No time for complacency

The OPEC Fund for International Development increases funding against HIV/AIDS with fresh approvals

In the world of oil and oil markets one might wonder what OPEC Member Countries have to do with combating the spread of AIDS. The answer should not come as a surprise to those who know OPEC well, because over the past 29 years, its sister organization, the OPEC Fund for International Development has given more than $330.5 million in grant assistance for a host of important activities, including the global campaign against HIV/AIDS.

Since 2001, the Fund has committed over $26m from the $35m set aside for the AIDS cause. In effect, this means that in the four years since the HIV/AIDS account was launched, commitments under it have grown to represent more than eight per cent of the Fund's total, cumulative grant approvals.

It was the disparities that existed between the Northern and Southern Hemispheres in the 1970s, and the concern at the gap between the 'haves' and 'have-nots' which prompted the Member Countries of OPEC to found the OPEC Fund to address the needs of societies and people less fortunate than themselves. Although the Fund was established at the height of the North/South debate, little has changed since in the way wealth and indeed health are distributed across our planet.

The HIV/AIDS pandemic is claiming lives and decimating families and communities the world over. It is also having a devastating impact on the economies of developing countries, by depleting the workforce and hindering productivity. Its destructive impact is well-documented, but this recognition needs to be backed up by greater commitment and concrete action.

HIV/AIDS is often tainted by cynicism and doubt. However, doubt should not be allowed to play a part in trying to help improve the welfare of others; rather hope must be high on the agenda, and it's in this sense that the Member Countries of OPEC and the OPEC Fund have continued to pledge financial assistance to those in need.

The world has known about HIV for over 25 years now, and yet the battle against the spread of the virus is as urgent now as it has ever been. The statistics make for worrying reading, as many experts say that little has improved in terms of infection rates and combating the spread of the disease, especially in developing countries, and in particular in Africa. Increasingly, women are the victims of HIV/AIDS, which is a terrible indictment of those who continue to ignore the severity of the virus or the status of women in society.

It has been recognized that education is the key to success because the disease can only be slowed if people are willing to take the necessary precautions and responsibilities associated with halting transmission of the virus. Governments around the world should be on high alert because, cultural issues aside, the losses to the world's labour force and productivity through premature death should itself be enough to combat any inertia in dealing with the virus in a systematic and effective way.

OPEC's sister organization, the OPEC Fund, recognizes this and continues to give to the cause. The latest commitments, totalling $7.75m and approved and signed at the March Session of the Fund's Governing Board, will co-finance three major initiatives: with the International Labor Organization, the World Health Organization and UNESCO.

OPEC bulletin

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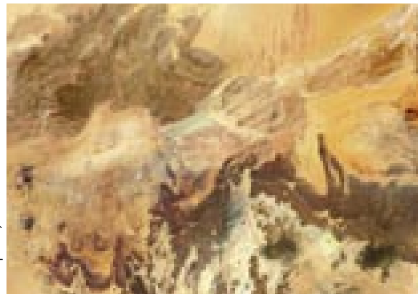

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This month's cover shows people lighting candles to mark World AIDS Day in Manila (see Feature on pp8-15).
Photo: Reuters/Erik de Castro

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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 co-ordinate and unify petroleum policies among Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry. The Organization comprises the five Founding Members and six other Full Members: Qatar (joined in 1961); Indonesia (1962); SP Libyan AJ (1962); United Arab Emirates (Abu Dhabi, 1967); Algeria (1969); and Nigeria (1971). Ecuador joined the Organization in 1973 and left in 1992; Gabon joined in 1975 and left in 1995.

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The following is an edited version of a speech delivered by European Union (EU) Energy Commissioner, **Andris Piebalgs,** at the inaugural session of the EU-Gulf Co-operation Council (GCC) Forum Conference held in Kuwait City, on April 2, 2005.

Andris Piebalgs (pictured) has been EU Energy Commissioner since November 2004. Born in Latvia in 1967, Piebalgs previously headed the Cabinet of the Latvian Commissioner. Before joining the European Commission, he worked as Ambassador of Latvia in Estonia and to the EU as well as Under-Secretary of State for EU Affairs at the Ministry of Foreign Affairs in Latvia. He has also held the positions of Minister of Education and Minister of Finance in Latvian governments.

I am honoured to participate in this inaugural session jointly organised by the European Union, the Energy Ministry of Kuwait and the Gulf Co-operation Council. I am very pleased to visit this region shortly after the beginning of my mandate as European Commissioner for Energy and I am grateful to the Minister for Energy for the warm welcome in Kuwait.

In my opening speech I would like to briefly touch upon three main issues: first, consider international collaboration as an effective basis for energy policy development; second, assess the way towards strengthening of the EU-GCC co-operation, and, third, I would like to outline priorities for the EU relations with the GCC.

Today, mutual energy concerns are bringing countries together. Two of the three founding treaties of the European Communities have been based on energy — the European Coal and Steel Community and EURATOM.

The new EU constitutional treaty, actually in a ratification process by EU member states, recognises energy as an issue of common community interest. The energy chapter is focusing, among other things on security of supply.

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Common solutions

The Gulf Co-operation Council is an excellent illustration of how energy challenges cross national borders and domestic politics. In Asia, South America, Africa and within the OECD framework, governments are coming together to look for common solutions to common energy questions, such as security of supply, clean technology, market transparency and environmental protection. I welcome these developments.

The challenges facing both energy producers and consumers are complex and numerous. We are more likely to succeed by working together than by working separately.

Over recent years, the EU has refined its approach to international relations. Based on mutual respect and security, our policy is to work closely with partners in pursuit of common goals and interests.

We are working closely with the United Nations in pursuit of the goals set out in our Strategic Partnership with the Mediterranean and the Middle East.

Photo: European Commission

Andris Piebalgs (l) with the Kuwaiti Minister of Energy and President of the OPEC Conference, Sheikh Ahmad Fahad Al-Ahmad Al-Sabah.

I am pleased that our approach is being taken up by our partners. The EU-GCC Ministerial meeting last May provided a timely contribution to our strategic review. And at last year's Summit, the Arab League announced its determination to co-operate with the international community to ensure the prosperity and development of the Arab states and people. More recently, OPEC agreed to pursue a closer and more structured dialogue with the EU on a wide range of energy market questions.

International collaboration plays an important role in our energy policies for reasons which can be summed up in three phrases. They are import reliance; globalisation of markets; and sustainable development.

The EU is reliant on imports for half of its energy supply. Three quarters of our oil and 40 per cent of our gas demand is met by imports. By 2030, this dependence is expected to have increased to 90 per cent for oil and 70 per cent for gas in the EU of 25 member states.

The Middle East has traditionally been one of our principal suppliers. All the major scenarios suggest that the Middle East will continue to dominate world oil supply and will become increasingly important in world gas supply in the medium term future. The lesson is clear: we cannot achieve energy supply security without strong international relations, particularly in the Gulf region.

The recent rise in international oil prices reflects the challenges which the globalisation of the energy markets raises. In a globalised world, the EU's supply security depends not only on the policies we pursue at home. We must also deal with energy market developments outside Europe. Rising demand, competition for contracts, the route of new international pipelines — each of these developments has an impact, direct and indirect, on energy supply prospects in Europe.

The EU is affected by all these developments in the international energy scene. For example, excessive oil price spikes and dips have an impact on the economies of our countries and the well-being of our citizens. The exchange rate of our currency, the Euro, is partially limiting the negative effects of recent oil price rises on European economy, but still they remain important issues and challenges to welfare levels and fiscal stability in Europe.

Market transparency

Such adverse economic effects are felt by both consumers and producers of oil and gas.

We all need efficient means for ensuring that the oil price better reflects the market fundamentals. Ensuring market transparency is essential. Market data about hydrocarbon reserves, production capacities, including spare capacities for coping with unpredicted demand, stocks and related investments need to be known by both producers and consumers and should be reliable.

We have to explore and better understand the role of speculation in the oil future price setting mechanisms — the International Petroleum Exchange in London and NYMEX in New York. We accept the financial role of these Petroleum Exchange Institutions but oil prices cannot become hostages of speculation.

And now the challenge of sustainable development.

The EU has taken the international lead in securing support for Kyoto and in promoting more sustainable energy policies at home and overseas. Europe's commitment to the Kyoto process, now and in the future, will not change.

But we cannot achieve sustainable development on our own. As Energy Commissioner, I have placed energy efficiency at the top of my agenda. Worldwide we need a very significant improvement in energy efficiency, if we are to have any hope of reducing CO_2 emissions and protecting our climate, while sustaining growth.

> “OPEC agreed to pursue a closer and more structured dialogue with the EU on a wide range of energy market questions.”

It is in all of our interests to improve energy efficiency and diversify energy supply. Not only will they help us to achieve energy policy objectives — including security of supply and the climate protection, but they can also bring substantial economic benefits — lower energy bills, more jobs and better enterprises and innovation opportunities.

In this regard, my intention is to establish on the EU level a technology platform for CO_2 capture and storage, a project in which at a later stage we would very much welcome international co-operation.

The EU benefits from some of the most advanced energy technology in the world. Yet even here the potential for better energy use is considerable. Around one fifth of our energy is squandered. One of my ambitions is to change this. And if other regions of the world — both producers and consumers — will co-operate on pursuing improved energy efficiency, the benefits will be multiplied.

Sharing technology

Europe has also been at the forefront of new oil and gas technologies for over 20 years. Our research programmes have stimulated the development of new technologies in the areas of exploration, drilling and extraction.

I know that our partners in producing countries are interested in these advances. It is in both our interests to share expertise and closely co-operate in these areas. In the downstream sectors of the oil and gas industry we are also facing common challenges.

For example, the EU was recently heavily affected by maritime transportation accidents including crude oil and oil products.

To this end, the replacement of maritime oil transportation by pipelines, where feasible, is an option that the EU encourages. In oil and gas processing and refining, our co-operation is on the right track but I think that it should be stronger.

But oil trade between the EU and the GCC is not the only issue. The EU is more and more reliant on natural gas. The share of natural gas in the overall EU energy balance is expected to increase. Electricity generation is the major growing use of natural gas. Both markets, natural gas and electricity, are in a progressive opening process in the framework of EU liberalisation directives and should in the near future form the most integrated and performing markets for electricity and gas in the world. This is a clear opportunity for natural gas producers.

International collaboration, and our relationship with the GCC, is important for our supply security. But it goes much further than that. It is part of our wider agenda for a safer, more stable and sustainable world.

And now, as a last point of my intervention, I would like to consider the priorities for the EU relations with the GCC. Working together with our partners, the EU will play its part in addressing the common challenges, including economic growth and stability, good governance, as well as security of energy supply, energy demand management and sustainable development.

Our first priority is to increase energy trade relations between the two regions. This implies concluding and implementing the Free Trade Agreement between the GCC and the EU as soon as possible. The agreement will help the two regions to fully develop and exploit their commercial potential.

We should also study the extension of the energy part of this agreement towards the wider Mediterranean, perhaps through a link with the Euromed. The ongoing integration of the energy markets of the Euromed region, in the near future, will call for an extensive co-operation with the GCC region.

The effective integration of the Euromed networks of natural gas and electricity will have to include the active participation of the GCC countries.

Our second priority is to support continuing administrative and market reforms related to the energy sector in the GCC region. On the basis of the EU successful experience, the EU will continue to support reforms in trade, enterprise and environmental policies in its partner countries.

A third important area relates to infrastructure links within the Middle East and with the EU. Here, we should foster energy, transport and telecommunications interconnections.

We should also study future linkages with our networks.

We share a common future. A future in which energy and other products can trade freely between our two regions, and one in which the talents of our people, the potential of our industry and the strength of our innovation will bring mutual benefits to society. But to get there will take time and commitment. The EU is committed to the task. And I am sure that I can count on the commitment of our partners as we jointly address the challenges we face and work for a more stable and secure future.

OPEC Fund gives over $7 million

The OPEC Fund for International Development signed three agreements in March with various aid organizations totalling $7.75 million as part of its ongoing effort to combat the spread of AIDS in Asia, Africa, Latin America and the Caribbean. Globally, over 40m people are living with HIV/AIDS, including at least 26m who are in their prime productive years. The impact on human capital is grave, with virus-induced incapacity and death eroding

Photo: Reuters/Radu Sigheti

Effective education about AIDS trickles right down to tribal societies, where in Kenya, the ancient initiation rites necessary for the passage of manhood of the Masai have been changed to prevent HIV/AIDS spreading.

towards HIV/AIDS

the labour force and reducing productivity. For the worst affected countries, the International Labour Organization (ILO) has calculated a likely workforce loss of between ten and 30 per cent by the year 2020.

For developing countries, the pandemic represents a serious hindrance to socio-economic growth, which the Fund has recognized by becoming an active partner in the global battle against the virus.

In June 2001, the Fund established a Special Grant Account for HIV/AIDS operations with accumulated funds of $35m to co-finance projects with lead agencies, including UNAIDS, the World Health Organization, the United Nations Population Fund and the International Federation of Red Cross and Red Crescent Societies. To date, over $21m has been committed in support of priority activities in 58 countries worldwide.

The agreements signed in March by the OPEC Fund were with UNESCO ($2.25m); the ILO ($2m); and the World Health Organization (WHO) ($3.5m).

Photo: Reuters/Claro Cortes

A Chinese couple in front of an AIDS awareness poster at a subway station in Beijing.

Education key to combat virus

The $2.25m agreement signed by the heads of the OPEC Fund for International Development and UNESCO was to launch a joint HIV/AIDS initiative in 12 Asian countries, which aims to reduce infection among young people by integrating prevention awareness into national education programmes.

In Asia, an estimated 8.2m people were living with the virus by the end of 2004, including 1.2m new cases of infection that year, the Fund said.

The Director-General of the OPEC Fund, Suleiman Jasir Al-Herbish, said at the time of the signing that the statistics on the status of the pandemic worldwide were alarming.

"The latest trends are indeed worrisome and leave no room for complacency," Al-Herbish said.

"We strongly believe that education has a key role to play in the prevention of HIV infection and mitigation of its impact," he added.

The Director-General of UNESCO, Koïchiro Matsuura, agreed that education was a key element in preventing HIV and AIDS, which he said was "one of the most daunting public health challenges in human history."

"Through this joint initiative UNESCO, the OPEC Fund for International Development and national partners will support countries as they develop and scale-up comprehensive education sector responses to HIV and AIDS, with a focus on children and young people, especially those who are most vulnerable," he said.

The two-year project seeks to develop and implement a generic programme on HIV/AIDS prevention education that is simple and standardized, yet comprehensive and sensitive to the particulars of each country, as well as adaptable to each community.

The targeted countries are Afghanistan, Bangladesh, Cambodia, Jordan, Lao PDR, Lebanon, Syria, Uzbekistan, Vietnam, China, Kazakhstan and Thailand. All share common obstacles in their fight against the pandemic: access to healthcare services is poor, there is limited or no reproductive health education in schools, and little exists in the way of easily understood information material.

Activities to be carried out under the two-year project include: the development of advocacy materials for senior policy makers to help them devise appropriate strategies; the strengthening of national and local capacity

Photo: Reuters/Supri

Indonesians display red ribbons on rubber gloves during an anti-aids rally in Jakarta.

to implement effective education programmes; the promotion of HIV prevention education through the media; the strengthening of tools to measure the impact of prevention education; and the scaling up of HIV prevention education in schools.

Workplace ideal for prevention activities

The workplace is also recognized as an effective setting for HIV/AIDS prevention activities. As well as being a key place of contact with the most afflicted age group, it is an accepted source of authoritative messages and has a tradition of training and education.

Accordingly, the OPEC Fund approved a grant of $2m to jointly finance a project with the International Labour Organization (ILO) for the development of workplace policies and programmes to prevent the spread of HIV/AIDS. The $4m, multiregional initiative will be carried out in 12 selected countries in Africa, Latin America and the Caribbean.

The joint OPEC Fund/ILO initiative aims to sensitize government ministries, workers' and employers' organizations and associated civil society organizations to HIV/AIDS as a workplace issue and, through a process of collaboration, to develop policies and programmes that will allow the integration of HIV/AIDS prevention and care into the workplace.

The outcome of the two-year project is expected to be raised awareness and understanding of the disease, greater support to those infected and less discrimination among employers.

Strengthening of health systems

Apart from the vital education programmes needed to combat the virus, the availability of adequate health services to help ease suffering and prolong the lives of those living with HIV/AIDS are also essential.

A grant of $3.5m towards a joint OPEC Fund/WHO Project on Integrating HIV/AIDS Treatment in Health Systems in Africa was signed by the Fund last month to strengthen the capacity of national health systems to design and implement strategies for the treatment of HIV/AIDS, in particular antiretroviral therapy.

The six concerned countries are Angola, Benin, Cameroon, Côte d'Ivoire, Ghana and Lesotho. Accounting for more than 60 per cent of all people living with HIV globally, sub-Saharan Africa remains the region most severely affected by the virus.

The $6m joint project is to be implemented within the context of the WHO/UNAIDS "3 by 5 Initiative" which seeks to provide antiretroviral treat-

Photo: Reuters/China Newsphoto

Chinese medical staff test blood samples for HIV/AIDS at a disease prevention and control centre in Nanchang.

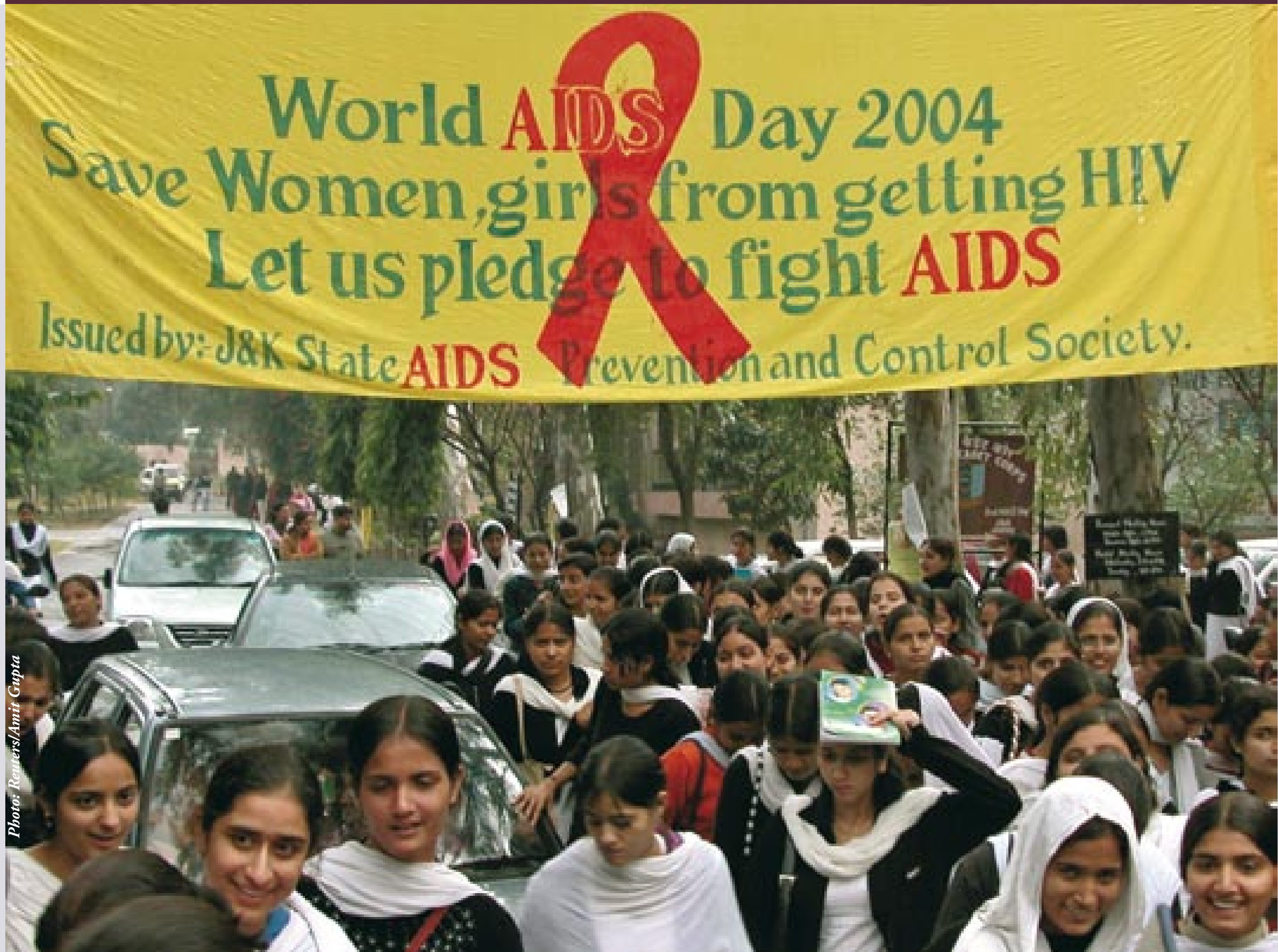


Photo: Reuters/Amit Gupta

Students take part in a World AIDS Day march in the northern Indian city of Jammu. The UN Secretary General, Kofi Annan, recently said that increasingly AIDS was acquiring a woman's face.

ment to three million AIDS sufferers in 50 developing and transitional countries by 2005.

Antiretroviral therapy can extend and improve the lives of AIDS victims and has transformed perceptions of HIV/AIDS from a fatal disease to a manageable, chronic illness. The treatment is not, however, universally available, and an estimated 3.8m Africans are still without access to it.

Activities to be carried out under the two-year project focus on building capacities for the scaling-up of effective treatment delivery.

Working closely with the health authorities of the concerned countries, the project will help draw up national strategic plans, devise a surveillance and monitoring system for HIV drug resistance, and strengthen capacities for drug procurement and supply management. The initiative is the second to be implemented jointly by the OPEC Fund and WHO.

Ongoing effort

Clearly, the HIV/AIDS virus remains a major obstacle for world leaders to tackle, especially concerning the increasing infection rates within the developing world, with the accompanying loss of life and productivity.

