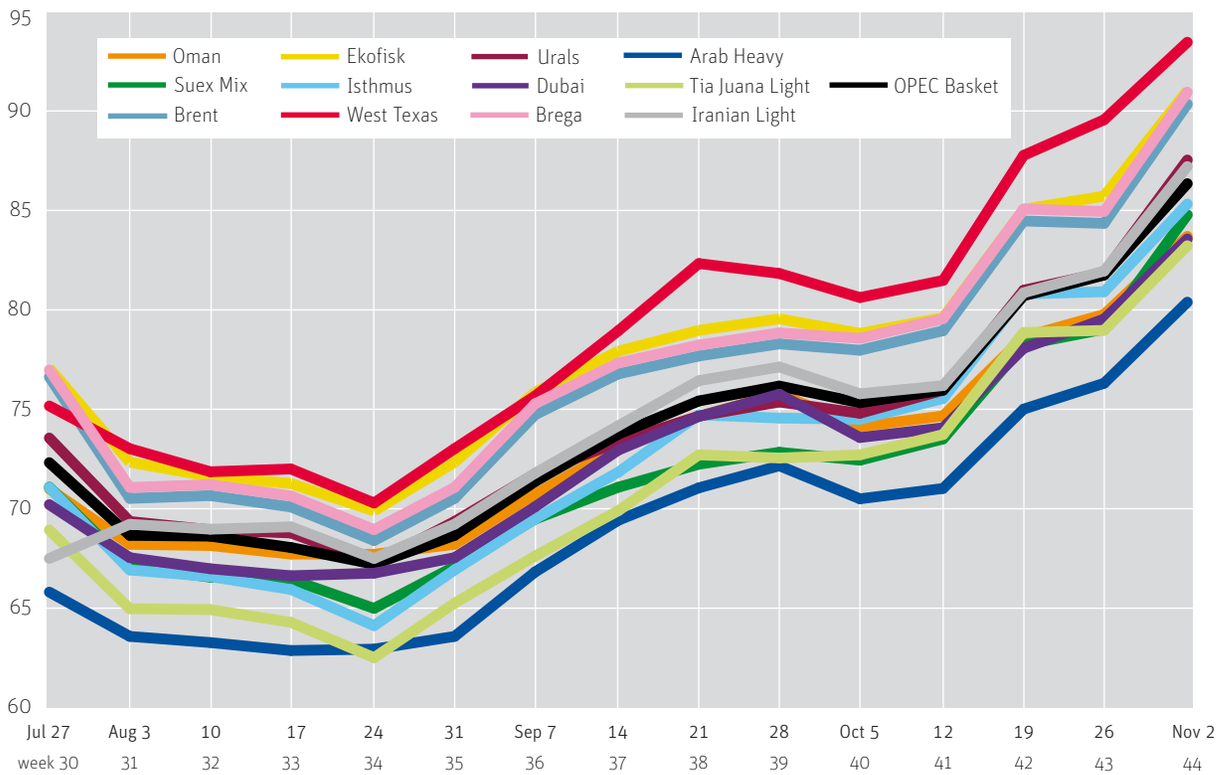
Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.

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

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



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



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

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

$/b

		naphtha	regular gasoline unleaded	premium gasoline 50ppm	diesel ultra light	jet kero	fuel oil 1%S	fuel oil 3.5%S
2006	October	66.51	59.57	67.12	74.92	73.68	37.91	39.25
	November	67.40	61.17	69.11	74.53	73.81	38.69	38.70
	December	71.49	64.58	72.94	75.60	78.27	37.32	37.82
2007	January	66.59	57.72	65.11	67.79	70.78	36.04	33.81
	February	72.25	63.74	71.76	72.51	73.96	34.67	37.99
	March	79.22	73.41	82.57	76.23	76.82	39.24	40.35
	April	86.19	83.57	93.90	81.65	82.71	42.91	46.46
	May	90.03	89.81	100.00	81.72	83.79	45.66	47.33
	June	87.58	85.13	97.59	85.50	87.00	46.72	48.83
	July	89.84	84.15	96.78	89.12	90.01	52.66	54.01
	August	84.70	78.85	90.16	86.40	87.03	54.39	52.23
	September	91.24	84.36	94.47	94.83	93.42	54.49	55.65
	October	97.94	86.55	97.25	99.44	100.40	64.34	62.26