The OPEC Fund intervention so far in the global campaign against the virus has been welcomed by recipients and co-operation agencies alike.

Certainly, the Fund's contribution to the special grant account for HIV/AIDS operations has made a difference to the lives of those who have received its assistance so far, and the many who will definitely benefit from its ongoing operations.

Photo: Reuters/Supri

Challenging the pandemic

Above: Students in Jakarta, Indonesia, show red ribbons to mark the 2004 World AIDS day.

The OPEC Bulletin spoke to the Director-General of the OPEC Fund for International Development, Suleiman Jasir Al-Herbish (pictured), about this important donation and what it means for the Organization to be engaged in the fight against HIV/AIDS, the spread of which is a worrisome trend, he says.

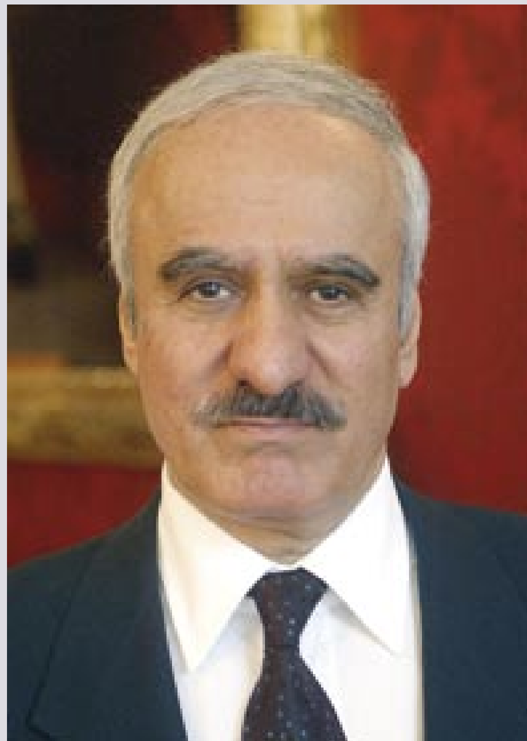


Photo: Reuters/Leonhard Foeger

"The number of people living with HIV rose in every region in 2004. The world clearly continues to be challenged by the scale of this pandemic," says Al-Herbish.

To date, the Fund has set aside $35 million for its Special Programme to combat HIV/AIDS, of which $26.7m has been committed. These resources are co-financing 11 regional projects, benefiting 64 developing countries, in co-operation with seven organizations that are members of UNAIDS.

"Let me give you just a single figure to illustrate the true dimension of this support: the resources approved since 2002 under the HIV/AIDS Special Programme

An HIV positive patient gets advice on taking anti retroviral drugs in Cape Town, South Africa.

Photo: Reuters/Mike Hutchings

represent over eight per cent of the total grant commitments of the Fund.

"However, in view of the tremendous financial needs at the global level — estimated at $12 billion in 2005 and $20bn by 2007 — it is evident that the Fund's involvement can only be regarded as a modest, albeit useful, contribution towards reducing infection rates.

He adds that: "Despite the continued spread of the disease, some successes have been achieved and the extent to which these efforts are generating hope should not be underestimated. These encouraging trends need to be sustained and expanded. Best practices in this regard ought now to be shared and disseminated in order to widen the scope of our investments for the benefit of affected communities worldwide."

Al-Herbish believes that governments and institutions around the world should view fighting the AIDS pandemic as a priority because the disease represents a threat to international peace and security.

"Rolling back the pandemic is not only a public health priority, it is a developmental priority; moreover, it is a threat to international peace and security, as the UN Security Council's debates on this subject suggest. Beyond the indiscriminate human suffering it causes, this disease is undermining the foundations of progress and the global efforts towards poverty reduction.

"In spite of promising developments, the current pace and scope of the world's response to HIV/AIDS falls far short of required funding, operational requirements and political mobilization.

The OPEC Fund's Management is keen to obtain updated reports and assessments released by the specialized agencies to help us and other development agencies to address key challenges facing the various endemic regions worldwide."

Education Al-Herbish says is the key to AIDS prevention and this is an issue that the Fund strongly supports.

"We adhere strongly to the idea that education has a key role to play in the prevention of HIV infection and mitigation of its impact.

"The key fact that the main victims of the epidemic are of working age means that those with important economic and social roles — both men and women — are

prevented from making their full contribution to development. This has implications for families and the survival of communities, as well as for productive capacities. We are deeply concerned that nine out of every ten of people living with HIV/AIDS worldwide are adults in their most productive years (15-49).

"Early and concerted action to reduce the rate of transmission of HIV, particularly in the workplace, is of immense benefit, given the scale of the impact on economies once the epidemic is generalized. Unfortunately, while several countries have increased their national HIV/AIDS budgets, workplaces are too often not directly involved in the national response to HIV/AIDS.

"The workplace is a vital component of national responses to HIV/AIDS because it is a key point of contact with the most affected age group and with some particularly vulnerable populations, such as young adults and mobile workers; it is also a recognized source of authoritative messages and has a tradition of training and education. We have therefore just entered into partnership with the International Labour Organization (ILO) to support governments and social partners in selected countries to address HIV/AIDS through workplace policies and programmes."

Al-Herbish acknowledges that cultural reluctance to topics related to AIDS/HIV can be an obstacle but says the disease has to be demystified.

"Fighting stigma, educating people, particularly young people across cultural boundaries is, in my view, of crucial importance. In the long term, HIV/AIDS awareness will save many more lives than medical treatment alone.

"Having said that, it is obvious that many issues related to HIV and its mode of transmission are highly sensitive and require culturally-adapted communication tools in order to positively influence targeted populations.

"Recently, the Fund launched a $4.52m project with the United Nations Educational, Scientific and Cultural Organization (UNESCO) which promotes the adoption by participating countries of a generic programme in HIV/AIDS prevention which is sensitive to the particulars of each country and applicable and adaptable to each community."

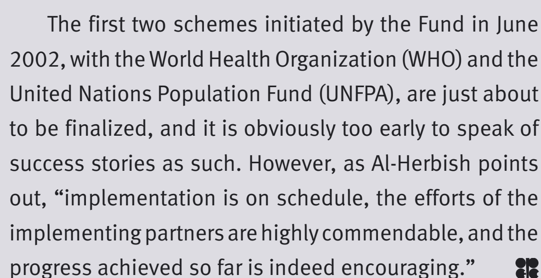
He also noted that the spread of HIV/AIDS is not levelling off and said the international campaign against this devastating pandemic needs to be stepped up.

"Although what is being done is insufficient, one should acknowledge that the international response to the AIDS epidemic has been substantial. While international expenditures on HIV and AIDS in developing countries amounted to $300m back in 1996, the total resources mobilized globally had reached $4.7bn by 2003.

"The challenges facing the international community are manifold. While it will be necessary to develop innovative approaches in the way the HIV/AIDS response is financed, it appears increasingly crucial to address the capacity dimension of severely affected developing countries with a view to ensuring the effective implementation, as well as the sustainability of such programmes. There is now compelling evidence in favour of fighting the pandemic within a broader developmental framework that would pursue HIV/AIDS educational and preventative strategies in tandem with therapeutic programmemes, and research towards a vaccine."

Al-Herbish believes that given the enormity of the crisis the international community has to work together and forge "effective partnerships built on the comparative strength of each partner.

"We have therefore turned to lead agencies, who are at the forefront of the global campaign against AIDS, and who have demonstrated commitment, competence and credibility. In this way, we believe we can optimize the impact of our projects and ensure tangible and meaningful results for the benefit of targeted regions, countries and communities. As I mentioned earlier, $26.7m has been committed in support of priority activities in 64 countries in Africa, Asia and the Pacific, as well as Latin America and the Caribbean."



The first two schemes initiated by the Fund in June 2002, with the World Health Organization (WHO) and the United Nations Population Fund (UNFPA), are just about to be finalized, and it is obviously too early to speak of success stories as such. However, as Al-Herbish points out, "implementation is on schedule, the efforts of the implementing partners are highly commendable, and the progress achieved so far is indeed encouraging."

Algeria goes liquid

This satellite image shows the In Salah area of Algeria which is already home to one of the country's major integrated gas projects. Source: Geospace, Austria

Tinrhert which is north-east of In Salah will be Algeria's first gas-to-liquids project.

Algeria is inviting international companies to submit bids for a new gas-to-liquids (GTL) project, marking the latest phase in the development of its hydrocarbon sector. More details of this project are contained below, followed by an overview of the gas sectors in OPEC Member Countries.

The Tinrhert Gas-to-Liquids Integrated Project will be the first of its kind in the country.

Algeria's Ministry of Energy and Mines said the project would include the development of wet gas and oil fields, associated infrastructure, such as pipelines and processing facilities, as well as the construction of a new 36,000 barrel per day GTL plant on Algeria's Mediterranean coast.

The project will run for 30 years and is focused on oil and gas fields in the Tinrhert block near the giant fields of Alrar, Zarzaitine and Ohanet, located around 60 kilometres north of In Amenas city.

In addition to the GTL plant, the project calls for the development of: 17 new sweet wet gas fields, including the drilling or recompletion of six existing wells; seven oil reservoirs; exploration work on the Cambro-Ordovician reservoir within the existing field limits; and exploitation of six mature oil fields. All these elements include the establishment of surface facilities — in the case of the mature fields to focus on the recovery of gas currently being flared.

The first five years of the project will focus on field development and the construction of infrastructure with the remaining 25 years dedicated to oil and gas production.

The amount of hydrocarbons estimated to be produced from the fields are: 151 billion cubic metres of sweet gas in place with 155 cu m per million cu m of average liquefied petroleum gas and condensate yields; 37m cu m of oil in place; and 3m cu m of the remaining oil to be produced from the mature fields. Furthermore, the Ministry expects more hydrocarbons to be discovered as a result of exploration work in the Cambro-Ordovician reservoir.

The wet gas will be produced at a rate of 12m cu m/day over 15 years and will increase thereafter depending on any new discoveries, although extra gas could be supplied from existing sources adjacent to Tinrhert if exploration work is not as successful as expected.

The Ministry has already opened a data room to outline the project; interested parties are being asked to submit expressions of interest and will then receive copies of contracts in order to submit commercial bids. The contract will be awarded on December 20, 2005 and signed 15 days later.

Global energy/natural gas

IRAQ
Proven reserves of 3,170 billion cubic metres, most associated, further potential expected. Reserves are found in both north and south of country. Most supplies for domestic market; more gas expected as oil industry developed further.

ALGERIA
Proven reserves 4,545 billion cubic metres, recoverable reserves seen higher. Largest gas field Hassi R'Mel, major projects Gassi Touil, In Salah, In Amenas and Ohanet. Major exporter to Europe and US and plans more pipeline capacity to Italy and Spain.

VENEZUELA
Proven reserves 4,219 billion cubic metres. Most production consumed domestically or by oil industry for reinjection. Plans for gas sector include increased exploration work offshore.

LIBYA
Proven reserves of 1,491 billion cubic metres but new exploration work means more expected. Foreign partners being sought to develop sector amid plans to boost domestic supplies and exports similar to existing West Libyan Gas Project.

Trade flows worldwide

Gas line
Liquefied natural gas

Primary energy production
(million tonnes of oil equivalent)

Region	Production
United States, Canada	655
CIS	650
Middle East	230
Europe	270
Asia (others)	215
Latin America	140
Africa	130
Australia	35
China	30
Japan	0

Prepared by Geospace, Austria, for OPEC Vienna, 2005.
Gas flow data by IFP/ENSPM, Paris.

UAE to host gas show after Bilbao's success

Photo: Keith Marchant

The United Arab Emirates (UAE) is to host the next Gastech meeting — an event that is rapidly becoming the world's leading forum for the gas industry. Gastech 2006 will take place at the Emirates Palace and Abu Dhabi Exhibition Centre on December 4–7, next year.

An official ceremony, handing the hosting of Gastech 2006 to the Abu Dhabi National Oil Company (ADNOC) and its group of companies, including ADGAS and GASCO, took place at Gastech 2005, which was held in March in Bilbao, Spain.

In accepting the honour, the General Secretary of the Supreme Petroleum Council and Chief Executive of ADNOC, Yousef Omeir Bin Yousef, said: "We are honoured to be hosting this prestigious conference, and I'm sure the visiting delegates will find our hospitality and business opportunities to be excellent.

"The gas business in Abu Dhabi will almost double in the next five years as processing capacity exceeds seven billion cubic feet per day and we see that trend continuing for many years to come."

He added: "The United Arab Emirates is one of the world's leading owners of gas reserves, which ADNOC has developed both onshore and offshore for export as liquefied petroleum gas (LPG) and liquefied natural gas (LNG), supply to local electricity and water utilities, supply

Photo: Keith Marchant

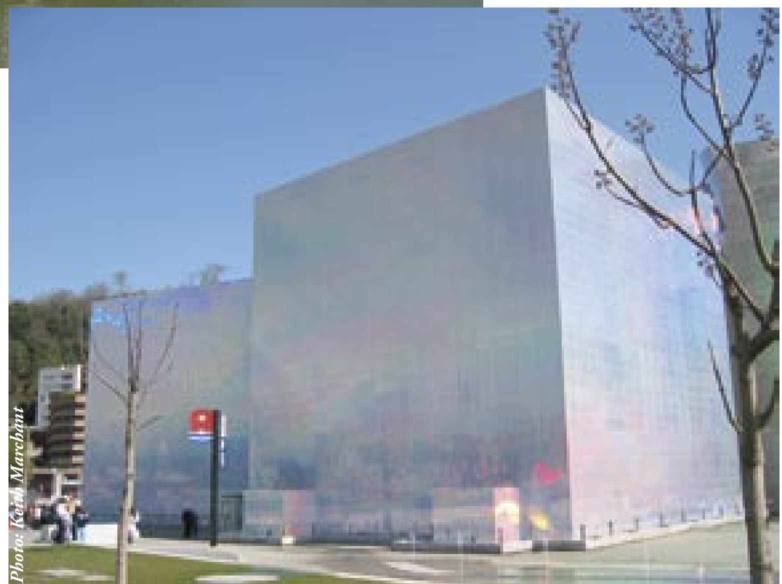


Photo: Keith Marchant

Bilbao is the capital city of Biscay Province, which, together with Gipuzkoa and Alava, make up the Autonomous Community of the Basque Country in the north of the Iberian Peninsula. Bilbao was traditionally an industrial centre, but, with the subsequent decline of heavy industry, it has sought to reinvent itself as a modern cultural capital. This is best epitomized by the spectacular Guggenheim Museum (above) which extended the horizons of avant-garde architecture when it was opened in 1997.

Pictured next to the Guggenheim Museum is the 'Quantum Field-X3' installation, created by Japanese artist Hiro Yamagata. Two huge cubes, covered with holographic panels embossed with a special prism coating, reflect and refract visible light frequencies, creating a prism-like view of the light spectrum.

to other industries, including petrochemical plants, and for re-injection into reservoirs to improve oil and condensate production."

Chairman of the Turret Group, Richard Hease, which organises Gastech, said he was delighted that ADNOC would be hosting the 2006 event: "The move to Abu Dhabi reflects our tradition of staging Gastech alternately in importing and exporting countries — hence Bilbao in 2005 and then our move to the UAE in 2006.

"Our potential exhibitors at Gastech 2006 will be interested to hear about business opportunities in the region," Hease said, referring to a recent OAPEC study which suggested that Middle Eastern states needed to invest at least $100 billion to expand their oil and gas sectors to face growing demand in local and foreign markets.

Most of the new capacity is expected to take place in the Gulf, which controls more than 60 per cent of the world's total recoverable oil reserves and 40 per cent of the global gas wealth.

Photo: Emirates Palace

The Emirates Palace hotel, the venue for Gastech 2006, to be held in Abu Dhabi, December 4–7.

OPEC presence

OPEC was also present at this year's Bilbao meeting. It joined 297 other exhibitors from 33 countries hosting an information stand, highlighting the fact that many Member Countries have a strong base in gas as well as oil.

OPEC used the event to educate visitors about the energy industries of its Member Countries and displayed a wide selection of information as well as producing some dedicated material for the events covering topical issues in the hydrocarbons sector.

The Bilbao meeting, dubbed "a spectacular success" by the organizers, was Gastech's biggest ever with over 5,000 industry players in attendance. Of the 150 papers presented at the exhibition, many contained calls for increased dialogue between gas producers and consumers with some warning of significant challenges facing the industry but also forecasts of increased growth and prosperity in the future.

Photo: OPEC

At the OPEC stand are PR & Information Department's Editor, Keith Marchant (l), Art Director, Alaa Al-Saigh (c) and Kepa Achurra Allende, who recalls working with one of OPEC's founding fathers, Juan Pablo Perez Alfonzo, in Venezuela in the late 1950s.

Photo: Gasteech

Qatargas received the Gastech 2005 Anzai Achievement Award, in recognition of the company's significant contributions to and achievements in the development of the international gas industry. The Chief Operating Officer, Commercial and Shipping, Ali Al-Hammadi (r), is seen accepting the award on behalf of the Chief Executive Officer of Qatargas, Faisal Al Suwaidi, from the Basque Government's Vice-President of Industry, Jose Ignacio Zudaire.

Qatargas success acknowledged

Another honour for an OPEC Member at Gastech 2005 came in the form of a major award for Qatargas, in recognition of its significant contributions to and achievements in the development of the natural gas industry.

The company was awarded the prestigious Anzai Achievement Award, named after the Tokyo Gas Chairman of the late 1960s and early 1970s, Dr Hiroshi Anzai, who committed his company to the first major liquefied natural gas (LNG) importation project in the Pacific region thereby adding huge momentum to the international trade. Previous recipients were Woodside Petroleum in 1994, Shell Australia in 1996 and Pertamina in 1998.

The award was accepted by the Chief Operating Officer, Commercial and Shipping at Qatargas, Ali Al-Hammadi. Director General of EVE, the Gastech 2005 host company, Jesus Goiri, highlighted many of the company's significant achievements before the Basque government's Vice President of Industry, Jose Ignacio Zudaire, made the official presentation.

Qatargas was established on November 1, 1984, to own and operate a world-class onshore LNG plant, utilizing natural gas from Qatar's giant North Field, and to market and export LNG and associated gas liquids (condensate) worldwide.

The plant currently has a capacity of about 8 million tonnes of LNG per year from three production trains. Capacity is to be expanded to 9m t this year with further increases possible from 2010.

The associated offshore production facilities are designed to produce 1,450m standard cubic feet (40m cubic metres) per day. In addition, the total daily production of gas liquids (condensate) is about 55,000 barrels.

Another record year for Iran

For the seventh year in a row, Iran's National Iranian Oil Corporation (NIOC) has reported that the total amount of oil and gas reserves discovered has beaten the amount produced. In a new report highlighting the company's performance between March 2003 and March 2004, the Minister of Petroleum, Bijan Namdar Zangeneh, said that the increase in oil and gas production and reserves over 2002–2003 was due to the continued success of a development programme launched back in 1997.

"It is the seventh consecutive year that the total volume of oil discovered and gas reserves surpassed the volume produced, so that in this year 6.6 billion barrels of oil-in-place and 359bn cubic metres of gas-in-place were discovered," Zangeneh commented.

Crude production capacity during 2003–2004 was around 4.2 million barrels per day while gas production rose 12 per cent on the previous year to 378bn cu m and natural gas liquids and condensates output was up 24 per cent on the previous year. Oil exports averaged 2.51 million barrels per day while natural gas exports rose from 1.64bn cu m to 4.84bn cu m. Some 82 per cent of hydrocarbon production came from onshore fields with the remainder located offshore.

Oil production also benefited from increased gas injection and enhanced recovery programmes at several onshore fields. Some 77.88m cu m/d of gas was injected, a 7.5 per cent increase on the previous 12 months.

The NIOC said that as of early 2004 its total recoverable liquid hydrocarbon reserves amounted to 132.74bn b with recoverable gas reserves put at 27.45 trillion cu m. These figures give Iran 11.6 per cent of world oil reserves and 15.6 per cent of global gas reserves. Based on these levels of reserves and current production levels, Iran would run out of oil and gas in 86 and 199 years' time, respectively.

Exploration work during 2003–2004 included the drilling of seven onshore and offshore wells totalling 20,467 m as well as an oil and gas appraisal operation in the Koushk and Hosseinieh fields and at the Lavan gas field which has 258bn cu m of gas in place and 130m b of gas condensates.

The Mehr, Anaran, Zaware Kashan, Monir and Farsi blocks also saw exploration work and the NIOC carried out a joint study in

Photo: Reuters/Morteza Nikoubazl

An Iranian oil worker sets up an oil drilling rig at an oil fair in Tehran.

the Abadan plain, in the northern Gulf, the Jurassic Cretaceous oil system in the Dezfoul embayment and four further projects.

A seismic programme was also launched in the Caspian Sea where the design and construction of a semi-submersible deep water drilling platform was almost completed during the period.

Work also continued at South Pars where at the end of the period contracts for 10 of the 12 phases of the mega gas project had been concluded. By early 2004, completion rates were as follows: Phase 1, 99 per cent; Phases 4 and 5, 71.4 per cent; Phases, 6 and 7, 15.8 per cent; and Phases 9 and 10, 8.82 per cent.

As mentioned above, the NIOC has had a field development programme in place since 1997 to increase production capacity and recovery rates from both oil and gas projects. Progress during the year was as follows:

Soroush and Norouz fields, 96 per cent; Balal field, 99 per cent; Doroud oil field, 78.6 per cent; Hengam oil field, 22.74 per cent; Amak associated gas gathering, 93 per cent; Salman gas field, 34.3 per cent; Darkhoweyn development, 74.5 per cent; Forouzan Esfandyar fields, 34.5 per cent; Masjid-I-Suleyman fields, 10 per cent; Tabnak gas field, 87.2 per cent; southern fields enhancement, 85.2 per cent; Aghajari gas injection, 46.2 per cent; establishing strategic crude reserves, 35.1 per cent; heavy and very heavy oil fields development — Koohmond, 74 per cent, Zagheh, 11.5 per cent, Ferdows, 100 per cent; and gas field developments, Shanul Varavi, Gordan and Tabnak, 87.3 per cent.

in brief

Egypt starts international bid round

Egypt's Ministry of Petroleum has, via its Ganoub El Wadi Holding Petroleum Company (GANOPE), announced an international bidding round to explore for oil and gas in four blocks in the south Gulf of Suez and the Eastern and Western Desert basins. The blocks are: East Magawish, 28 square kilometres; West Esh El Mellaha, 1,218 sq km; West Komomno, 42,291 sq km; and South Siwa, 28,439 sq km. Data purchase packages and reviews of the hydrocarbon potential of the blocks have been available since the middle of April.

Kuwait offers projects to private sector

Kuwait's Supreme Petroleum Council (SPC) has approved eight projects in the country's oil industry for offer to the private sector. Worth 600 million dinar, they include three for Kuwait Oil Tankers (KOT), two for Petrochemical Industries Company (PIC), two for the Kuwait Oil Company (KOC) and one for the Kuwait Foreign Petroleum Exploration Company (KUFPEC). For the latter a partial privatization is being considered. KUFPEC has interests in 13 countries, produces around 50,000 barrels of crude per day and has reserves estimated at 250 million barrels of oil equivalent.

New Aramco oil find

Saudi Aramco has discovered a new light Arab crude oil field in the central region of the Kingdom. According to a report from the Saudi Press Agency, the oil was discovered at the Du'eiban-1 well, around 125 km south-east of Riyadh. It is expected to produce around 3,300 barrels per day of sulphur-free crude from a depth of around 10,260 feet. In addition, around 3 million cubic feet per day of gas production has been identified, the report said.

Medgaz gets EU funding

The European Union has approved €2 million in funding for Medgaz, the company that wants to design, build, and operate the new Algerian-European gas pipeline via Spain. The money will finance technical and optimization studies prior to the construction of the pipeline, which will have an initial capacity of 8 billion cubic metres of gas per year and run for 200 km at a maximum water depth of 2,150 metres. Algeria's Sonatrach holds a 20 per cent stake in Medgaz as does Spain's CEPSA. Other shareholders include BP, Endesa, Gaz de France, Iberdrola and Total each with 12 per cent.

Venezuela reviewing operator agreements

Photo: Reuters/Heinz-Peter Bader

Venezuelan Minister of Energy & Petroleum, Rafael Ramirez.

Venezuela's Ministry of Energy and Petroleum has said that several operating agreements entered into by Petróleos de Venezuela (PDVSA) and a number of oil companies between 1992 and 1997 will need to be changed within six months.

The announcement follows a technical and legal study carried out by the Ministry. It has said these contracts run counter to the 2001 Hydrocarbons Law and the 1999 Gas Hydrocarbons Law. The agreements relate to the law that was in effect at the time of the nationalization of Venezuela's oil industry in 1975. Under the new laws royalties paid by private companies were increased to between 20 and 30 per cent and income tax reduced to 50 per cent from 70.7 per cent. For gas, royalties were increased from 0 to 20 per cent

Minister of Energy & Petroleum and President of PDVSA, Rafael Ramirez, was quoted on the company website as saying the the incongruities between the current law and these operating agreements had "lead us to issue specific instructions to PDVSA within the government's new strategies aimed at strict compliance with the legislation applicable to the development of the hydrocarbon sector."

New joint ventures

The instructions from the Ministry are as follows: Firstly, all companies signatory to the agreements are required as soon as possible to "rectify the defects incurred in each and every one of the hydrocarbons operating agreements signed between 1992 and 1997, so that these are in compliance with the legal framework currently in force."

Secondly, "without prejudice to the foregoing and regarding each one of these agree-

Photo: Reuters/Jorge Silva

ments, steps must be taken henceforth to ensure that the total amount of payments accrued to each contractor during the calendar year does not exceed 66.67 per cent of the value of the hydrocarbons produced within the corresponding area, as it becomes incongruent that hydrocarbons production under the scheme of simple service contracts produces losses for (PDVSA)."

Thirdly, the statement said that PDVSA in co-ordination with the Ministry would support the government's customs and tax authorities "for the purpose of ensuring that income tax is paid in accordance with real net income obtained, so as to put an end to situations existing among contractors, in which for many years some of them have obtained substantial profits and not paid any income tax at all."

Finally, the Ministry said that within six months, "all required measures should be taken to convert the existing operating agreements into joint ventures" and an undertaking to this end must be submitted to the Ministry for "direction and supervision."

Ramirez said PDVSA's Corporación Venezolana del Petróleo (CVP) subsidiary would begin a review of the accounting of the 32 contracts affected, investigate any claims arising and ensure the new contracts comply with the instructions outlined above. He added: "We feel the country offers the right conditions to engage in a process of mature discussion for the purpose of overcoming these hindrances which we consider to be illegal and contrary to the spirit of what was approved in the framework law in force at the time these agreements were signed.

"Petróleos de Venezuela, the Ministry of Energy & Petroleum and the CVP from now on are initiating a process of discussion and revision of the 32 operating agreements to joint ventures, in accordance with the terms of the new Organic Law on Hydrocarbons, to the benefit of the nation and the companies which wish to continue operating in our country."

New offshore prospects

Meanwhile, PDVSA said separately that the selection phase for the first stage of the Rafael Urdaneta Project to develop offshore resources in the Gulf of Venezuela and north-east of Falcon had begun. The Ministry of Energy & Petroleum would provide bid information packages and select the companies that would be awarded licences to explore and produce from five of the total 29 blocks, 18 in the Gulf and 11 in north-east Falcon, which overall cover around 300,000 square kilometres.

The licensing programme forms part of Venezuela's National Gas Plan, which has already seen several contracts awarded both onshore and in the Plataforma Delta region. PDVSA said the Rafael Urdaneta area offers low exploration risk, enjoys a rich hydrocarbon potential and is adjacent to existing reservoirs in shallow waters as well as oil infrastructure. The government also hopes that exploration work in the area will yield better information on the hydrocarbons contained there and also ultimately help develop the regional economy.

Part of any gas produced from the area is destined to supply the domestic market and also act as feed for the proposed Transguajiro gas pipeline which will carry gas to Colombia and other Central American countries.

2004 operational agreements costs

Source: PDVSA

Round/ agreements	Total million barrel production/year	Production value million $	Payments to companies		Loss to the nation m $
			m $	%	
I/3	10.32	289.8	196.8	68	4
II/12	74.64	2,171.5	1,676	77	in ten of these agreements they amount to 249
III/17	64.75	1,851.1	1,004.6	54	in three of these agreements they amount to 5

Left: The world's biggest refinery complex of Amuay-Cardon in Venezuela's western state of Falcon, where new offshore prospects are on offer.

in brief

ChevronTexaco to buy Unocal

ChevronTexaco plans to acquire Unocal Corporation in a stock and cash deal valued at around $18 billion, including net debt. The deal, which is subject to approvals by Unocal shareholders and regulatory agencies, will benefit ChevronTexaco's upstream operations and help develop its natural gas resource base. The company expects oil-equivalent production from the combined portfolios during 2006 to average about 3 million barrels per day. Unocal's 1.75bn b of oil-equivalent proved reserves would increase ChevronTexaco's reserve base as of the end of 2004 by about 15 per cent. The resultant weighting of natural gas reserves would increase by about 5 percentage points to roughly one-third of the oil-equivalent total. ChevronTexaco said the deal would benefit its operations in Asia-Pacific, the Gulf of Mexico and the Caspian.

New Nigeria LNG study launched

The Nigerian National Petroleum Corporation (NNPC) signed a memorandum of understanding with ChevronTexaco, BG Group and Shell Gas & Power Developments to carry out and then evaluate a feasibility study on the possible Olokola liqufied natural gas (LNG) project. The project is the result of two separate studies conducted by Chevron and BG, and Shell, which the NNPC has now decided to merge. The project's target shipment dates are 2009 and 2010 with a four train LNG plant producing 20m tonnes per year envisaged.

Saudi gasoline project progress

Saudi Aramco in April signed five major construction contracts as part of its 'Two Grades of Gasoline Programme' unveiled in 2003. This will enable company facilities to produce, store, handle and sell a new grade of gasoline (octane 91) for the Saudi market joining the existing grade (octane 95). Aramco said the programme would expand capacity at distribution bulk plants to provide both gasoline grades until 2015. The five contracts cover the company's network of 18 bulk plants, four refineries and one terminal. Aramco said all work would be carried out simultaneously and would not disrupt existing supplies. The programme includes the installation of new storage tanks, pumps, loading and unloading skids and metering systems as well as piping, electrical and instrumentation upgrades. Process modifications will also be carried out at four of Aramco's refineries. The new gasoline grade is expected to be available in the domestic market by January 2007.

Algeria awards blocks to IOCs

Photo: Reuters/Heinz-Peter Bader

Algerian Minister of Energy and Mines, Dr Chakib Khelil.

Photo: Reuters/Zohra

An Algerian worker at a gas plant south-east of the capital, Algiers.

Algeria's Ministry of Energy and Mines has awarded new exploration licences covering nine blocks in the country to four international oil companies. The awards were from the sixth international licensing round launched in October 2004.

Eleven companies and ten consortia had submitted bids for the original ten blocks; only one was not awarded. BP received three blocks: two, South East Illizi and Bourarhat are in the Illizi Basin near to the In Amenas gas project that BP is already developing; and a third is located at Hassi Matmat in the Benoud Basin around 160 kilometres north of the Hassi R'Mel gas condensate field.

Two fields were awarded to Gulf Keystone: block 129 on the Bottena perimeter in the south-east Constantine Basin and blocks 317b-322b3-347b-348-349b on the Hassi Ba Hamou perimeter in the Bechar Oued Namous Basin. Block 129 is located east of Block 126a, which the company already operates. It contains two existing Sonatrach discoveries Djebel Onk, an oil field and Djebel Foua, a gas field. Gulf Keystone said it plans to drill three exploration wells at the sites.

BHP Billiton also received two blocks: one 443a-424a-415ext-414ext is on the perimeter of Hassi Bir Rekaiz in the Berkine Basin and the other, block 222b-222c-223b is on the perimeter of Oudoume in the Illizi Basin.

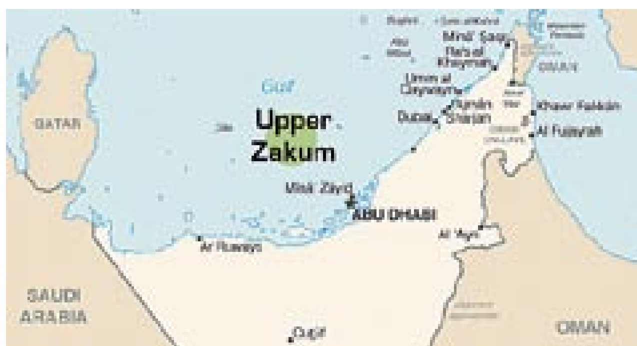
Finally, Shell marked its re-entry into the Algerian upstream sector receiving two blocks, 345-346-322b on the perimeter of Zerafa in the Gourara Basin and 328b-352d-362b on the perimeter of Reggane Diebel Hirane in the Reggane Basin. Shell said it would drill two exploration wells and shoot 960 km of 2D and 530sq km of 3D on the former and two wells, 750 km of 2D and 900 sq km of 3D on the latter. All the contracts are subject to formal approval by the Algerian authorities.

Algeria has said that it wants to see 40 companies active in the country by the end of 2005. According to the Ministry of Energy and Mines, total investment between 2002 and 2007 in the hydrocarbon sector is expected to total $30 billion, with around $7bn to come from foreign investors.

Algeria has set itself a production capacity target 2 million barrels per day of crude by 2010 and wants to increase gas exports. The country has around 1.5m sq km of sedimentary basins covering 60 per cent of the total territory with around eight wells per 100,000 sq km.

Meanwhile, an existing Algerian operator, First Calgary Petroleum of Canada has updated its reserves in the country to 7 trillion cubic feet of gas and 1 billion barrels of oil, condensate and liquefied petroleum gas. The reserves relate to the Ledjmet 405b and Rhourde Yacoub 406a blocks in the Berkine Basin.

UAE picks ExxonMobil for Upper Zakum



Source: Rigzone

The United Arab Emirates Supreme Petroleum Council has chosen ExxonMobil to enter into final negotiations for a partnership in the large Upper Zakum oil field offshore Abu Dhabi. The Council said the US-based company had been selected from several "reputable" international oil companies because it had submitted the best technical offer.

A statement from the Abu Dhabi National Oil Company said: "The Evaluation Committee was assisted by international experts in terms of the technical, legal and financial assessment of the tender. The first steps of the negotiations started a few years ago to select a strategic partner who is capable of providing advanced technology, particularly in the subsurface technology applications, in order to assist in increasing production in the Upper Zakum oil field and to overcome future technical challenges." It added that the negotiations would lead to ExxonMobil taking 28 per cent of the equity stake in the oil field.

ExxonMobil said in a statement that it would supply "technology and operating capabilities to assist Abu Dhabi in obtaining maximum recovery and value from this important national resource. In addition, we look forward to co-operating closely with ADNOC in the areas of training and skill development."

The field has been operated by ADNOC subsidiary the Zakum Development Company (ZADCO) which has held an 88 per cent stake since 1977; the remaining share is owned by Japan Offshore Development. It is presently producing around 550,000 barrels per day of crude but there are plans to expand this to around 750,000 b/d.

ZADCO claims that the development of the Upper Zakum reservoirs is considered as one of the major technical achievements in Abu Dhabi. The company also operates the Umm Al Dalkh and Satah fields. Crude from all three is pumped via pipeline to Zurku Island for further processing, storage and export.

The Upper Zakum agreement is welcome news. Last October, ADNOC Director of Exploration and Production, Al Suwaidi, announced plans to increase the UAE's crude output capacity from the current 2.5 million barrels per day to 3m b/d.

in brief

KUFPEC 2004 output dips, profits rise

The Kuwait Foreign Petroleum Exploration Company said that oil and gas production during 2004 totalled 44,400 barrels per day, down on forecasts of 48,000 b/d while profits for the year came in at $103.8 million, $28.7m higher than expected. The lower than expected output was due to technical problems. Turnover during 2004 was $359.5m, higher than the expected $321.9m because of increased oil prices. Exploration cost $55m while $159m was spent during the year on modernization programmes. This year, KUFPEC expects to spend $50m on oil exploration work; it has also set aside $250m to be spent on joint ventures and is looking at projects in Libya, China, Iran and Russia.

Indonesia to develop Senoro gas field

Indonesia's Pertamina and PT Panca Amaraama have signed a heads of agreement to develop the Senoro gas field in Banggai in Central Sulawesi. The field, discovered in 1999, is estimated to contain gas reserves of 3.5 trillion cubic feet. Pertamina will carry out production at the field with gas to be sold to domestic firms, including PT Panca, which has already committed to buy 0.8tr cu ft over a 20 year period. The Senoro field is close to an existing Pertamina gas field, Matindok. In addition, Pertamina said that its upstream division had discovered gas reserves at the Gallian 1 well in Karawang, West Java. Two gas-bearing structures have been identified producing 3.47m cu ft per day and 5.387m cu ft/d. The discovery comes as Indonesia's Ministry of Energy and Mineral Resources unveiled $11 billion of new projects for the energy sector, including $2.65bn to be spent on oil and gas infrastructure, $2.85bn on gas development and $5.89bn on power generation.

South Pars 4&5 development completed

Italy's ENI has completed the development of Iran's South Pars 4 and 5 gas field project. A ceremony to mark the event was held in the presence of the Iranian President, Mohammad Khatami. The onshore gas processing plant will produce 20 billion cubic metres of gas per year that is at present delivered into the Iranian national grid, 1 million tonnes per year of propane/butane and 80,000 b/d of condensates for export. ENI whose equity production will exceed 50,000 b/d of liquids is operator for the development (60 per cent) of South Pars 4&5 in a joint venture with Petropars (20 per cent) and Naftiran Intertrade-NICO (20 per cent).

New President for Iraq

Photo: Reuters/Ceerwan Aziz

Veteran Kurdish leader, Jalal Talabani raises his hands after being sworn in as Iraq's President in Baghdad.

Early in April, Kurdish leader, Jalal Talabani, was elected as the President of Iraq, some nine weeks after elections were held. Two Vice-Presidents were also named: the Minister of Finance from the outgoing government, Abdel Abdul Mahdi, and the Former Interim President, Gazi Al Yawar. The three were elected by members of Iraq's interim parliament in a secret ballot.

In a speech accepting his new role, Talabani said: "The Iraqi people have shown their commitment to democracy and we, in turn, are committed to Iraq. We will rebuild the Iraqi government on principles of democracy, human rights and the Islamic identity of the Iraqi government." He said a new constitution would be drawn up to "preserve liberty for all ... whether Shia or Sunni."

The new President and his deputies subsequently nominated the country's new Prime Minister, Ibrahim Jaafari, replacing Iyad Allawi. This was announced at the end of April after some delay amid reports of disagreements between the main factions in the interim parliament.

The new cabinet was confirmed by Jaafari on April 26. It is reported to comprise 32 ministers and a further three deputy prime ministers. Although at the time of writing the names had not been released, reports suggested the cabinet would include 17 Shiite ministers, eight Kurds, six Sunnis and one Christian. Reportedly, seven members of the new cabinet would be women.

In a separate development, the US Central Intelligence Agency's chief weapons' inspector in Iraq said he had finished his investigation and that no weapons of mass destruction (WMD) had been found in the country.

In a published report, the CIA's Head of the Iraq Survey Group, Charles Duelfer, said: "As matters now stand, the WMD investigation has gone as far as feasible. After more than 18 months the WMD investigation and debriefing of the WMD-related detainees has been exhausted. As far as the WMD investigation is concerned, there is no further purpose in holding many of these detainees."

The report also concluded that it was "unlikely that an official transfer of WMD material from Iraq to Syria took place" in the months leading up to the US invasion of Iraq.

MENA region enjoys economic growth

The Middle East and North Africa (MENA) is experiencing an exceptional rate of economic growth and this represents an opportunity for countries in the region to address the challenge of reducing unemployment levels and implementing structural reforms, a new report from the World Bank claims.

Economic growth in MENA averaged 5.6 per cent over the last two years compared with the level of 3.6 per cent seen in the 1990s. This growth has been driven by higher oil prices and a subsequent increase in oil production which has "significantly" boosted government consumption and investment. The report noted that those countries showing the strongest growth were oil producing nations, while the region as a whole in per capita terms was lagging with most others in the rest of the world.

The Bank said that while the recent rise in oil prices may "evoke memories" of the oil price booms of the 1970s and 1980s, there was evidence "of the adoption of a more prudent spending stance by oil exporters compared to previous boom periods." It pointed out that much of the increased revenues had been used for debt repayment and foreign exchange reserve accumulation to provide a buffer for external accounts should oil revenues unexpectedly decline.

"The more prudent spending stance reflects the fact that the initial positions of the oil producers have substantially changed," the report commented. "The overhang from spending in earlier booms has in many ways guided current spending. In part, the greater prudence reflects a change of thinking over past decades in terms of economic direction. In virtually every oil producing economy in the region, significant challenges in employment creation have emerged."

The report claimed that in order to create more jobs, the region's economies needed to become more open, less dominated by the public sector and more diversified away from oil. It said that the current favourable economic conditions should used to pursue "an aggressive reform agenda."

The World Bank praised the region's "great strides" in trade reforms, motivated in part by regional and bilateral trade agreements. Two-thirds of MENA countries ranked above half of all countries in the world in terms of reducing tariff and dismantling non-tariff barriers to trade. Progress was particularly strong in a few countries, including Egypt, Jordan, Lebanon and Saudi Arabia.

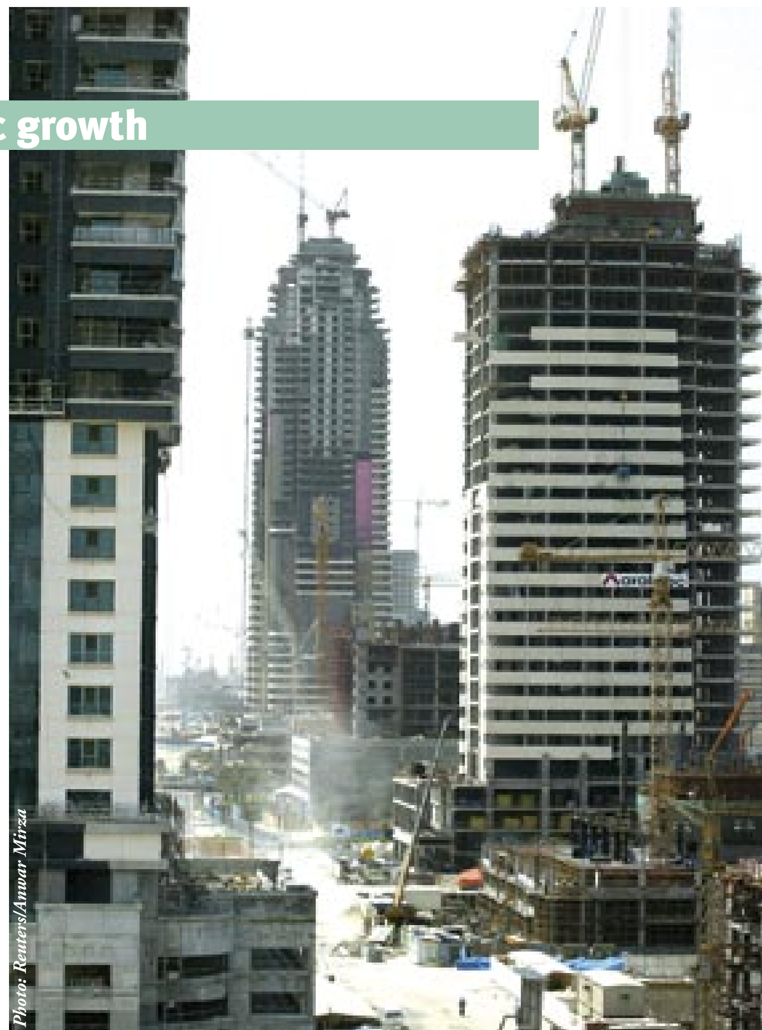


Photo: Reuters/Anwar Mirza

An increase in construction projects across much of the Middle East and North Africa is a sign of economic growth.