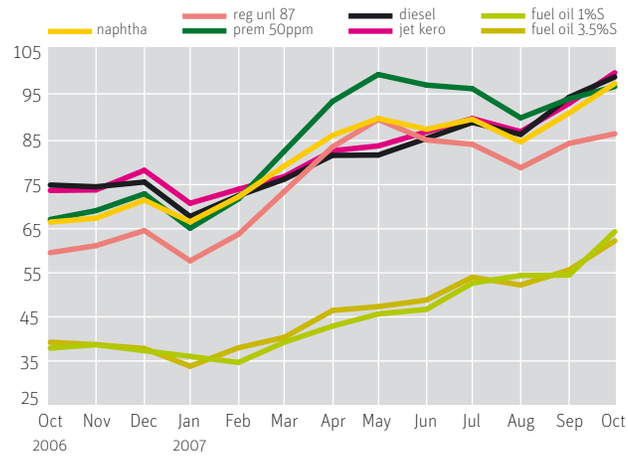


Table and Graph 4: South European market — spot cargoes, fob Italy

$/b

		naphtha	premium gasoline 50ppm	diesel ultra light	fuel oil 1%S	fuel oil 3.5%S
2006	October	55.46	67.91	73.68	38.41	37.96
	November	56.16	70.33	74.31	38.29	37.49
	December	59.44	73.54	75.64	38.42	37.37
2007	January	54.77	64.62	66.93	34.63	34.49
	February	59.53	71.82	70.87	38.20	37.30
	March	65.29	82.23	74.98	41.45	40.93
	April	71.19	93.67	81.44	47.01	46.53
	May	74.42	101.00	82.85	49.97	46.49
	June	72.68	97.63	85.44	52.59	48.68
	July	75.51	96.51	89.63	58.29	53.68
	August	71.54	89.06	87.56	55.92	52.70
	September	77.52	93.63	95.31	58.59	56.10
	October	82.97	96.73	99.29	64.04	62.37

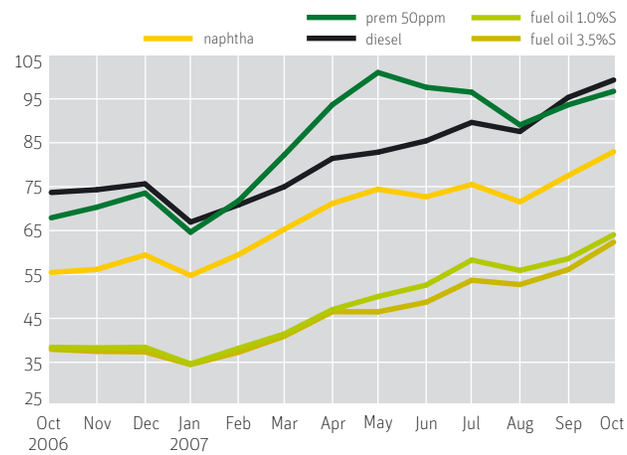
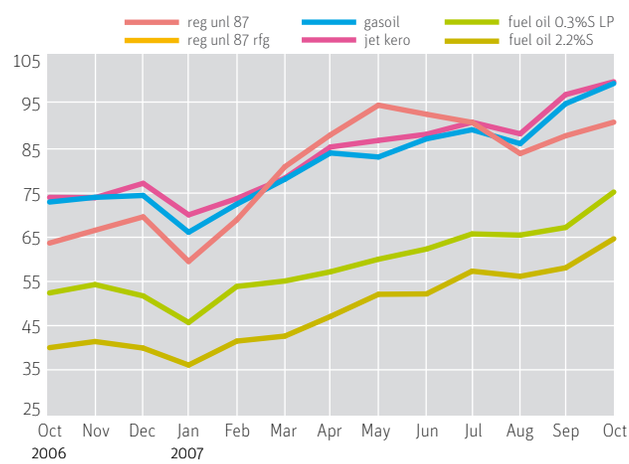


Table and Graph 5: US East Coast market — spot cargoes, New York

$/b, duties and fees included

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 2.2%S
2006	October	63.69	72.98	74.03	52.40	40.01
	November	66.58	74.04	73.96	54.29	41.40
	December	69.62	74.46	77.21	51.73	39.92
2007	January	59.52	66.13	70.07	45.71	36.07
	February	68.93	72.49	73.77	53.86	41.49
	March	80.96	78.14	78.39	55.10	42.63
	April	88.17	84.08	85.43	57.18	47.06
	May	94.90	83.17	86.92	60.03	52.09
	June	92.84	87.29	88.32	62.34	52.18
	July	91.00	89.34	91.03	65.76	57.33
	August	83.95	86.19	88.42	65.49	56.16
	September	87.97	95.23	97.29	67.22	58.08
	October	91.05	99.82	100.20	75.24	64.66



Source: Platts. Prices are average of available days.

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

$/b

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2006	October	61.31	69.90	73.81	36.01	35.93
	November	62.44	69.83	73.86	37.40	37.24
	December	63.97	70.72	76.90	35.92	34.92
2007	January	57.18	63.61	70.10	32.07	37.14
	February	65.59	69.62	74.07	37.49	37.14
	March	72.12	72.12	78.27	38.63	38.22
	April	88.22	77.36	86.11	43.06	42.90
	May	81.49	81.02	87.42	48.09	48.03
	June	78.14	83.37	88.28	48.18	48.05
	July	77.87	86.29	90.57	53.33	53.28
	August	74.95	83.03	88.49	52.16	52.11
	September	84.08	91.46	96.31	54.06	54.03
	October	85.92	95.79	100.35	60.66	60.61