However, there has been less progress in improving the business environment around the region, the Bank said. On average, MENA countries rank in the bottom third of the world in terms of advancing a range of business regulatory and financial sector reforms. The pace of reform in "politically difficult areas", it added, had been particularly weak.

The report also highlighted a lack of progress in improving governance based on the quality of public administration and public sector accountability. "We cannot talk about 'second generation' reforms in MENA without talking about the governance agenda," World Bank Vice-President for MENA, Christiaan Poortman, said.

"The economic and regulatory reforms that MENA governments are now finding difficulty in moving forward are precisely the kinds of reforms which need the support and involvement of key actors such as the private sector, labour unions and other segments of civil society."

"MENA's strong growth over the last two years does not change the fundamentals for the region," commented World Bank Chief Economist for MENA, Mustapha Nabli.

"We are still talking about a region with limited private sector activity and economic creation, limited integration into the global economy, and strong dependence on volatile oil markets. What has essentially happened over the past two years is a positive terms of trade shock."

But, for now, the outlook remains good. The Bank predicts that "shifts in external factors" will continue to shape the region's growth in the short run. Moderately easing oil prices, partially counter-balanced by European growth conditions suggest growth will continue, particularly in the labour-abundant diverse economies of the region. Overall, it expects regional growth to average 4.9 per cent in 2005, moderating to 4.3 per cent in 2006.

Iraq will also represent an opportunity for regional growth, the Bank said. As the country was economically isolated from the rest of the region, the impact of the war was limited. However, the reconstruction of the country means that many countries in the region "are poised to reap numerous potential economic dividends, as a result of trade and business activities."

Saudi banks win praise

The Saudi banking system has won praise from Standard & Poor's as one of the strongest in the Middle East thanks to the Kingdom's banks' profitability, strong liquidity, high capitalization and strong supervision.

A recent report from the credit ratings agency said that the strong financial performance by Saudi banks was supported by the low cost of funds and labour and increased business volumes, especially in consumer loans.

The banking system also benefits from the macroeconomic stability maintained in the Kingdom's highly open economy, in particular a stable exchange rate and low inflation. Banks are also well-capitalized and as a result only a prolonged economic downturn would place Saudi banks' solvency under threat. In addition, Saudi accounting practices are based on international standards and the level of disclosure is satisfactory.

These strengths, it added, were partly offset by the risks of operating in an economy that is sensitive to fluctuations in the price of oil and government spending. At the same time, the report claimed other challenges could arise from: the banks' exposure to the potentially volatile real estate and capital markets; booming consumer loans that have not been tested by a severe economic downturn; and increasing competition.

The Kingdom Tower in central Riyadh, Saudi Arabia

Photo: Reuters/Peter MacDiarmid

World Bank launches Indonesia disaster fund

The World Bank has launched a major new fund whereby various donors have pooled their aid resources in support of Indonesia's rehabilitation and reconstruction programme for Aceh and North Sumatra. The fund, which will initially be worth $500 million, will be used to rebuild these areas that were hardest hit by last December's earthquake and ensuing tsunami.

The World Bank said the fund had been created to "accelerate implementation of the recovery blueprint by providing grant financing in a co-ordinated fashion," and followed requests from the Indonesian government and several donors.

Up to 20 donors will contribute to the fund. Five have already signed a memorandum of understanding (MOU) to endorse the creation of the fund and others have promised their support. The MOUs were signed between the Indonesian Ministry of Finance, the National Development Planning Agency (BAPPENAS), the World Bank with the governments of the Netherlands, Norway, Sweden and Denmark and the Asian Development Bank. Commitments of support have also been expressed by the European Commission and the UK.

The $500m that has initially been pooled consists of grant contributions from bilateral and multilateral donors. The European Commission and the Netherlands are the largest contributors, respectively with $260m and $100m. The Bank said several donors were contemplating contributing between $10–50m, including Norway, Sweden, Denmark, the Asian Development Bank, the UK, Canada, New Zealand, Germany, the US and Australia.

"The European Union is 100 per cent committed to help restore lives and livelihoods in Aceh and Nias," the Head of Delegation of the European Commission in Indonesia, Jean Bretéché, said. "The European Commission has decided to channel its €200m support for the reconstruction phase through the multi-donor trust fund."

The fund will focus on programmes such as housing, community development and infrastructure. Indonesia's Minister of Finance, Yusuf Anwar, said the challenge of reconstructing Aceh and Nias was "huge", adding: "We are grateful to donors who have decided to pool their grant fund through this mechanism, as it will promote accountability, transparency and better co-ordination at the same time."

Meanwhile, Indonesia's Ministry of Information and Communication has unveiled a plan to use mobile phone text messages to warn people of any future potential disasters. Text alerts would be sent to the population in an affected area by the Indonesian Meteorology and Geophysics Agency (Badan Meteorologi & Geofiska).

Photo: Reuters/Tarmizy Harva

An Acehnese farmer takes a break after planting mangrove trees in Banda Aceh. The village was destroyed by the December 26, 2004, tsunami.

Photo: Reuters/Chris Helgren

Customers use computers at an internet cafe in Dubai's Bur Juman shopping centre.

UAE leads Internet use

The United Arab Emirates, already a regional leader in data communications, is expected to see more growth in this sector over the next few years with the number of Internet accounts expected to double by 2009. According to a report from Jordan-based researchers the Arab Advisors Group, by the end of 2004, Internet penetration in the UAE was around 9.6 per cent having grown by around 26 per cent since 1999.

The report expects the total number of Internet accounts to reach 3 million by 2009, compared to 1,034,000 at present with much of the new growth due to dial-up users upgrading to broadband services.

As the report points out, the Internet and data-communication market in the UAE is still a monopoly dominated by Etisalat, from where most of the growth will come as its clients switch to ADSL services. The report adds that any new player in a liberalised market would also increase market uptake.

Photo: Reuters/Raheb Homavandi

Iranian President, Mohammad Khatami (l) with former President, Akbar Hashemi Rafsanjani.

Kuwait womens' vote on hold

Kuwaiti women were waiting to see last month if they would be granted voting rights. Although the National Assembly had earlier agreed to women being allowed to participate in Municipal Council elections, a subsequent vote by parliament to approve the agreement failed to achieve a quorum with 29 of the 60 members of parliament abstaining. It was then decided to postpone another vote on the issue until the middle of May.

The approval from the National Assembly saw a 26-20 vote in favour with three abstentions. The change would give women the right to stand for election, vote and be appointed as a council member. The changes will require a redrafting of the Kuwait Municipality Law and also approval by Kuwaiti Emir Sheikh Jaber Al Ahmed Al Sabah who is understood to support the move.

The announcement follows news in March that the Kuwaiti parliament had agreed to a government request to speed up its debate on the issue after the cabinet approved in May 2004 a bill amending Article One of the 1962 electoral law limiting electoral participation to male citizens. The bill also excludes judges, the military and police from voting. Kuwait's Municipal Council is responsible for civic matters and comprises ten elected members and six appointed by the Emir.

Kuwaiti women demonstrate for their political rights in front of the Parliament building in Kuwait City on March 7.

AP Photo/Gustavo Ferrari

Rafsanjani hints at candidacy

Former Iranian President, Akbar Hashemi Rafsanjani, has suggested he may put himself forward for the presidential elections due to be held in the country in June. He told the Islamic Republic News Agency, IRNA, that "the issue of presidency is among my current preoccupations and although I would like someone else to take up this responsibility, I think I have to take this bitter medicine." His comments came during a reported meeting with officials from the Iranian agricultural sector.

Nominations have to be made by the middle of May ahead of the elections which are due to take place on June 17 to find a successor to Mohammad Khatami who is stepping down. So far, two candidates have put their names forward: Ali Akbar Velayati, who has been reported as saying he would seek to form a government that united all elements of Iranian society and Mostafa Moin, who is standing on a human rights ticket.

Last month, President Khatami said in a speech that any candidates for the presidency should be treated "fairly" and urged a "competitive, healthy and free election." He added that voters should focus their attention on what the candidates planned for the future and called for the electorate to ensure a large turn-out in June.

Fund approves $2m grant to relieve hardship in Palestine

The OPEC Fund extended a $2m grant to help alleviate social and economic hardship among Palestinians affected by the so-called separation wall. The grant will co-finance a major initiative that aims to generate employment, boost agricultural productivity and improve access to basic social services among the concerned communities.

An estimated 210,000 people reside in towns and villages in the West Bank that have been turned into isolated enclaves as a result of the separation wall. The wall has deprived people of education and healthcare facilities and cut off many agricultural communities from their farmland. The impact on economic activity and on the welfare of the population is severe.

Focusing on the northern governorates of Jenin, Tulkarem and Qalqilia, where conditions are worst, the project will construct schools and health centres, as well as municipal infrastructure such as water supply networks, local roads, garbage disposal systems and a fruit and vegetable market. To help raise agricultural productivity, some 335 hectares of farmland will be rehabilitated and irrigation facilities constructed or repaired. Other works include the repair of artesian wells and the construction of rain harvesting ponds to increase water storage capacity for farmers. In addition, capacity building will be provided to 10 rural development organizations.

An overall view shows the Israeli security barrier in East Jerusalem.

Photo: Reuters/Mahfouz Abu Turk

Water conservation in Arab region receives $400,000 grant

Photo: Reuters/Atef Hassan

Iraqi villagers unload water containers from a truck outside their thatched hut near an oil refinery in the southern city of Basra.

The OPEC Fund approved a grant of $400,000 in support of a project to promote efficient water use in 21 Arab countries. Implemented by the Arab Organization for Agricultural Development (AOAD), the project seeks to increase public awareness of water scarcity and encourage a more sustainable use of water as a depleting resource.

The Arab Region is on the verge of a serious water crisis, with annual per capita water share standing at just 940 cubic metres, compared with a worldwide average of 7,650 cu m.

Almost 90 per cent of water consumed in the region is used for agriculture, and in many cases, people have to transport water for their personal use, as can be seen pictured in southern Iraq where villagers unload containers from the back of a truck.

In co-operation with the national authorities of each participating country, the AOAD will implement an intensive information campaign to inform the public about the critical water situation and the need to use resources sparingly.

Burundian returnees receive $300,000 for reintegration

The OPEC Fund approved a grant of $300,000 to help reintegrate thousands of Burundian returnees from camps in neighbouring Tanzania, Rwanda and Congo. The project is an initiative of the UNHCR, which has been working since June 2004 with other lead agencies to assist over one million externally and internally displaced Burundians to return and reintegrate in their communities of origin.

After a decade of instability and civil conflict, Burundi is pursuing peace and reconciliation. The repatriation and sustainable reintegration of its nationals are a key part of this process and, by the end of 2004, more than 67,000 refugees had returned home. These efforts are set to continue until the end of 2006.

In addition to facilitating the physical return of refugees, UNHCR is ensuring that the necessary infrastructure is in place to allow them to become self-reliant. Activities therefore include the provision of housing kits, along with the construction of basic social services, such as schools and health centres. To render return truly sustainable, refugees are helped to provide for their own livelihood, either through small-scale farming or other suitable income-generating activities.

Burundian refugees aboard a UN truck, are on their way home from Nduta refugee camp in Kibondo, Western Tanzania.

Fund extends $7m loan to Burkina Faso for road upgrade

The OPEC Fund signed a $7m loan agreement with Burkina Faso last month to upgrade a segment of National Road 22, a strategic route that links outlying provinces with the capital, Ouagadougou. Opportunities provided by the new road are expected to raise agricultural production and lead to improved living standards for around 2.5 million people.

Landlocked Burkina Faso is heavily dependent on its road network for the transport of goods and people. However, around 85 per cent of roads are unpaved, including the 110 km long Ouagadougou-Kongoussi route. Originally constructed in the 1960s, this road has become severely deteriorated due to lack of maintenance and is often impassable during the rainy season. The resulting isolation has constrained social and economic development and perpetuated poverty across the entire area.

To date, the OPEC Fund has extended over $122m in development financing to Burkina Faso. This amount includes loans for balance of payments support, a commodity imports programme and projects across a wide range of sectors. It also includes two loans for debt relief under the Heavily Indebted Poor Countries Initiative. Additionally, Burkina Faso has benefited from a large number of grants from the Fund.

Education in Afghanistan boosted by $30,000 grant

The OPEC Fund approved a grant of $30,000 towards an educational support programme in Afghanistan. The initiative is the brainchild of an Austrian-based NGO, the Help Afghan School Children Organization (HASCO), which has been providing educational material and equipment to poor Afghani children since its inception three years ago.

Two decades of war have taken their toll on Afghanistan's education system; over 90 per cent of schools were destroyed, and only a few remain intact in urban areas. Despite recent efforts by the international community to rebuild infrastructure, many families cannot afford to buy essential school supplies for their children. As a result, a large proportion of Afghan youth are going without basic education.

HASCO's mandate is to help revive the education sector in Afghanistan by rehabilitating the physical infrastructure and providing children with schoolbags, books and classroom supplies. The present project will renovate five schools in the province of Laghman and distribute schoolbags and other supplies to the students. On completion, the schools will each be able to accommodate 600 students on a double-shift basis.

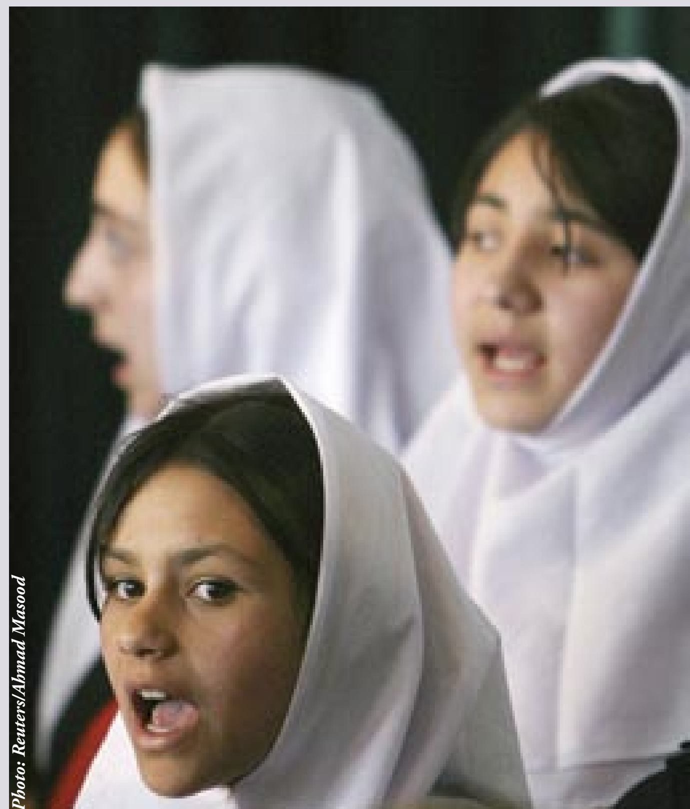


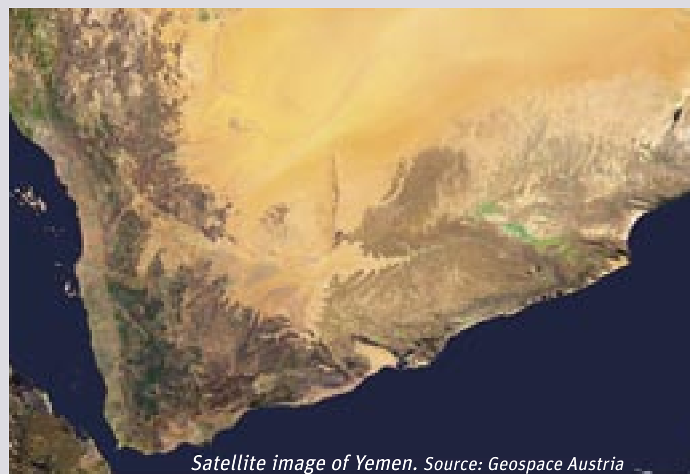
Photo: Reuters/Ahmad Masood

Afghan school girls sing at a cermony to mark the start of the school year in Kabul.

Fund extends $100,000 to Yemen for satellite atlas

The OPEC Fund approved a grant of $100,000 to help finance the production of a Satellite Image Atlas for the Republic of Yemen — the first such map for the country. The Atlas is being sponsored by the Geological Survey and Mineral Resources Board of the Ministry of Oil and Mineral Resources of Yemen in conjunction with Geospace Austria.

Satellite imaging is an essential tool for planning the sustainable development of any country, as it provides detailed information on land use, natural resources, urban and rural development and economic activity. Satellite data can thus assist policy makers in many important areas, notably in environmental and land and infrastructure development.



Satellite image of Yemen. Source: Geospace Austria

Fund supports research into arsenic contamination in Bangladesh

The OPEC Fund approved a grant of $50,000 to co-finance a pilot project in Bangladesh to reduce the level of arsenic poisoning from contaminated water supplies. The project is being implemented by Harvard University, in co-operation with the Dhaka Community Hospital, which have been working on a permanent solution to the problem.

While it has long been known that arsenic taken in high doses is acutely poisonous, its cancerous effects from ingestion at sub-acute levels have only recently become understood. In Bangladesh, arsenic is inherent in the country's groundwater supply, and an estimated 35 million people are exposed to the poison at levels that are dangerously high.

Following research that measured arsenic levels in 'dugwells'- with a view to identifying the nature and cause of the contamination, scientists at Harvard University have recently developed a methodology for digging wells to specifications that avoid arsenic contamination. The original research was co-financed with an earlier OPEC Fund grant in 2001.

The proposed pilot project aims to demonstrate the new methodology to villagers on a small scale before replicating it on a wider basis.

Photo: Reuters/Rafiqur Rahman

A Bangladeshi boy shows his arsenic-affected hands and feet in Koyla, a village south-west of the capital Dhaka.

February

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

Crude oil price movements

OPEC Reference Basket

January ended on a bearish note with the decision of the OPEC Meeting of the Conference to keep output levels unchanged and following a three day losing streak which saw the OPEC Reference Basket[1] shed $2.19/barrel. However, the Basket revived on the first day of February gaining 33¢ to reach $41.28/b on the view that OPEC might rein in production. Market bullishness was short-lived as minimal arbitrage kept ample supply in regional markets amid a drop in refinery interest due to seasonal turnarounds. US stock builds amid fading demand for winter fuels on the expectation of warmer weather helped the Basket average to close the first week at $40.96/b, down more than four per cent for a loss of $1.73/b.

Bullishness revived in the second week on a five per cent reduction in Oman exports to Asia, potentially increasing the price of OPEC crudes which use Oman as a benchmark. However, demand dropped as Asia celebrated the Chinese Lunar New Year at a time when imports were lower year-on-year in January. Easing prices received further support from the expectation that OPEC would not reduce production any time soon. The Basket regained some losses as prices rebounded following an International Energy Agency (IEA) report that revealed a decline in OECD commercial crude stocks, revised up its 2005 global demand forecast and adjusted its 2005 non-OPEC crude supply estimate downward. The Basket closed the second week at $40.12/b, down 84¢ for a drop of more than one per cent. Concern over rising global demand and a predicted reduction in 2Q OPEC output kept the market alert. Although weekly US crude oil stock data was even more bearish, prices continued to rise on an announcement by the United States Department of Energy's Energy Information Administration (DOI/EIA) that any output cut would deplete the US crude oil inventories. The Basket closed the third week with an increase of $1.55 or nearly four per cent at $41.67/b. The final week in February saw another build in the bullish sentiments. A return of the cold snap in the Northern and Western hemispheres sustained the bullish market sentiment. Rising demand for late winter fuels amid a weakening US dollar helped the Basket to surge a hefty $1.16/b or nearly three per cent on February 22. OPEC's reassurance of a well supplied market was offset by healthy European refining margins amid the ongoing tightness in light sweet crudes. Accordingly, the Basket's weekly average saw another healthy surge of $2.28/b or 5.5 per cent to close at $43.95/b with the final day of the month closing at $46.26/b following a 1.7 per cent surge for the day (see **Table A**). Building on a hefty monthly average rise of nearly 13 per cent in January, the Basket closed February with another rally rising 3.6 per cent or $1.44/b to settle at $41.68/b. The rise was 10¢/b over the year-to-date average and more than $5.63/b above the 2004 average with a surge of 41 per cent or $12.12/b y-o-y. Most of February's rise took place in the second half of the month. The stride continued into March on persisting concerns over high global demand amid bottlenecks in the downstream. Accordingly, the Basket saw a hefty jump of nearly three per cent on March 3. This was followed by a cumulative rally of some 3.6 per cent on March 9 and 10 to move into record territory, reaching a peak of $49.87/b, while the second week of March averaged $48.80/b.

US market

The market in the US weakened in early February. This was due to the expectation of higher than normal Colombian avails in March amid crude stocks at comfortable levels and building gasoline inventories. However, the hefty draw on distillates including heating oil kept the sweet/sour differential wide, although a report that refineries were running plants at a higher rate narrowed differentials slightly. The weekly average spread for West Texas Intermediate/ West Texas Sour (WTI/WTS) was at $5.60/b,

1. An average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.

down from $5.83/b in the last week in January.

High freight rates enticed US refiners to buy domestic grades at a time of tight sour grade due to expected maintenance on Shell's Mars platform which would shut in about 150,000 b/d of output. Further price support came from the lower Mideast allocation to global oil majors, which helped the weekly average for the sweet/sour WTI/WTS spread to narrow to $5.14/b in the second week amid continued healthy builds in gasoline stocks. Persistent high freight rates hindered rival grades from crossing the Atlantic adding a further bullish element. The weekly average sweet/sour spread narrowed to $4.86/b amid healthy builds in crude oil and gasoline stocks of 2.10m b and 4.9m b, respectively, for the week ended February 11. Hence, crude oil and gasoline stock levels were 23m b and 15m b higher over same period last year at 296m b and 222m b. However, the light/sweet strength was spurred by outages in Canadian oil sand production that reduced output by around 140,000 million barrels/d, forcing Midwest refiners to switch to West African grades. Accordingly, the weekly average for the sweet/sour spread widened slightly to $4.94/b, before narrowing at month-end to $4.75/b on continued disruption at ChevronTexaco's 42,000 b/d Petronius platform in the Gulf of Mexico. The WTI contract closed the month at $51.71/b for a gain of $3.51 or 7.3 per cent over January's close, while the monthly average rose 96¢ to $47.61/b. The WTS monthly average closed at $42.47/b with the sweet/sour spread 20¢ wider at $5.14/b. The wideness over January was due to the very narrow spread at the start of the year following the cold snap in the Northern hemisphere amid lower output from the North Sea, which boosted demand.

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

	Jan	Feb	Year-to-date average 2004	Year-to-date average 2005
Reference Basket	**40.24**	**41.68**	**29.94**	**40.96**
Arabian Light	38.26	40.10	29.50	39.18
Dubai	37.78	39.35	28.71	38.56
Bonny Light	44.01	45.43	30.70	44.72
Saharan Blend	44.39	45.44	30.93	44.92
Minas	42.55	44.56	29.82	43.56
Tia Juana Light	35.75	36.77	28.73	36.26
Isthmus	38.89	40.08	31.21	39.48
Other crudes				
Brent	44.01	44.87	30.99	44.44
WTI	46.64	47.69	34.48	47.16
Differentials				
WTI/Brent	2.63	2.82	3.49	2.72
Brent/Dubai	6.23	5.52	2.28	5.88

European market

The European market started on a weak outlook in the absence of arbitrage opportunity across the Atlantic, while ample OPEC barrels further dampened the market. The continued overhang of prompt North Sea cargoes amid decreasing refining margins especially for gasoline extended the downward movement into the second week for the light sweet grade. However, prompt buying was spurred by an easing of freight rates across the Atlantic amid revived refining margins. Yet, the sentiment was balanced by the absence of many traders from the market during International Petroleum Week. Furthermore, improved refinery margins later in the month amid scare cargo availability that triggered buying interest supported stronger differentials. This sentiment was supported by the late winter in Western Europe. Dated Brent (DB) closed February at $49.91/b for a gain of $5.81 or 13 per cent higher than the previous month, while the monthly average rose 86¢ to reach $44.87/b.

Sentiment was bullish in the Urals market, with prompt cargoes tight after programmes cleared for the first two decades of February and some interest in the north for arbitrage cargoes out of the region. Arbitrage opportunities for spot exports out of the region supported prices for Urals from Baltic ports other than Primorsk, which requires ice class vessels. Improving margins had given some support to Urals in the Mediterranean in early February with Russian Urals priced at a weekly average of $4.57/b below DB. However, buying interest slowed on poor refining margins as Urals traded weaker at $4.97/b to the benchmark Brent, with arbitrage opportunities putting a floor under the market. Black Sea crude grades were under pressure in the second week as Transneft stopped pumping Urals to Novorossiysk due to extended closures amid bad weather and refiners looking for alternative cargoes. The sentiment was further weakened in the third week as Iraq resumed its exports from the northern pipeline to Turkey. Thereby the weekly average Brent/Urals spread narrowed to $4.68/b. The prospect of lower Urals March barrels narrowed differentials amid strengthening refining margins in the final week of the month and Brent's weekly spread over Urals was set at $3.90/b amid a smaller-than-anticipated programme. Urals closed the month at $46.01/b, a 16 per cent or $6.39/b rise over January's closing, while the monthly average rose 24¢ to $40.34/b.

Far East market

The Mideast sour market emerged on a weaker note as Oman's retroactive January official selling prices (OSP) was set at a strong $39.26/b, a move pressured by the spot differentials for April-loading. Oman was set at a $1.34/b premium to Dubai, a level not seen since March 2003 and a 26¢/b jump from the December premium. April Oman was assessed at a 6¢/b discount to MOG. However, in the second week, a five per cent drop in Oman output to Asia jolted the market and Oman crude shifted into the positive territory on offer at a 7¢/b premium, although the market was somewhat subdued by the Chinese Lunar New Year amid lower y-o-y imports. The grade firmed further in the third week inspired by the closure

of arbitrage from Europe as the rising Brent/Dubai spread lifted sentiment and relieved the threat of competing sour barrels from Russia. April Oman was on offer at 12¢/b over the OSP. This momentum was boosted by an outage of 270,000m b/d from Iran's Gachsaran oilfield. In the last decade, the Oman assessment rose to trade at a 20¢/b premium while Abu Dhabi kerosene rich crude was assessed at a 15¢/b premium and traded at 20¢/b over ADNOC's OSP. Emerged May Oman was discussed at a 3–6¢/b premium.

Asian market

The Asian-Pacific market began the month on healthy activity with Malaysia's Petronas selling a March Tapis cargo at around $1.35–1.40/b while Bintulu saw a $1.20/b premium to Tapis Asian Petroleum Price Index (APPI) quote and Minas sold at a $1.30/b premium to the Indonesian Crude Pricing (ICP). However, in the second week, the market faced a big rise in the crude price adjustment factor 'p' for February Tapis lifting which was set at a 95¢/b premium versus a $1.40/b discount in January. Indonesian March Minas was still traded at a $1.35/b premium to ICP on potential demand from Japan's TEPCO and healthy demand from China. Furthermore, the impact of an outage of some 60,000 b/d of a regional sweet grade was balanced by the start-up of a new Australian field. Continued demand from China for light sweet grades pushed Malaysia in the last decade to sell March Tapis at $1.25/b and offer April Tapis at a higher premium of $1.55/b to the APPI quote. However, with sellers continuing to offer high prices, buyers adopted a 'wait and see' approach at month's end.

Product markets and refinery operations

Icy weather on both sides of the Atlantic lifted physical and futures prices of middle distillate products and consolidated the new trend of crude prices which had been triggered by the expectation of higher demand in 2005. Similarly, strong regional demand for light products and the expectation of a revival in Chinese buying to replenish product stocks have boosted product prices and refinery margins in Asia (see **Table B**).

Table B: Selected refined product prices $/b

		Dec	Jan 05	Feb 05	Change Feb/Jan
US Gulf (cargoes)					
Naphtha		42.74	50.86	48.69	–2.17
Premium gasoline	*(unleaded 93)*	44.25	53.58	53.02	–0.56
Regular gasoline	*(unleaded 87)*	43.86	52.58	52.11	–0.47
Jet/kerosene		51.52	56.12	56.20	0.08
Gasoil	*(0.2% S)*	50.04	53.34	54.67	1.33
Fuel oil	*(1.0% S)*	28.49	31.33	31.26	–0.07
Fuel oil	*(3.0% S)*	22.32	26.79	27.24	0.45
Rotterdam (barges fob)					
Naphtha		50.20	51.32	54.49	3.17
Premium gasoline	*(unleaded 95)*	42.54	47.84	49.96	2.12
Regular gasoline	*(unleaded)*	42.42	47.72	49.69	1.97
Jet/kerosene		54.05	55.05	58.05	3.00
Gasoil	*(0.2% S)*	51.26	51.92	54.31	2.39
Fuel oil	*(1.0% S)*	24.96	26.68	27.78	1.10
Fuel oil	*(3.5% S)*	20.93	23.54	25.48	1.94
Mediterranean (cargoes)					
Naphtha		39.98	41.69	44.26	2.57
Premium unleaded	*(0.15g/l)*	39.88	45.80	48.33	2.53
Premium gasoline	*(unleaded 95)*	39.72	45.72	48.28	2.56
Jet/kerosene		50.77	52.75	55.65	2.90
Gasoil	*(0.5% S)*	50.75	51.04	53.64	2.60
Fuel oil	*(1.0% S)*	25.65	28.69	29.59	0.90
Fuel oil	*(3.5% S)*	18.62	21.80	24.79	2.99
Singapore (cargoes)					
Naphtha		42.79	41.34	44.61	3.27
Premium gasoline	*(unleaded 95)*	44.81	47.57	54.27	6.70
Regular gasoline	*(unleaded 92)*	44.24	46.87	53.70	6.83
Jet/kerosene		50.07	51.10	54.54	3.44
Gasoil	*(0.5% S)*	51.33	51.26	55.74	4.48
Fuel oil	*(180 cst 2.0% S)*	26.93	28.08	30.35	2.27
Fuel oil	*(380 cst 3.5% S)*	24.00	26.61	29.28	2.67

In February, refining margins increased sharply across the board, particularly in Europe and Asia. Refining margins for WTI on the US Gulf Coast rose from $1.01/b in January to $2.02/b, while Brent prices in North-West Europe soared from $1.33/b in the previous month to $8.43/b. Margins for Dubai in the Singapore market also rose significantly by $4.35/b in January to $11.10/b in February. Part of the high margins in Europe and Asia was attributed to the lower prices of benchmark crudes Brent and Dubai in February, where prices for both benchmark crudes decreased by ten per cent and nine per cent from the previous month. Once the wave of freezing temperatures in the Northern Hemisphere comes to an end and given the comfortable level of US gasoline stocks in both absolute and relative terms, it is expected that refinery margins will lose the recent sharp gains and put some pressure on the crude market. However, due to tightening refinery capacity, sentiment in the product market could change rapidly in the event of serious refinery outages.

Meanwhile, the refining utilization rate in the US decreased from 91.2 per cent in January

Table C: Refinery operations in selected OECD countries

	Refinery throughput *(m b/d)*				Refinery utilization *(%)*[1]			
	Dec 04	Jan 05	Feb 05	Feb/Jan	Dec 04	Jan 05	Feb 05	Feb/Jan
USA	16.03	15.30	15.01	–0.29	96.0	91.2	89.5	–1.7
France	1.55	1.74	1.70	–0.05	79.6	89.3	86.9	–2.5
Germany	2.28	2.31 R	2.32	0.01	99.8	99.3 R	99.9	0.5
Italy	1.86	1.79	1.90	0.11	80.4	77.1	82.0	4.9
UK	1.70	1.67	1.73	0.06	93.3	91.6	95.0	3.4
Eur-16	12.40	12.36 R	12.57	0.20	89.8 R	89.1 R	90.5	1.5
Japan	4.34	4.31	4.41	0.10	92.4	91.6	93.8	2.2

1. Refinery capacities used are in barrels per calendar day.
Sources: OPEC statistics, Argus, Euroilstock Inventory Report/IEA.

R Revised since last issue.

to 89.5 per cent in February because of the refinery maintenance schedule. In Europe and Japan, the refining utilization rate was hiked by 0.6 per cent and 2.2 per cent, respectively, whereas in Singapore it declined by 1.6 per cent in February compared to the previous month (see **Table C**).

US market

In early February, market players shifted their attention to the gasoline market, but a late snowstorm in the US North-East changed market sentiment, allowing heating oil together with diesel and jet fuel to regain the driver's seat. The US gasoil crack spread versus benchmark crude oil WTI moved up from $5/b at the beginning of February to $10/b in the last few days of the month. Once the freezing weather disappears, it is expected that market focus will return to gasoline.

The gasoline market was muted in February, with demand almost flat compared to the same period last year. But recently gasoline prices have surged sharply following reports of unplanned refinery maintenance at the US Gulf Coast. Despite comfortable gasoline stock levels in the US, the fear of refinery problems could dominate the market and lift gasoline prices during the driving season (see **Table B**).

Additionally, cold weather and high natural gas prices supported demand and prices for both low- and high-sulphur(LSFO and HSFO) fuel oil. Still, healthy stocks in New York and the Caribbean could put further pressure on the US fuel oil spread later on (see **Table C**).

European market

At the beginning of the month, mild weather fuelled the bearish sentiment of the European market before a return of freezing weather shifted market momentum significantly, drastically boosting middle distillate prices. In North-West Europe, the gasoil crack spread reached about $13/b, while in the Mediterranean area diesel prices surged as refinery turnarounds left the region short of local production.

Despite the good performance of the middle of the barrel, the higher cut of the crude did not perform well in February. The gasoline crack spread for Brent crude in Rotterdam recently fell from about $5/b at the beginning of February to around $1/b. However, due to healthy demand in major emerging regions and increasing exports to the US market with the switch to the driving season, it is expected that the gasoline crack will revive in the near future (see **Table B**).

The European market for fuel oil was relatively strong in February, as exports to Asia-Pacific and the US as well as reduced supplies from Russia helped to raise fuel oil prices. Refinery maintenance in the Americas also boosted demand for both high- and low-sulphur fuel oil from Europe, while cold weather in Europe hiked low-sulphur fuel oil prices in the region (see **Table C**).

Asian market

During February, premium product prices rose by 11 per cent on average over the previous month sharply outpacing their corresponding benchmark crude oil Dubai (see **Table B**).

Demand for gasoline in the Middle East, India and South-East Asia was healthy, which, coupled with tight original supplies resulting from refinery maintenance in South Korea and Australia and the unplanned outage of the Formosa petrochemical FCC unit in Taiwan, lent support to gasoline prices. Indonesia has kept its gasoline imports at close to 4.5m b per month over the last few months. Due to the maintenance schedule at China's Maoming and Fujian refineries for March, gasoline prices are expected to remain strong next month. February, due to technical problems at an oil and gas field in UAE, which cut naphtha exports to Asia by 50,000 tonnes. However, due to ample supplies from India and sluggish demand, the naphtha market is fundamentally bearish.

Similarly, middle distillate prices climbed significantly, with the sentiment boosted by continued signs of strong Indian demand. India bought 390,000 tonnes of low-sulphur gasoil for March. Also growing demand from China and Hong Kong for the farming and fishing industries, as well as higher imports from Indonesia due to the maintenance of several refineries, hiked middle distillate prices to a record high. The gasoil crack spread in Asia recently soared to over $20/b.

The market for fuel oil was mixed. While a combination of strong Japanese utility demand and tight supply of low-sulphur waxy residue from Indonesia lifted low-sulphur fuel oil prices, low demand from China and ample arbitrage cargoes put pressure on HSFO prices. The discounted value of HSFO against Dubai crude

oil again reversed to $12/b after easing at the beginning of the month (see **Table C**).

The oil futures market

The crude oil futures market in New York opened weaker in February following the OPEC Conference on January 30 which kept the output levels unchanged. The expectation that the US weekly petroleum report would show crude builds also trimmed the market. The weekly Commodity Future Trading Commission (CFTC) traders' commitment data for the week ending February 1 revealed that the non-commercials increased positions with the shorts rising at a faster rate than the longs. This caused net longs to shrink by nearly 3,000 to 31,000 contracts as the New York Mercantile Exchange (NYMEX) WTI dropped 2.2 per cent. Open interest remained high, rising a healthy 20,000 contracts to 734,000. Although the crude oil inventories edged lower than anticipated, the healthy build in gasoline stocks pushed the market downward amid the forecast for warmer weather. The NYMEX WTI front-month slipped nearly $3 or six per cent to settle the week at $45.28/b. The hefty plunge in heating oil futures in the second week spurred by forecasts of above normal temperature in the US north-east, along with lower Chinese demand, caused the NYMEX WTI front-month to shed a further 2.6 per cent on Monday February 7.

The weekly CFTC data for the week ending February 8 revealed that non-commercial speculators reduced net longs by another 3,300 to 27,500 lots with the open interest down by about the same level; yet the NYMEX WTI March contract edged up 12¢ late in the day on short-covering. However, the bearishness was short-lived, as the sentiment switched later in the second week on bullish weekly US crude oil stocks amid an IEA report calling for higher world demand and lower non-OPEC supply. The NYMEX WTI March front-month contract surged 3.6 per cent on Thursday February 10 and closed the week 68¢ higher at $47.16/b.

The bulls revived further in the third week on the prospect of a possible OPEC output cut as the Northern hemisphere winter drew to a close while the market digested the IEA's bullish outlook for 2005. The CFTC data revealed that non-commercial fund speculators reversed movement to increase net long positions for WTI crude oil futures for the first time in two weeks. Net longs stood at nearly 32,000 lots while open interest peaked at 740,000 lots.

These bullish developments came despite a healthy build in the US crude oil and gasoline stocks to levels well above the same period last year. This sentiment was further supported by EIA concern that lower OPEC crude output could reduce the y-o-y domestic inventory surplus. The NYMEX WTI March contract surged 2.3 per cent on Wednesday February 16. However, the perception that OPEC was leaning towards a reduction helped to cool the market and WTI dropped by 1.6 per cent the next day to close Friday at $48.35/b, which was still an increase of 2.5 per cent for the week. Moreover, spurred by a rush of speculators, crude oil leaped above the $50/b level in New York to its highest point in almost four months on Tuesday February 22. The NYMEX WTI March contract expired $2.80 or almost six per cent higher to settle at $51.15/b, a level last seen on October 29 when the prompt month closed at $51.76/b. Tuesday's price rally was the highest one-day rally since December 15.

Projections for colder weather and stronger oil demand amid a weaker dollar spurred fund buying, while increased activity following the market's long weekend only added to an expected spike from Tuesday's expiration of the March futures contract. The CFTC report showed that non-commercial fund speculators increased long positions by almost six-times the previous rate, boosting net longs to 54,000 contracts with open interest reaching another peak of 760,000 lots. The bullishness continued for the remainder of the month and NYMEX WTI closed February at $51.75/b for a net increase of $3.55 or 7.4 per cent over closing January. The monthly average stood at $48.05/b, an increase of 2.6 per cent or $1.20 over the previous month. The February weekly average for open interest was at 741,000 lots, an increase of 86,000 contracts over the same period last year.

The NYMEX forward curve remained in contango in February and widened further over the previous month. The first/second month average spread was at 53¢/b while the 1st/6th month spread stood at a slight –10¢/b compared to January when it was at –20¢/b and +94¢/b, respectively. The contango narrowed from –70¢/b earlier in the month to around –40¢/b with the 1st/6th month spread falling into a slight backwardation. While the contango narrowed later in the month on rising demand for prompt cargoes amid high outright prices, US crude oil stocks were building to reach almost 300m b in the last week of February for a surplus of 24m b over the same period in 2004 with gasoline stocks also remaining at a comfortable level of 225m b or 21m b over the same period a year ago.

Tanker market

OPEC area spot fixtures saw a modest increase of 300,000m b/d to stand at an average of 15.8m b/d in February, but remained 2.3m b/d over the same month last year. The slight rise in OPEC spot fixtures corresponds to the growth in OPEC production in February. Despite this increase, OPEC's share of global spot chartering declined by roughly two percentage points to 62 per cent remaining higher than last year's figure of 60 per cent. The growth in OPEC spot fixtures was attributed to Middle Eastern countries, which increased fixtures by 330,000 b/d and consequently pushed their share in OPEC total fixtures to 55.3 per cent against 54 per cent in January 2005. Non-OPEC spot fixtures grew by 850,000 b/d, which corresponds to half the growth displayed in the previous month, and averaged almost 9.7m b/d. Compared to the February 2004 figure, non-OPEC spot fixtures increased by 900,000 b/d, but their share in global spot fixtures slipped nearly two percentage points to 38 per cent. Global spot chartering increased by 1.15m b/d to stand at 25.5m b/d, which was 3.2m b/d or 14 per cent higher than last year's figure. According to preliminary estimates, sailings from the OPEC area rose by 320,000 b/d to 24.6m b/d. However,

Middle Eastern sailings, which represented 72 per cent of total OPEC sailings, increased by 370,000 b/d or two per cent to settle at 17.67m b/d. Preliminary estimates also show that all the regions experienced a decline in arrivals, except the US and Caribbean which increased by more than 1.0m b/d or ten per cent, confirming the rise in US crude oil stocks. Arrivals in North-West Europe and Japan declined by around 200,000 b/d each to stand at 7.5m b/d and 4.26m b/d, respectively, but remained almost stable in the Euro-Med region at 4.23m b/d.

Crude oil spot freight rates in the very large crude carrier (VLCC) sector recovered significantly from low January levels while showing mixed patterns in the other sectors. The VLCC sector picked up sharply, especially on the Middle East/Eastbound long-haul route, where freight rates more than doubled, gaining 74 points in February to stand at a monthly average of Worldscale 145. The main reason behind the sudden surge in the freight rates on this route was increasing activity from China, especially approaching the end of the Chinese Lunar New Year celebrations. Compared to the same month last year, freight rates were 10 points higher on average. Freight rates on the Middle East/Westbound long-haul route experienced a similar trend although with a lower gain increasing by almost 75 per cent or 51 points to reach an average of W121, higher than the February 2004 average of W104. In addition to the healthy activity, OPEC's decision of January 30 to keep current oil output unchanged helped to boost freight rates.

In the Suezmax sector, freight rates for shipping crude oil from North-West Europe to the US East and Gulf Coasts showed a slight increase of 12 points or eight per cent to settle at a monthly average of W160. However, freight rates on the West Africa/US Gulf Coast route lost 7 points to stand at W167 compared to January's revised average of W167. This decline was attributed to a slowdown in US demand for light sweet crudes from Nigeria and the North Sea due to an already sufficient supply of sweet crude in the US Gulf Coast. In the Aframax sector, apart from the Indonesia/US East Coast route, which displayed a modest recovery, freight rates continued to fall, especially on the Caribbean/US East Coast route, as a result of a slowdown in activity and a build up in tonnage availability. Freight rates in the Mediterranean and from there to North-West Europe declined by 31 points and 14 points, respectively, to stand at monthly averages of W228 and W195 due to less activity ahead of the refinery maintenance season. An easing of congestion in the Turkish Straits put further downward pressure on freight rates in the region. The Caribbean/US East Coast route experienced a huge decline of 138 points or 40 per cent, but remained healthy for a monthly average of W215. In the Aframax sector, only the Indonesia/US West Coast route saw any increase displaying a modest recovery of nine points or six per cent to stand at an average of W168. Compared to the same month last year, freight rates declined on all routes, except in the VLCC sector and on the Mediterranean/NW Europe route in the Aframax sector.