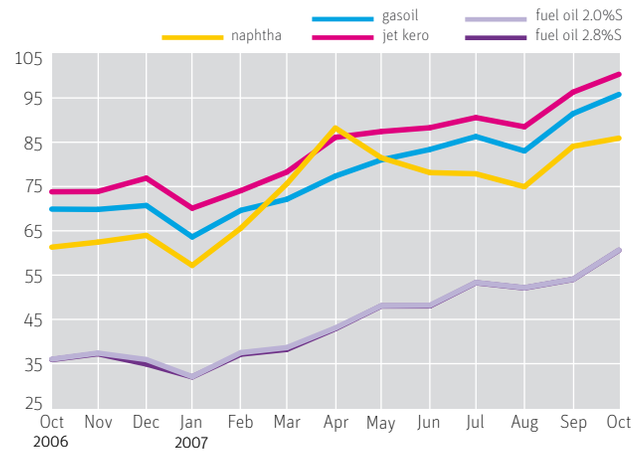


Table and Graph 7: Singapore market – spot cargoes, fob

$/b

		naphtha	premium gasoline unl 95	premium gasoline unl 92	diesel ultra light	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2006	October	56.03	61.83	61.21	73.12	74.02	42.46	42.40
	November	57.66	62.89	62.14	72.04	73.63	40.53	39.84
	December	60.54	68.16	67.03	74.14	77.42	41.47	40.34
2007	January	56.79	61.59	60.31	69.71	71.77	41.23	40.24
	February	63.81	66.80	65.73	72.22	71.77	44.95	43.70
	March	70.56	76.62	75.52	75.94	75.02	46.26	45.48
	April	74.22	83.49	82.69	83.18	80.91	51.24	50.87
	May	76.73	88.77	87.96	84.47	82.14	51.34	50.82
	June	73.12	84.79	83.82	85.67	83.75	53.37	53.03
	July	75.10	85.35	84.36	89.57	87.16	57.53	57.39
	August	71.34	77.15	76.05	86.33	84.28	56.34	55.71
	September	75.28	82.51	81.35	93.78	90.44	58.90	58.15
	October	81.18	88.71	87.46	98.11	96.62	65.70	65.67

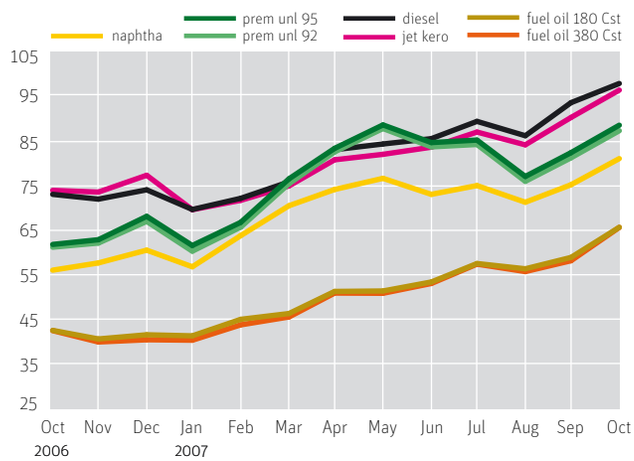
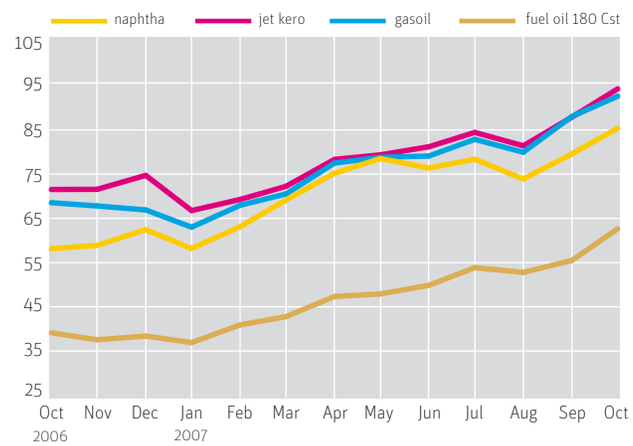


Table and Graph 8: Middle East Gulf market – spot cargoes, fob

$/b

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2006	October	58.12	68.54	71.53	39.12
	November	58.90	67.80	71.56	37.55
	December	62.45	66.90	74.72	38.38
2007	January	58.19	63.00	66.76	36.91
	February	63.11	67.96	69.27	40.90
	March	69.14	70.52	72.24	42.77
	April	75.19	77.50	78.33	47.32
	May	78.52	78.79	79.36	47.92
	June	76.39	79.09	81.19	49.86
	July	78.36	82.85	84.43	53.85
	August	73.90	79.95	81.40	52.78
	September	79.57	88.02	87.89	55.48
	October	85.38	92.62	94.29	62.64



Source: Platts. Prices are average of available days.

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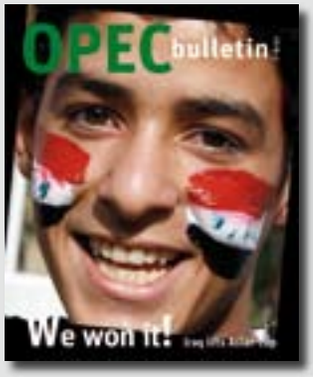

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