In the product tanker market, all routes saw declines from the previous month on decreased declined activity except in the Mediterranean region and from there to North-West Europe. Freight rates for cargoes heading eastward from the Middle East and Singapore lost 67 points and 34 points, respectively, to settle at monthly averages of W292 and W325. Despite these losses, freight rates on both routes remained higher than in the same month last year. The drops displayed by these routes were due to weak activity in combination with huge tonnage availability.

To some extent, the declines can be assumed as a correction from the extremely high levels of the previous months. Similarly, freight rates on the Caribbean/US Gulf Coast and NW Europe/US East and Gulf Coasts routes fell by 76 points and 54 points, respectively, to stand at W257 and W291. However, freight rates in the Mediterranean and from there to North-West Europe showed a slight increase ranging from 5 to 12 points to average W309 and W295, respectively. This increase was the result of sustained activity in the region due to high demand for middle distillates on account of the cold weather and the need to secure purchases ahead of seasonal refinery maintenance.

World oil demand

Forecast for 2004

World

With full preliminary data for 2004 available for the first time — although still subject to minor adjustments — total world oil demand growth for the year was revised slightly upwards by 70,000b/d to 2.62m b/d from the previous estimate of 2.55m b/d. Thus, the level of world oil demand now stands at 82.12m b/d. The higher level for total world oil demand for 2004 is the result of an upward revision to the data for the second half of the year, especially in the 4Q, although 1Q and 2Q figures also saw minor upward adjustments. With data now available for the entire year, world oil demand rose by 1.63m b/d, slightly higher than the two per cent in the 1Q, followed by an astonishing increase of almost 3.77m b/d or nearly five per cent in the 2Q and another solid 2.47m b/d or 3.12 per cent growth in the third. As noted in the previous report, the exceptionally high growth seen in the 2Q was the result of the impressive rise in Chinese apparent demand which grew by close to 24.5m b/d for a y-o-y volumetric gain of 1.3m b/d. In addition to impressive demand growth in China in the 2Q, data from DCs corroborates previous figures which put total DC demand growth at more than 1.4m b/d in the same period, which translates into a seven per cent y-o-y rise. The strength in consumption in North America and even the former Soviet Union (FSU) also contributed to the strong growth in the 2Q. The rate of growth in Chinese demand, which showed signs of slower growth in the 3Q, down 10.5 per cent y-o-y from the 23.9 per cent observed in the second, gained momentum in November and December as trade data pointed to record-high crude oil imports. Production and trade statistics indicated that apparent demand in China surged in the last three months of 2004, rising by 1.13m b/d or nearly 20 per cent y-o-y. North America's and Western Europe's consumption of petroleum products rose by 760,000 b/d and 390,000 b/d, respectively, while in the DCs group consumption — led by Other Asia and the Middle

East — grew by 600,000 b/d in the last quarter of 2004. All things considered, world oil demand appears to have grown strongly during the last months of 2004 with preliminary estimates now showing a 2.6m b/d or 3.2 per cent rise to a record-high level of 84m b/d.

OECD

The OECD countries, which account for roughly three fifths of total world oil demand, contributed slightly more than one-quarter of expected demand growth in 2004. Total OECD demand is now estimated to have reached 49.55m b/d for a y-o-y rise of 690,000 b/d or 1.42 per cent. The lion's share of growth originated in the North American region with the US accounting for four fifths of the estimated 610,000 b/d increase. With indications of stronger than usual demand in Western Europe during the last couple of months, y-o-y demand growth is expected at around 240,000 b/d or 1.57 per cent, which represents a six-year record-high. OECD Pacific consumption is projected to contract by 160,000 b/d or 1.78 per cent, in sharp contrast to the 1.7 per cent rise in 2003 but in line with the declining trend in consumption seen in the last six years. The split of total OECD oil requirements by products for the period January–December 2004 shows that inland deliveries of gasoil/diesel, LPG, and gasoline grew by 260,000 b/d, 130,000 b/d and 120,000 b/d, respectively, compared to the same period last year. In contrast, residual fuel oil requirements declined by 5.3 per cent or 160,000 b/d during the 12-month period. Fuel oil consumption ended slightly higher in North America but shrank in the rest of the OECD. The decline was more severe in the OECD Pacific countries where demand fell by more than 12 per cent or 110,000 b/d during the year following the sustained recovery in Japanese nuclear power generation combined with unseasonably mild fourth-quarter temperatures in north-east Asia.

Residual fuel oil and gasoline demand also registered declines in Western Europe due to the ongoing substitution of fuel oil by LPG and to the dieselization of Europe's transport fleet. On the other hand, diesel/gasoil demand in Western Europe posted a 2.07 per cent rise which translates into a volumetric gain of 120,000 b/d.

Developing countries

Preliminary data, which is subject to greater revisions due to its considerably longer time-lag, on Developing Countries for 2004 indicates that oil demand rose by a hefty 860,000 b/d or 4.18 per cent to average 21.33m b/d. The growth in oil demand in DCs accounted for one-third of total world's demand growth during last year. Almost 50 per cent of the growth originated in Other Asia with a y-o-y rise of 400,000 b/d or five per cent, followed by a solid 4.76 per cent increase in the Middle East region. On a quarterly basis oil consumption rose by 800,000 b/d or near four per cent in the 1Q of last year followed by a hefty 1.4m b/d or seven per cent increase during the 2Q surpassing the growth of China. Growth rates moderated during the second half of 2004 with a 3Q y-o-y gain of three per cent and another 2.8 per cent for the last quarter.

Other regions

As complete preliminary production and trade data for the year becomes available, it seems that more than two-fifths of total world oil demand growth in 2004 formed in the Other Regions group with almost 90 per cent of that originating in China. Oil demand in this group grew by more than 1.0m b/d, which translates into a y-o-y growth of 10.5 per cent. China's astonishing growth rates of 16 per cent and 24 per cent seen in the first and second quarters of last year slowed down to 10.5 per cent in the 3Q but preliminary production and trade statistics point to a considerable rebound of nearly 20 per cent in Chinese apparent consumption during the last three months of 2004. The increase in Chinese domestic consumption was met by a surge in oil and product imports which rose to 40 per cent, 63 per cent, 19 per cent and 45 per cent in the four quarters of 2004. Preliminary trade figures indicate that net crude and product trade rose by an astonishing 54 per cent y-o-y which translates into a 1.15m b/d increase. In the FSU, production and trade statistics show that apparent demand dropped in the 1Q by more than ten per cent y-o-y but recovered by almost 13 per cent in the 2Q followed by another rise of eight per cent during the 3Q. Apparent demand showed no growth in the last quarter and stood slightly higher than 4.0m b/d. The sharp rise in FSU production has been met by an equal rise in net oil exports resulting in marginal estimated growth in apparent demand of 90,000 b/d for the whole of 2004. Oil demand in other Eastern European countries shows a y-o-y rise of 30,000 b/d or 3.1 per cent to 860,000 b/d.

Forecast for 2005

Since we first presented our forecast for 2005, the expected growth in world oil demand has undergone several revisions. While the first revision was on the downside, since November of last year there have been several upward revisions which have taken the growth in demand to nearly 2.0m b/d. Following another revision in total world economic activity — now estimated at 4.15 per cent on a purchasing power parity basis — and signs of solid consumption in several OECD economies and China, our global demand growth figure has once again been adjusted upwards. Total world oil demand growth is estimated at 1.86m b/d which translates into a y-o-y growth of 2.26 per cent resulting in average global demand of 83.98m b/d for the present year.

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

	1Q	2Q	3Q	4Q	Year
2001	4.30	4.71	4.89	4.47	4.60
2002	5.14	5.84	5.85	5.49	5.58
2003	5.87	6.75	6.72	6.61	6.49
2004[1]	7.17	7.28	7.34	7.37	7.29
2005[2]	7.51	7.85	7.93	7.98	7.82

1. *Estimate.*
2. *Forecast.*

Preliminary figures for March indicate that so far this year gasoline consumption in the US has remained robust even when compared to the same period last year when gasoline consumption was significantly high. Distillate consumption also remains strong with the latest data released by the US DOI/EIA showing a surprising 16 per cent y-o-y rise in the first week of March. According to the latest figures, demand for all major product categories in Mexico and Canada during January remained healthy. In contrast, the 'Big Four' economies in Europe, which account for approximately 50 per cent of total Western European demand, showed signs of weakening in product deliveries during January. Gasoline and fuel oil deliveries showed significant declines when compared to the same period last year. The ongoing substitution of fuel oil by gas for power generation, especially in countries like Italy, and the continued dieselization of the European transportation fleet are among the reasons for this ongoing trend.

China, the wild card when it comes to assessing this year's demand, showed indications of a deceleration in the level of imports during January. Nonetheless, the decline does not suggest that China's demand would diminish but rather that it is probably the result of record-high crude imports during the last two months of 2004 and the slow-down in trade activity ahead of the Chinese Lunar New Year holidays. As a matter of fact, Chinese refineries continue to be running flat out, with indications of noticeable inventory draws. Thus, crude imports are very likely to resume at a strong pace in February and March. Any forecast of Chinese demand for the present year will be significantly influenced by the assumptions used to estimate the consumption pattern of diesel. After all, almost 60 per cent of total demand growth in China last year was attributed to the rise in diesel demand. It is doubtful that the shortage in electricity generation that triggered the surge in diesel consumption last year will see a substantial relief during 2005. In January of this year, the power grids ordered blackouts for 21 Chinese provinces as a result of surging demand for electricity. According to the Chinese government, power shortages will remain at above 20m kilowatts in summer. This means that diesel-fired generators will be needed to meet electricity needs which in turn will translate into high consumption and imports of the fuel. Therefore, we have substantially revised up our estimated rate of Chinese demand growth for 2005. Chinese apparent demand for the present year is now estimated to rise by 610,000 b/d or 9.4 per cent to 7.1m b/d.

World oil supply

Non-OPEC

Estimate for 2004

Non-OPEC supply for 2004 is estimated at 49.74m b/d, with a quarterly distribution of 49.67m b/d, 49.76m b/d, 49.51m b/d and 50.0m b/d, respectively. The yearly average increase now stands 1.11m b/d above the revised 2003 figure.

Forecast for 2005

Non-OPEC supply for 2005 is forecast to increase 1.06m b/d. However, North America may witness a decline of 80,000 b/d mainly from US due to continued delays in the return of hurricane-damaged production and Canada because of ongoing technical problems in synthetic crude plants. Both OECD Pacific and Western Europe are expected to see a decline of 160,000 b/d with the UK and Norway forecast to dip 90,000 b/d and 50,000 b/d, respectively. Total OECD supply is expected to decline a significant 240,000 b/d to 21.02m b/d. Total DC supply is forecast to rise by 510,000 b/d. The main contributors to this increase are Angola, Sudan and Chad would see increases of 200,000 b/d, 40,000 b/d and 40,000 b/d, respectively; Other Asia with a 210,000 b/d increase mainly from East Timor and Malaysia; and Latin America with Brazil adding 100,000 b/d. Despite a decline in growth, FSU is expected to continue to be the major contributor to the rise in non-OPEC output, mainly from the 430,000 b/d increase in Russian output, while Kazakhstan is expected to add 150,000 b/d and Azerbaijan 30,000 b/d.

Meanwhile, Chinese output is likely to rise 120,000 b/d over the 2004 figure to reach 3.61m b/d. Quarterly figures are redistributed at 50.50m b/d, 50.75m b/d, 50.68m b/d and 51.26m b/d, respectively. The yearly average is forecast at 50.80m b/d. FSU net oil export for 2005 is expected at 7.82m b/d, an increase of 530,000 b/d over the 2004 figure of 7.29m b/d (see **Table D**).

OPEC NGLs and non-conventional oils

The 2005 forecast for OPEC NGLs and non-conventional oils has been revised upward to 4.19m b/d, an increase of 240,000 b/d over the 2004 figure. Figures for 2001–03 remain unchanged at 3.58m b/d, 3.62m b/d and 3.71m b/d, respectively, compared with the figures in the previous report.

OPEC NGL production, 2001–05

	m b/d
2001	3.58
2002	3.62
2003	3.71
1Q04	3.88
2Q04	3.89
3Q04	3.97
4Q04	4.04
2004	3.95
Change 2004/2003	0.24
2005	4.19
Change 2005/2004	0.24

OPEC crude oil production

Available secondary sources indicate that OPEC output for February was 29.56m b/d, an increase of 290,000 b/d over the revised January figure. **Table E** shows OPEC production as reported by selected secondary sources.

Rig count

Non-OPEC

Non-OPEC rig activity was higher in February compared with the January figure. North America gained 73 rigs, mainly in Canada and US, while Western Europe was down by three rigs to total 49. Rig activity in DCs was down by two rigs to 392, mainly in the Middle East.

OPEC

OPEC's rig count was 274 in February, a gain of nine rigs compared with the January figure. The rise in activity was mainly contributed by Indonesia.

Stock movements

USA

Following the typical seasonal draw pattern in winter, US commercial oil stocks showed a further decline for the third consecutive month, decreasing by 6.7m b or 240,000 b/d to 951.0m b during the period January 28–February 25. Despite this draw, crude oil and main product inventories experienced a net build of 1.7m b as crude and gasoline stocks rose significantly while distillates saw considerable declines.

Stagnant refinery throughput which decreased from 15.37m b/d to 15.21m b/d over the period due to lower refinery runs which dropped by 2.29 per cent to 89.33 per cent, as well as higher imports, which rose by 180,000 b/d to 10.07m b/d, pushed crude oil stocks up by 4.1m b to 299.4m b. Although remaining at the previous month's level of nine per cent, the y-o-y surplus rose from three per cent to five per cent over the five-year average. In terms of days of forward cover, crude oil stocks at the end of February stood at 19.6 days of forward consumption, or 0.4 days higher than last month's figure (see **Table F**).

Gasoline imports, which rose by 200,000 b/d to 980,000 b/d, along with a slight rise in production further accelerated gasoline stock-builds by a significant 8.2m b to 224.5m b. This level is equivalent to 25.3 days of forward cover or 0.7 days above last month's level. The y-o-y excess widened by about six per cent to stand at 11.1 per cent while compared with the five-year average it extended to nine per cent from last month's four per cent.

Despite a slow-down of 370,000 b/d to 4.16m b/d in implied demand for distillates, stocks continued to decline, falling a massive 8.6m b to 110.0m b. Two main reasons could be cited for such a big draw. The first is a decline in distillate imports which decreased by 80,000 b/d to 280,000 b/d, while the second is lower production which fell by 130,000 b/d to 3.73m b/d on the back of seasonal shut-downs. Despite the draw on distillates, the y-o-y deficit narrowed by three per cent to stand at one per cent while compared with the five-year average there remained a shortage of two per cent. Days of forward consumption dropped from 27.6 days to 25.9 days. More than half of the draw on distillates resulted from heating oil stocks which fell by 4.61m b to 40.22m b on higher demand due to persistent cold weather in the US North-East.

The Strategic Petroleum Reserve (SPR) continued to fill towards its maximum capacity of 700m b, gaining a further 2.9m b to stand at 681.5m b during the period January 28–February 25, 2005.

US commercial oil stocks in the week ending March 11, 2005 showed a draw of 5.1m b to 947.5m b with most of the draw coming from gasoline and distillate stocks which decreased by 2.9m b and 1.9m b, respectively, while crude inventories witnessed a build of 2.6m b, an increase of 24.1 above last year's level and more than 14m b above the five-year average.

Western Europe

Oil stocks in Eur-16 (EU plus Norway) followed the same pattern as US oil stocks with crude oil and gasoline registering builds while other main products experienced draws. But stock-builds of crude oil and gasoline in the Eur-16 were much lower than those seen in the US. At the end of February, Eur-16 oil stocks stood at 1,077.1m b, a drop of 5.4m b or 190,000 b/d from the level observed a month ago (see **Table G**).

Lower exports to the US market due to refinery maintenances forced most North Sea cargoes to be absorbed by European refineries, lifting crude oil stocks a marginal 200,000 b to 455.3m b. Despite this slight build, last month's y-o-y surplus switched to a deficit of 6.0m b or one per cent. The build of 4.9m b to 141.0m b in gasoline stocks was due to weak demand as well as dwindling exports to the US market because of narrowed arbitrage as freight rates remained very high. This build helped to narrow the y-o-y gap, putting it at about six per cent or four per cent lower than last month's deficit. Despite increasing distillate output and exports from Russia, distillate inventories fell a considerable 7.8m b to 346.2m b on the back of healthy demand due to cold weather. This stock-draw

Table E: OPEC crude oil production, based on secondary sources							1,000 b/d
	2003	3Q04*	4Q04*	2004*	Jan 05	Feb 05	Feb/ Jan
Algeria	1,134	1,257	1,289	1,229	1,298	1,315	17
Indonesia	1,027	963	960	969	9572	953	–4
IR Iran	3,757	3,940	3,947	3,920	3,913	3,911	–2
Iraq	1,322	1,992	1,960	2,015	1,813	1,865	52
Kuwait	2,172	2,395	2,436	2,341	2,413	2,451	38
SP Libyan AJ	1,422	1,577	1,608	1,537	1,608	1,615	7
Nigeria	2,131	2,379	2,339	2,350	2,291	2,329	38
Qatar	743	796	798	781	782	795	14
Saudi Arabia	8,709	9,406	9,450	8,982	9,110	9,218	108
UAE	2,243	2,457	2,486	2,360	2,390	2,387	–3
Venezuela	2,305	2,596	2,615	2,580	2,694	2,722	28
Total OPEC	**26,965**	**29,756**	**29,888**	**29,063**	**29,270**	**29,562**	**292**

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

did not affect the y-o-y surplus which improved further by two per cent to stand at about three per cent at the end of February 2005.

Japan

Total commercial oil stocks in Japan continued to see seasonal draws for the second consecutive month, losing 5.1m b or 160,000 b/d to stand at 184.8m b. Despite this stock-draw, the y-o-y deficit narrowed by one per cent to three per cent. Stock-draws on middle distillates especially jet kerosene continued to be the largest contributor to this fall, followed by crude oil stocks, while other main product inventories either witnessed a build (gasoline) or a very small draw (fuel oil).

After a massive drawdown in December on the back of higher refinery runs due to improved implied demand, crude oil stocks continued to deplete although preliminary refinery operation data for January showed that refinery throughput declined slightly from 4.34m b/d in December 2004 to 4.31m b/d in January 2005. The only explanation could be that the draw happened due to lower crude oil imports. Hence, crude oil stocks stood at 116.2m b or 1.3m b lower than in the previous month. The y-o-y shortage narrowed despite this drop, improving by three per cent to stand at about five per cent (see **Table H**).

Middle distillate stocks showed a further draw due mainly to a considerable fall of 5.6m b to 34.4m b in jet kerosene inventories on the back of cold weather and heavy snowfall in many parts of Japan, especially the northern areas. Jet kerosene was estimated to have dropped by 4.0m b, while another fall occurred on gasoil and naphtha. A y-o-y comparison shows that last month's slight deficit turned into a surplus of about two per cent despite the ongoing stock-draw.

Weak implied demand helped gasoline stocks to build by 1.9m b to stand at 14.8m b which was eight per cent higher than the year-ago level.

Balance of supply/demand

Table I for 2004 shows an upward revision to world oil demand by 70,000 b/d to 82.12m b/d, resulting in an estimated annual difference of around 28.43m b/d. The quarterly distribution stands at 28.18m b/d, 27.34m b/d, 28.24m b/d and 29.95m b/d, respectively. The balance quarterly distribution stands at 10,000 b/d, 1.06m b/d, 1.51m b/d and –60,000m b/d, respectively, while the annual average balance is estimated at 630,000 b/d.

Table I for 2005 shows world oil demand expected at 83.98m b/d and total non-OPEC supply expected at 54.99m b/d. This results in an annual difference of around 28.99m b/d, some 560,000 b/d over the estimated 2004 level, with a quarterly distribution of 29.44m b/d, 27.74m b/d, 28.52m b/d and 30.26m b/d, respectively.

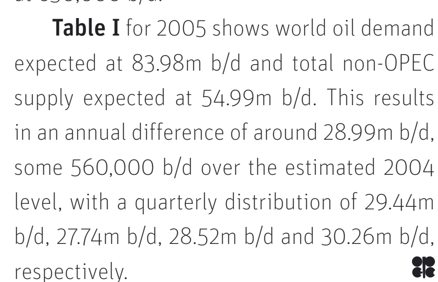


Table F: US onland commercial petroleum stocks[1] *m b*

	Dec 31, 04	Jan 28, 05	Feb 25, 05	Change Feb/Jan	Feb 25, 04	Mar 11, 05[2]
Crude oil (excl SPR)	**291.8**	**295.3**	**299.4**	**4.1**	**275.7**	**305.2**
Gasoline	214.3	216.3	224.5	8.2	203.9	221.4
Distillate fuel	121.1	118.6	110.0	–8.6	113.2	107.3
Residual fuel oil	40.7	40.1	38.2	–1.9	39.3	38.0
Jet fuel	41.4	43.1	43.0	–0.1	37.0	39.4
Total	**965.8**	**957.7**	**951.0**	**–6.7**	**901.7**	**947.5**
SPR	674.0	678.6	681.5	2.9	645.9	683.7

1. *At end of month, unless otherwise stated.*
2. *Latest available data at time of publication.*

Source: US/DoE-EIA.

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

	Dec 04	Jan 05	Feb 05	Change Feb/Jan	Feb 04
Crude oil	**457.1**	**455.1**	**455.3**	**0.2**	**461.1**
Mogas	132.6	136.2	141.0	4.9	149.3
Naphtha	24.6	25.5	24.6	–0.9	23.8
Middle distillates	348.4	354.0	346.2	–7.8	336.6
Fuel oils	111.2	111.7	110.0	–1.8	113.6
Total products	**616.8**	**627.4**	**621.8**	**–5.6**	**623.3**
Overall total	**1,073.8**	**1,082.5**	**1,077.1**	**–5.4**	**1,084.4**

1. *At end of month, and includes Eur-16.*

Source: Argus, Euroilstock.

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

	Nov 04	Dec 04	Jan 05	Change Jan/Dec	Jan 04
Crude oil	**126.7**	**117.5**	**116.2**	**–1.3**	**111.1**
Gasoline	14.1	12.9	14.8	1.9	13.7
Middle distillates	44.9	40.0	34.4	–5.6	33.7
Residual fuel oil	19.9	19.5	19.4	–0.1	20.7
Total products	**78.9**	**72.4**	**68.6**	**–3.8**	**68.2**
Overall total[2]	**205.6**	**189.9**	**184.8**	**–5.1**	**179.3**

1. *At end of month.*
2. *Includes crude oil and main products only.*

Source: MITI, Japan.

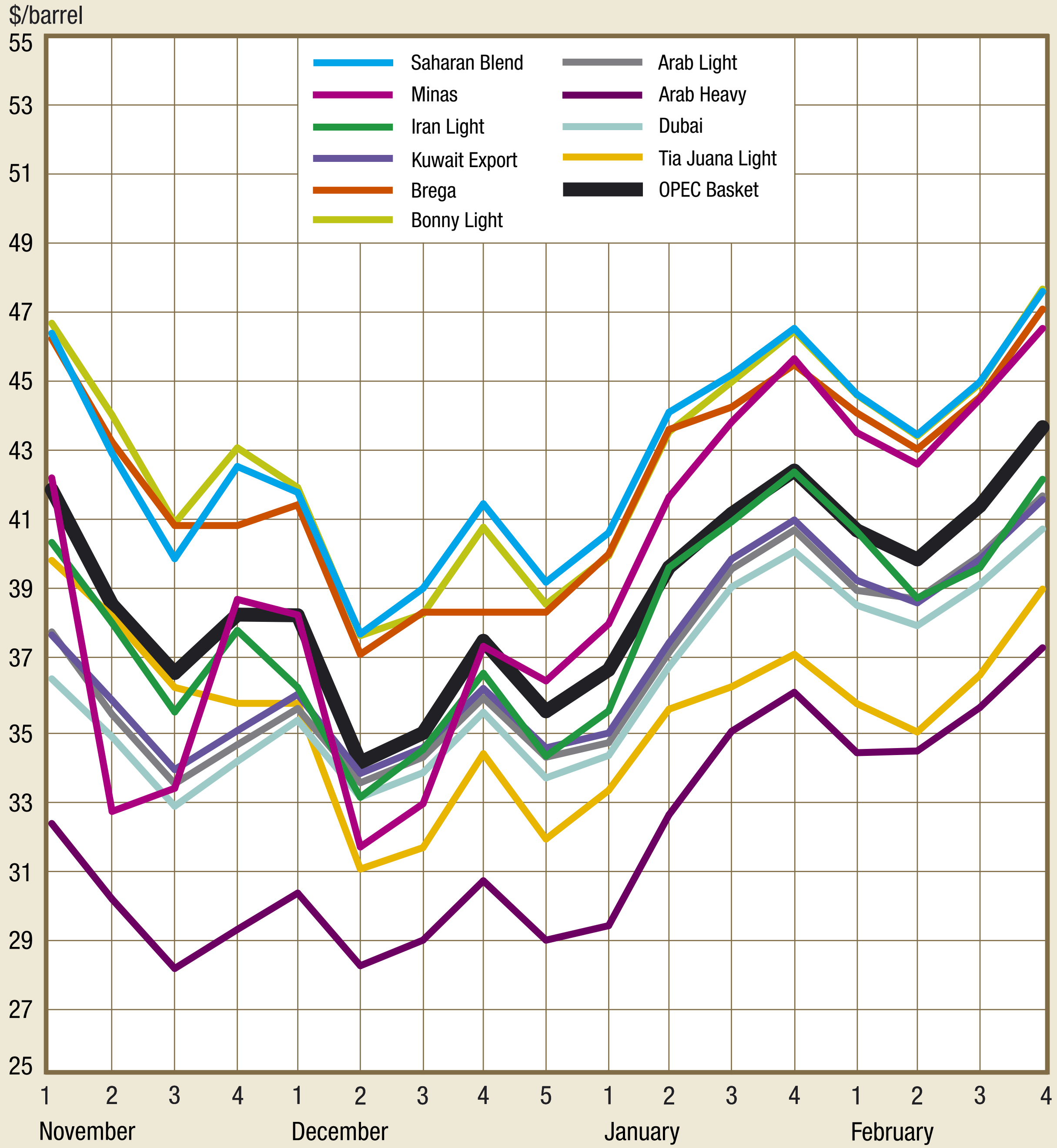
Table I: World crude oil demand/supply balance														*m b/d*
	2000	**2001**	**2002**	**2003**	**1Q04**	**2Q04**	**3Q04**	**4Q04**	**2004**	**1Q05**	**2Q05**	**3Q05**	**4Q05**	**2005**
World demand														
OECD	48.0	48.0	48.1	48.9	50.2	48.2	49.2	50.7	49.6	50.6	48.5	49.5	51.0	49.9
North America	24.1	24.0	24.1	24.6	25.0	24.9	25.2	25.6	25.2	25.4	25.1	25.5	26.0	25.5
Western Europe	15.2	15.3	15.3	15.5	15.8	15.3	15.7	16.2	15.7	15.9	15.4	15.8	16.2	15.8
Pacific	8.7	8.7	8.6	8.8	9.4	8.0	8.3	8.9	8.6	9.3	7.9	8.2	8.8	8.5
Developing countries	19.3	19.7	20.2	20.5	20.8	21.4	21.4	21.7	21.3	21.8	22.2	22.1	22.4	22.1
FSU	3.8	3.9	3.7	3.8	3.6	3.8	4.0	4.1	3.9	3.9	3.8	4.0	4.1	4.0
Other Europe	0.8	0.8	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9	0.8	0.8	0.9	0.9
China	4.7	4.7	5.0	5.6	6.2	6.8	6.4	6.7	6.5	6.9	7.4	6.9	7.3	7.1
(a) Total world demand	**76.5**	**77.1**	**77.8**	**79.5**	**81.7**	**81.0**	**81.7**	**84.0**	**82.1**	**84.0**	**82.7**	**83.4**	**85.8**	**84.0**
Non-OPEC supply														
OECD	21.9	21.8	21.9	21.6	21.8	21.5	20.7	21.0	21.3	21.3	21.3	20.6	20.9	21.0
North America	14.2	14.3	14.5	14.6	14.8	14.7	14.4	14.4	14.6	14.7	14.6	14.3	14.3	14.5
Western Europe	6.8	6.7	6.6	6.4	6.4	6.3	5.7	6.0	6.1	6.1	6.1	5.7	6.0	6.0
Pacific	0.8	0.8	0.8	0.7	0.6	0.6	0.6	0.5	0.6	0.5	0.5	0.5	0.5	0.5
Developing countries	10.9	10.9	11.2	11.3	11.7	11.7	12.0	12.1	11.9	12.2	12.2	12.5	12.6	12.4
FSU	7.9	8.5	9.3	10.3	10.8	11.1	11.3	11.4	11.2	11.4	11.7	12.0	12.1	11.8
Other Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.6	3.6	3.7	3.6	3.6
Processing gains	1.7	1.7	1.7	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.8	1.8	1.9	1.9
Total non-OPEC supply	**45.7**	**46.4**	**47.7**	**48.6**	**49.7**	**49.8**	**49.5**	**50.0**	**49.7**	**50.5**	**50.8**	**50.7**	**51.3**	**50.8**
OPEC NGLS and non-conventionals	3.3	3.6	3.6	3.7	3.9	3.9	4.0	4.0	3.9	4.1	4.2	4.2	4.3	4.2
(b) Total non-OPEC supply and OPEC NGLS	**49.0**	**50.0**	**51.4**	**52.3**	**53.6**	**53.7**	**53.5**	**54.0**	**53.7**	**54.6**	**54.9**	**54.9**	**55.5**	**55.0**
OPEC crude supply and balance														
OPEC crude oil production[1]	28.0	27.2	25.4	27.0	28.2	28.4	29.8	29.9	29.1					
Total supply	77.0	77.2	76.7	79.3	81.7	82.1	83.2	83.9	82.7					
Balance[2]	**0.6**	**0.0**	**–1.1**	**–0.2**	**0.0**	**1.1**	**1.5**	**–0.1**	**0.6**					
Stocks														
Closing stock level (outside FCPEs) *m b*														
OECD onland commercial	2534	2632	2480	2525	2468	2546	2588	2576	2576					
OECD SPR	1270	1285	1345	1407	1421	1426	1432	1443	1443					
OECD total	3804	3918	3825	3932	3889	3972	4020	4019	4019					
Oil-on-water	877	830	814	885	909	898	894	934	934					
Days of forward consumption in OECD														
Commercial onland stocks	53	55	51	51	51	52	51	51	52					
SPR	26	27	28	28	29	29	28	29	29					
Total	**79**	**82**	**78**	**79**	**81**	**81**	**79**	**79**	**81**					
Memo items														
FSU net exports	4.1	4.6	5.6	6.5	7.2	7.3	7.3	7.4	7.3	7.5	7.9	7.9	8.0	7.8
[(a) — (b)]	**27.4**	**27.2**	**26.5**	**27.2**	**28.2**	**27.3**	**28.2**	**30.0**	**28.4**	**29.4**	**27.7**	**28.5**	**30.3**	**29.0**

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

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

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

The monthly evolution of spot prices for selected OPEC and non-OPEC crudes is presented in ***Tables One and Two*** *on page 53, while* ***Graphs One and Two*** *(on pages 52 and 54) show the evolution on a weekly basis.* ***Tables Three to Eight****, and the corresponding graphs on pages 55–60, show the evolution of monthly average spot prices for important products in six major markets. (Data for Tables 1–8 is provided by courtesy of Platt's Energy Services).*


Graph 1:
Evolution of spot prices for selected OPEC crudes
November 2004 to February 2005
$/barrel
55
53
51
49
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45
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41
39
37
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33
31
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27
25
Saharan Blend
Minas
Iran Light
Kuwait Export
Brega
Bonny Light
Arab Light
Arab Heavy
Dubai
Tia Juana Light
OPEC Basket
1
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1
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November
December
January
February

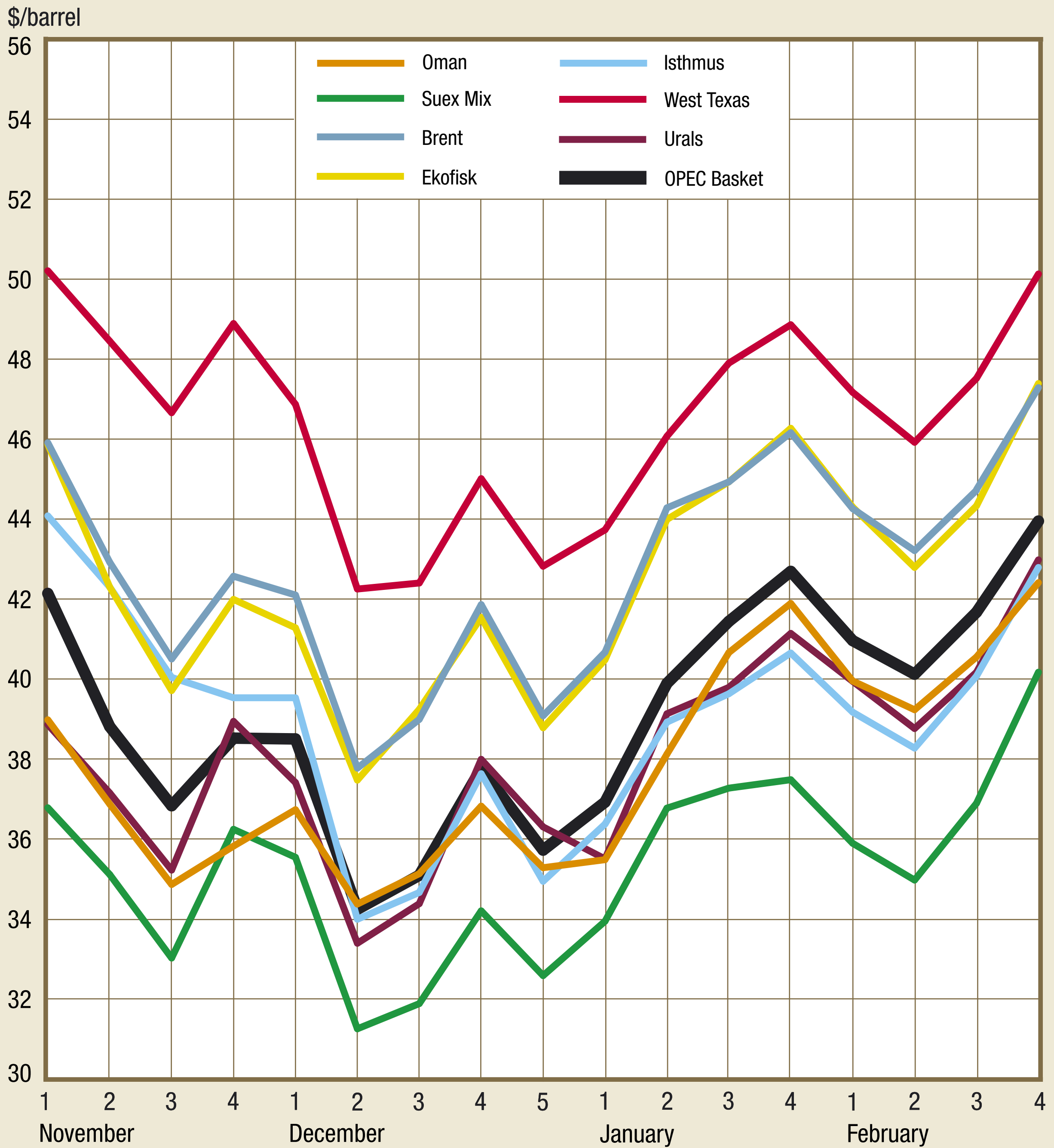
Table 1: OPEC spot crude oil prices, 2004–05 *($/b)*

Member						2004									2005		
Country/	**Feb**	**Mar**	**April**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**			**February**		
Crude (API°)	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**1W**	**2W**	**3W**	**4W**	**4Wav**
Algeria																	
Saharan Blend (44.1)	30.57	33.46	33.71	37.96	35.14	38.16	42.67	43.92	50.48	42.97	39.61	44.39	44.90	43.73	45.26	47.88	45.44
Indonesia																	
Minas (33.9)	29.38	32.21	32.19	37.18	36.75	36.28	41.79	44.27	49.68	37.25	34.76	42.55	43.79	42.88	44.76	46.81	44.56
IR Iran																	
Light (33.9)	28.00	30.78	30.41	34.97	32.67	35.42	38.40	38.77	43.59	37.81	34.77	39.87	40.93	39.00	39.88	42.44	40.56
Iraq																	
Kirkuk (36.1)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Kuwait																	
Export (31.4)28.61	28.61	30.97	31.75	34.78	33.83	34.98	38.44	36.12	38.81	35.87	34.91	38.55	39.51	38.86	40.12	41.85	40.09
SP Libyan AJ																	
Brega (40.4)	30.90	33.90	33.82	37.96	35.46	38.08	43.07	44.04	50.14	43.21	37.98	43.61	44.36	43.31	44.82	47.37	44.97
Nigeria																	
Bonny Light (36.7)	30.47	33.34	33.74	37.87	35.60	38.08	42.55	43.56	49.91	43.60	39.08	44.01	44.88	43.69	45.21	47.95	45.43
Saudi Arabia																	
Light (34.2)	29.18	31.62	32.48	35.63	34.70	35.55	38.93	36.58	39.00	35.56	34.64	38.26	39.22	38.97	40.23	41.96	40.10
Heavy (28.0)	26.93	29.42	30.31	33.07	32.00	32.75	35.41	32.38	33.79	30.17	29.34	33.41	34.52	34.57	35.83	37.56	35.62
UAE																	
Dubai (32.5)	28.49	30.77	31.69	34.65	33.58	34.70	38.22	35.52	37.61	34.87	34.16	37.78	38.79	38.20	39.40	41.00	39.35
Venezuela																	
Tia Juana Light[1] (32.4)	28.17	29.88	29.88	33.63	31.67	33.81	36.86	37.23	43.55	37.37	32.36	35.75	35.94	35.12	36.77	39.26	36.77
OPEC Basket[2]	29.56	32.05	32.35	36.27	34.61	36.29	40.27	40.36	45.37	38.96	35.70	40.24	40.96	40.12	41.67	43.95	41.68

Table 2: Selected non-OPEC spot crude oil prices, 2004–05 ($/b)

						2004									2005		
Country/	**Feb**	**Mar**	**April**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**			**February**		
Crude (API°)	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**5Wav**	**4Wav**	**4Wav**	**1W**	**2W**	**3W**	**4W**	**4Wav**
Gulf Area																	
Oman Blend (34.0)	28.67	31.10	31.71	34.78	33.92	35.10	38.49	36.53	39.81	36.65	35.40	39.04	39.95	39.23	40.55	42.41	40.54
Mediterranean																	
Suez Mix (Egypt, 33.0)	25.42	28.11	28.40	33.00	30.56	33.21	36.75	36.43	39.56	35.34	32.48	36.37	35.89	34.97	36.89	40.17	36.98
North Sea																	
Brent (UK, 38.0)	30.65	33.70	33.23	37.71	35.21	38.33	42.87	43.43	49.74	42.80	39.43	44.01	44.26	43.21	44.72	47.27	44.87
Ekofisk (Norway, 43.0)	30.52	33.70	33.31	37.79	35.37	38.42	42.86	43.44	49.75	42.23	39.26	43.92	44.30	42.79	44.33	47.39	44.70
Latin America																	
Isthmus (Mexico, 32.8)	30.64	33.08	32.76	36.95	34.85	37.41	40.88	41.47	47.40	41.10	35.315	38.89	39.17	38.27	40.07	42.79	40.08
North America																	
WTI (US, 40.0)	34.62	36.59	36.80	40.11	38.18	40.69	44.77	45.98	53.32	48.22	43.12	46.64	47.17	45.92	47.52	50.13	47.69
Others																	
Urals (Russia, 36.1)	27.41	30.79	29.88	34.87	32.08	35.45	38.29	37.96	42.12	37.52	35.52	38.89	39.94	38.76	40.17	42.98	40.46

1. Tia Juana Light spot price = (TJL netback/Isthmus netback) x Isthmus spot price.
2. OPEC Basket: an average of Saharan Blend, Minas, Bonny Light, Arabian Light, Dubai, Tia Juana Light and Isthmus.
Kirkuk ex Ceyhan; Brent for dated cargoes; Urals cif Mediterranean. All others fob loading port.
Sources: The netback values for TJL price calculations are taken from RVM; Platt's Oilgram Price Report; Reuters; Secretariat's calculations.


Graph 2:
Evolution of spot prices for selected non-OPEC crudes
November 2004 to February 2005
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32
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Oman
Suex Mix
Brent
Ekofisk
Isthmus
West Texas
Urals
OPEC Basket
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November
December
January
February

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

		naphtha	regular gasoline unleaded	premium gasoline unleaded 95	gasoil	jet kero	fuel oil 1%S	fuel oil 3.5%S
2003	February	43.96	39.13	39.15	41.16	43.08	30.77	25.93
	March	40.60	35.98	36.06	39.61	42.75	26.86	21.91
	April	29.40	34.09	34.38	29.59	31.66	23.10	18.61
	May	28.03	31.74	32.06	29.00	30.30	21.68	20.29
	June	32.26	32.92	33.15	30.57	31.72	25.14	21.57
	July	32.81	35.17	35.36	31.08	32.98	25.56	24.15
	August	34.97	38.00	38.04	32.47	34.52	25.86	23.72
	September	32.66	33.64	33.70	29.84	32.23	23.84	21.64
	October	35.69	33.66	33.71	33.92	36.35	24.23	22.63
	November	37.49	33.51	33.54	34.21	37.57	23.08	22.56
	December	39.45	33.78	33.84	35.02	39.08	20.63	19.55
2004	January	43.00	37.66	37.73	36.58	40.35	22.05	20.75
	February	40.40	38.46	38.56	34.16	38.53	20.73	20.32
	March	42.65	41.57	41.68	37.77	40.55	23.33	21.49
	April	43.49	45.52	45.58	38.74	43.69	23.03	22.77
	May	48.99	53.08	53.11	42.83	47.81	25.70	25.10
	June	45.70	45.79	45.85	41.68	45.26	24.21	23.39
	July	48.87	52.01	52.03	46.18	49.88	24.28	24.44
	August	54.96	51.06	51.06	49.99	55.74	23.73	24.62
	September	54.88	50.73	50.77	53.02	58.49	23.40	24.12
	October	61.21	55.81	55.72	63.06	65.91	28.10	25.88
	November	56.49	50.64	50.62	56.89	60.31	25.23	21.49
	December	50.20	42.39	42.54	51.26	54.05	24.96	20.93
2005	January	51.32	47.72	47.84	51.92	55.05	26.68	23.54
	February	54.49	49.69	49.96	54.31	58.05	27.78	25.48

Source: Platts. Prices are average of available days.

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

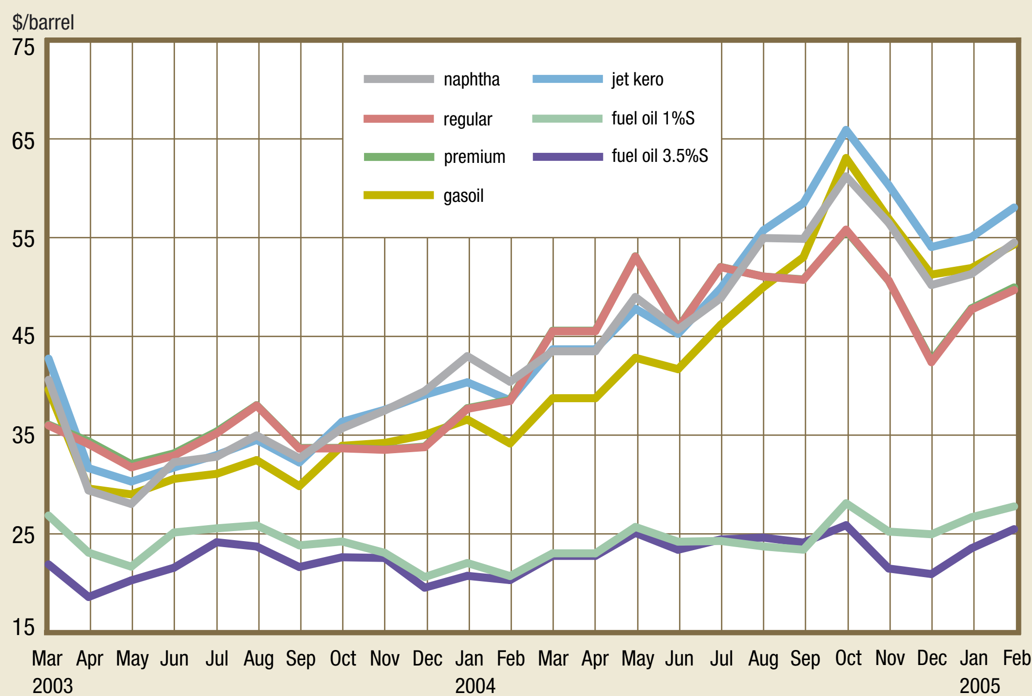


Table 4: South European market — spot cargoes, fob Italy

($/b)

		naphtha	gasoline premium unleaded 95	gasoline premium 0.15g/l	gasoil	fuel oil 1%S	fuel oil 3.5%S
2003	February	35.86	38.05	38.22	40.11	31.05	24.65
	March	32.05	33.75	33.99	39.45	28.10	20.94
	April	22.88	29.69	29.96	29.69	21.14	18.18
	May	22.24	28.97	29.28	26.72	21.57	18.46
	June	26.31	31.51	31.78	29.88	25.01	20.94
	July	26.84	34.10	34.33	29.50	27.39	23.29
	August	28.57	37.21	37.40	31.49	27.66	22.64
	September	26.78	32.33	32.59	29.46	22.91	20.49
	October	29.45	33.18	33.43	34.99	24.81	21.48
	November	30.43	32.79	33.05	33.79	23.93	20.33
	December	31.90	33.08	33.33	33.87	21.60	16.68
2004	January	34.41	37.04	37.24	36.46	23.16	19.39
	February	32.03	37.91	38.10	37.91	21.40	19.56
	March	34.24	40.92	41.07	36.94	23.63	20.02
	April	35.78	44.55	44.65	38.31	24.32	21.01
	May	40.52	52.16	52.15	43.41	27.66	23.69
	June	37.48	44.64	44.74	41.92	26.54	21.07
	July	40.37	49.37	49.40	45.88	26.47	23.03
	August	45.94	48.76	48.80	49.41	25.47	23.59
	September	45.90	49.84	49.87	53.12	25.66	22.81
	October	50.76	54.43	54.39	60.78	29.03	24.20
	November	45.68	48.70	48.74	56.47	26.72	18.65
	December	39.98	39.72	39.88	50.75	25.65	18.62
2005	January	41.69	45.72	45.80	51.04	28.69	21.80
	February	44.26	48.28	48.33	53.64	29.59	24.79

Source: Platts. Prices are average of available days.

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

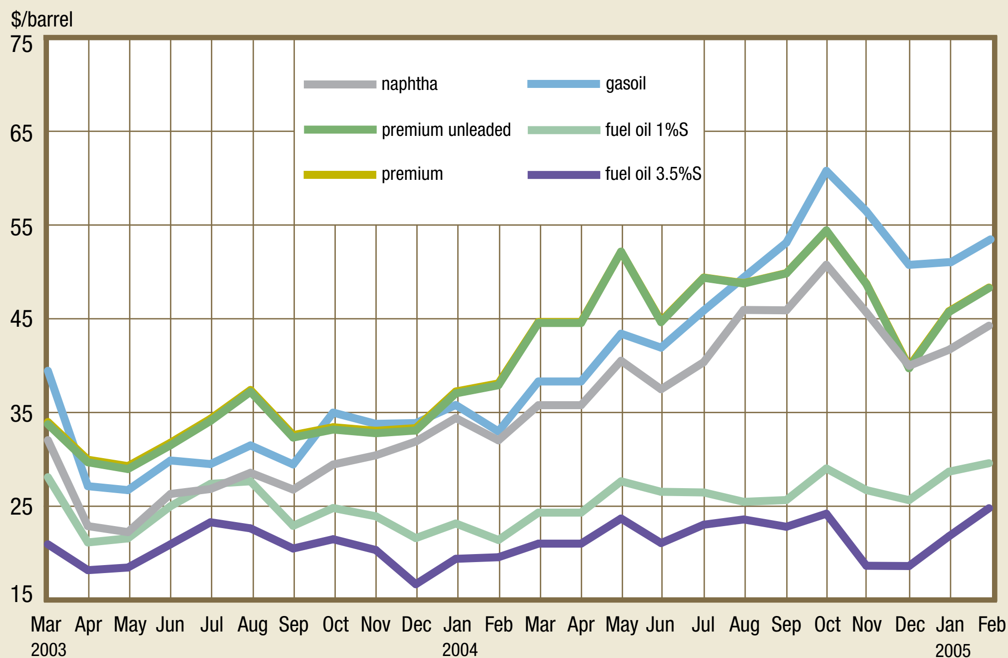


Table 5: US East Coast market — spot cargoes, New York *($/b, duties and fees included)*

		regular gasoline unleaded 87	gasoil	jet kero	fuel oil 0.3%S	fuel oil 1%S	fuel oil 2.2%S
2003	February	41.65	47.11	48.11	46.52	35.06	30.61
	March	39.86	40.82	40.92	38.71	31.71	27.13
	April	33.37	32.66	32.88	27.29	23.98	20.51
	May	31.65	30.79	31.66	29.58	24.51	21.79
	June	33.58	31.69	32.21	28.40	25.18	22.46
	July	36.45	32.76	33.71	30.45	27.53	26.26
	August	41.92	33.96	35.36	30.97	27.74	26.43
	September	37.51	30.52	31.67	28.53	24.88	23.15
	October	36.24	34.10	35.21	29.94	25.93	24.22
	November	36.52	34.75	35.94	30.01	26.14	24.65
	December	36.97	37.06	38.28	31.28	25.76	22.91
2004	January	41.77	40.88	42.83	34.39	28.05	23.99
	February	43.76	38.05	42.04	34.25	26.26	23.02
	March	45.56	37.87	40.47	28.90	24.67	23.11
	April	46.94	38.33	42.10	29.85	25.65	24.62
	May	56.32	42.45	48.54	34.22	30.33	27.86
	June	48.06	41.40	43.80	32.71	29.64	25.62
	July	51.30	45.54	49.26	30.90	27.93	25.07
	August	50.39	48.57	52.29	32.08	27.97	25.34
	September	52.80	52.49	58.16	31.82	27.85	26.47
	October	57.67	62.09	65.82	39.29	33.17	31.16
	November	53.12	57.86	59.01	38.16	28.77	24.50
	December	44.66	53.14	54.25	33.57	25.22	22.74
2005	January	51.67	55.02	58.76	35.20	29.86	27.62
	February	51.32	56.08	57.64	38.11	30.94	28.91

Source: Platts. Prices are average of available days.

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

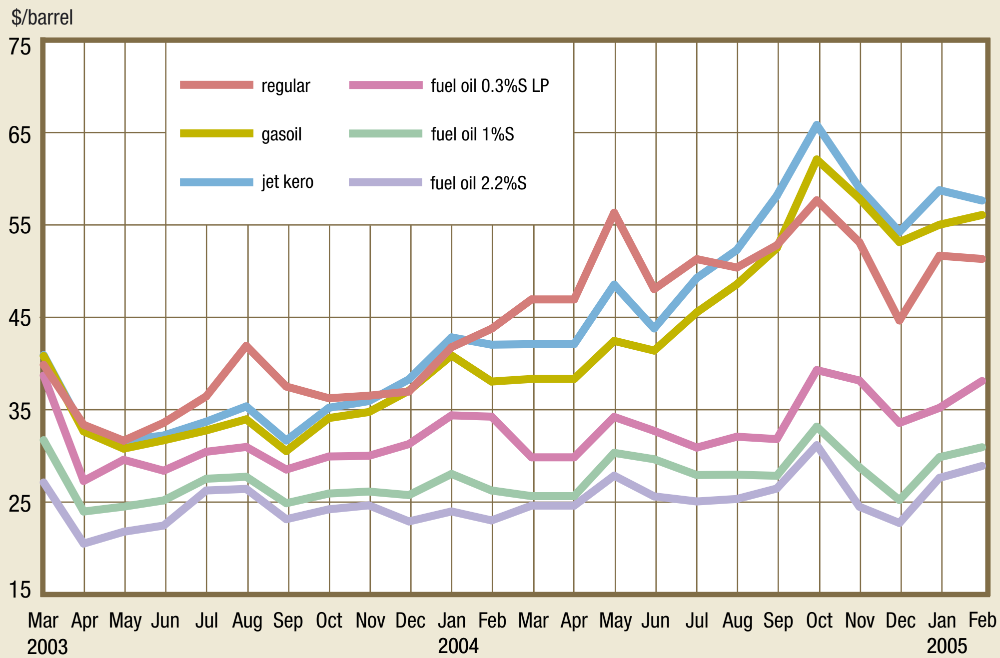


Table 6: Caribbean market — spot cargoes, fob *($/b)*

		naphtha	gasoil	jet kero	fuel oil 2%S	fuel oil 2.8%S
2003	February	40.53	45.21	44.77	29.89	28.43
	March	36.78	37.87	37.94	26.05	24.18
	April	29.03	30.65	31.62	19.01	18.45
	May	28.84	29.84	30.36	20.27	19.62
	June	28.91	31.30	31.79	20.95	20.19
	July	30.95	32.35	32.97	24.71	24.64
	August	34.67	33.69	34.72	24.89	24.81
	September	30.23	30.28	31.21	21.60	21.51
	October	33.95	33.72	34.74	22.36	22.10
	November	33.90	34.24	35.16	22.65	22.33
	December	35.64	35.89	37.44	20.34	19.99
2004	January	39.72	40.21	42.44	19.99	19.56
	February	36.80	37.30	40.07	19.02	18.73
	March	40.69	37.93	40.74	19.11	18.82
	April	41.08	38.18	41.70	20.62	20.50
	May	46.82	42.18	46.71	23.86	23.73
	June	43.00	41.30	44.16	21.62	21.37
	July	44.95	45.39	49.00	21.06	20.82
	August	46.62	48.67	52.38	21.34	21.04
	September	49.65	52.80	58.10	22.47	22.11
	October	55.18	62.12	64.83	27.16	26.87
	November	50.51	56.02	57.23	20.50	20.26
	December	41.06	50.50	52.15	18.75	18.41
2005	January	49.21	53.75	56.75	23.62	22.60
	February	47.01	55.09	56.83	24.91	24.25

Source: Platts. Prices are average of available days.

Graph 6: Caribbean market — spot cargoes, fob

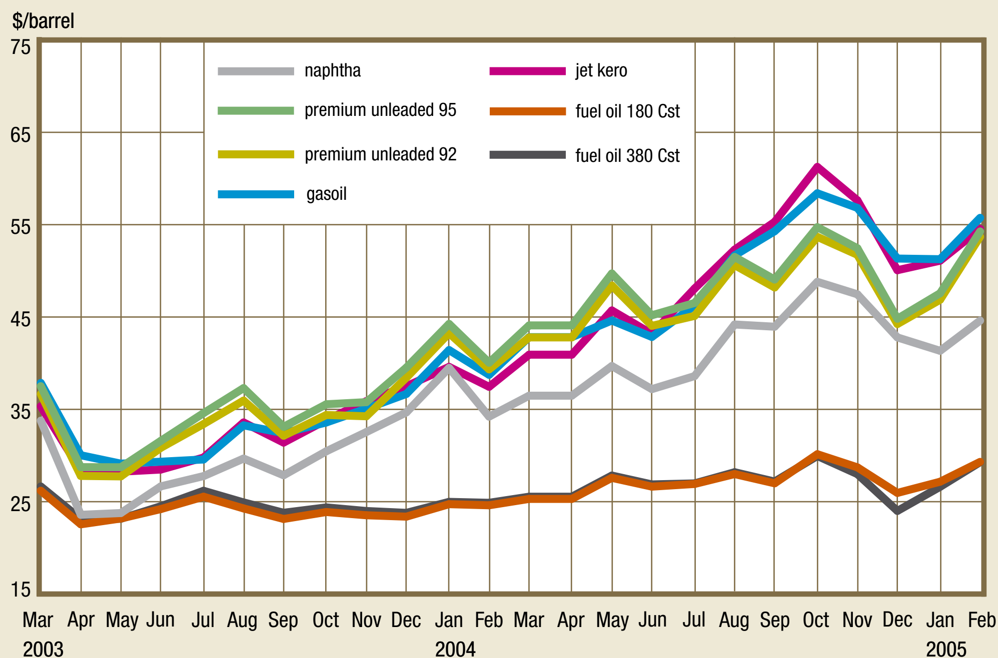


Table 7: Singapore market — spot cargoes, fob

($/b)

		naphtha	gasoline premium unleaded 95	gasoline premium unleaded 92	gasoil	jet kero	fuel oil 180 Cst	fuel oil 380 Cst
2003	February	37.34	40.14	39.28	39.35	39.27	29.05	29.33
	March	33.78	37.51	36.67	37.87	35.33	26.19	26.65
	April	23.58	28.74	27.79	30.03	28.35	22.55	23.12
	May	23.77	28.73	27.74	29.12	28.25	23.18	23.15
	June	26.66	31.59	30.84	29.33	28.48	24.20	24.51
	July	27.77	34.59	33.41	29.57	29.78	25.54	26.18
	August	29.67	37.30	35.95	33.27	33.58	24.27	24.92
	September	27.86	33.11	32.14	32.42	31.40	23.13	23.80
	October	30.46	35.55	34.39	33.58	33.84	23.88	24.38
	November	32.54	35.78	34.25	35.08	35.89	23.53	23.99
	December	34.67	39.52	38.43	36.67	37.50	23.38	23.79
2004	January	39.49	44.25	43.25	41.42	39.60	24.73	24.98
	February	34.21	40.05	39.33	38.74	37.44	24.61	24.88
	March	36.03	44.10	43.15	38.42	37.72	24.31	24.57
	April	36.48	44.09	42.79	42.82	40.92	25.30	25.54
	May	39.69	49.71	48.41	44.62	45.71	27.58	27.83
	June	37.19	45.19	44.04	42.84	43.17	26.63	26.87
	July	38.60	46.52	45.12	46.25	48.08	26.92	26.98
	August	44.19	51.50	50.62	51.67	52.29	27.99	28.19
	September	43.95	49.06	48.20	54.29	55.30	26.99	27.18
	October	48.81	54.73	53.68	58.40	61.25	30.14	29.95
	November	47.46	52.45	51.74	56.82	57.64	28.72	27.99
	December	42.79	44.81	44.24	51.33	50.07	25.95	24.00
2005	January	41.34	47.57	46.87	51.26	51.10	27.16	26.61
	February	44.61	54.27	53.70	55.74	54.54	29.31	29.28

Source: Platts. Prices are average of available days.

Graph 7: Singapore market — spot cargoes, fob

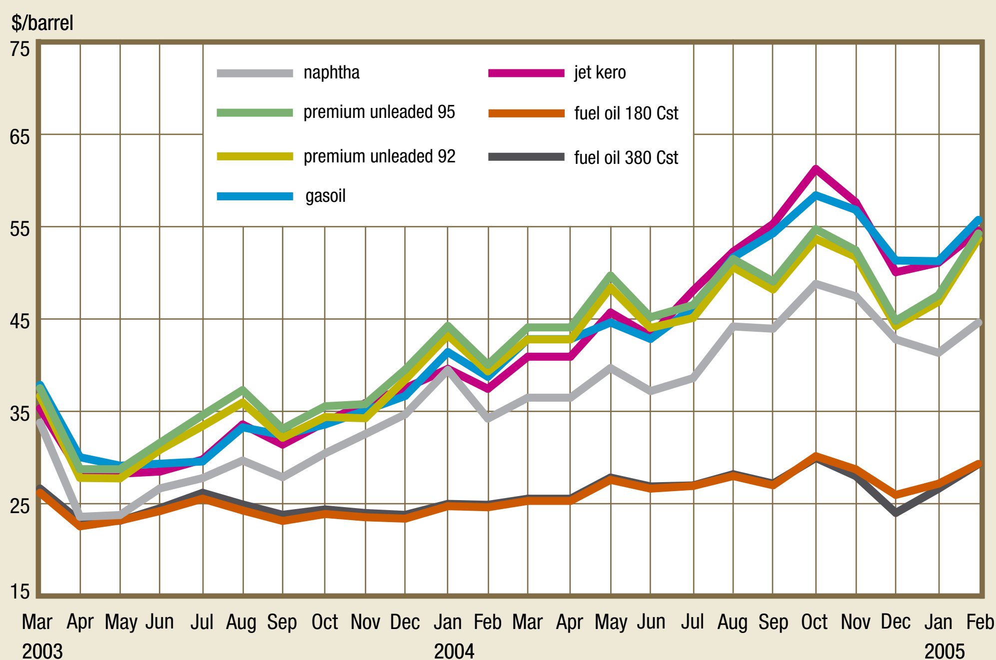


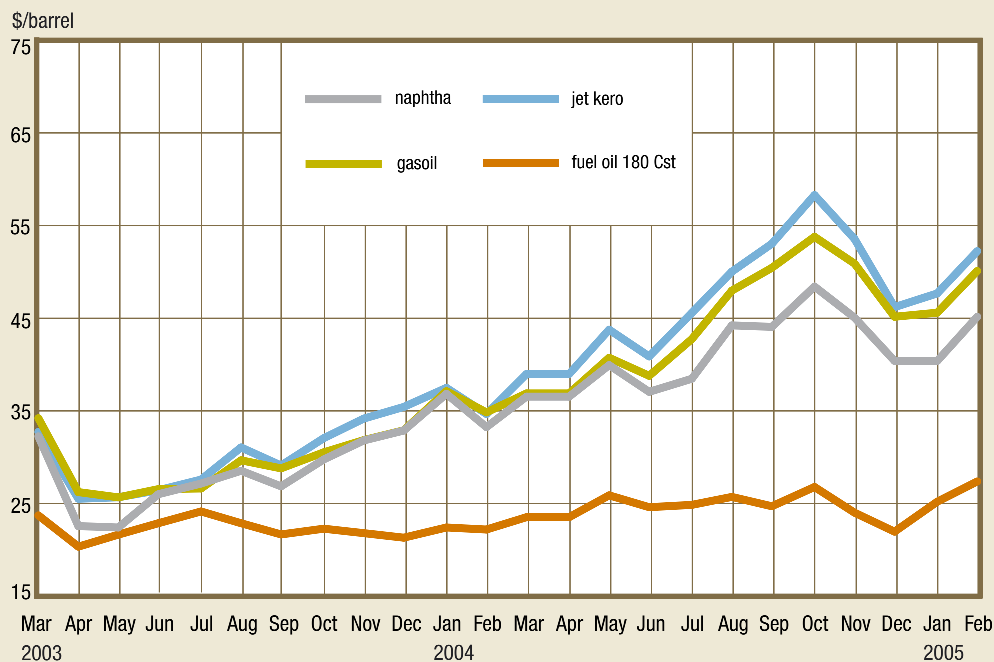
Table 8: Middle East Gulf market — spot cargoes, fob

($/b)

		naphtha	gasoil	jet kero	fuel oil 180 Cst
2003	February	34.85	35.81	36.77	27.31
	March	32.26	34.22	32.74	23.73
	April	22.57	26.24	25.52	20.35
	May	22.42	25.67	25.68	21.65
	June	26.01	26.56	26.44	22.88
	July	27.16	26.63	27.59	24.15
	August	28.54	29.67	31.06	22.88
	September	26.86	28.80	29.11	21.67
	October	29.76	30.53	32.06	22.29
	November	31.81	31.85	34.17	21.81
	December	32.88	32.91	35.43	21.32
2004	January	36.84	37.13	37.49	22.42
	February	33.25	34.84	34.67	22.20
	March	35.04	34.84	35.02	21.96
	April	36.54	36.89	38.98	23.53
	May	39.94	40.74	43.77	25.89
	June	37.06	38.79	40.88	24.61
	July	38.47	42.75	45.58	24.86
	August	44.23	47.98	50.03	25.72
	September	44.07	50.44	53.04	24.71
	October	48.42	53.79	58.29	26.79
	November	45.07	50.90	53.56	24.02
	December	40.40	45.16	46.20	21.97
2005	January	40.39	45.60	47.68	25.20
	February	45.16	50.10	52.24	27.39

Source: Platts. Prices are average of available days.

Graph 8: Middle East Gulf market — spot cargoes, fob



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4th Asia/China petrochemical feedstock, May 12–13, 2005, Shanghai, China. Details: Centre for Management Technology, 80 Marine Parade Rd, #13–02 Parkway Parade, 449269 Singapore. Tel: +65 6346 9132; fax: +65 6345 5928; e-mail: cynthia@cmtsp.com.sg; Web site: www.cmtevents.com.

Electric industry fundamentals, Electric industry restructuring, May 12–13, 2005, Regina, Canada; **May 26–27, 2005**, Halifax, Canada; **May 30–31, 2005,** Saint Jon, Nebraska, Canada. Details: Canadian Energy Research Institute #150, 3512–33 Street, NW Calgary T2L 2A6, Canada. Tel: +1 403 282 1231; fax: +1 403 289 2344; e-mail: sjohnsgaard@ceri.ca; Web site: www.ceri.ca.

Introduction to the upstream petroleum industry, May 12–13, 2005, Halifax, Canada. Details: Canadian Energy Research Institute #150, 3512–33 Street, NW Calgary T2L 2A6, Canada. Tel: +1 403 282 1231; fax: +1 403 289 2344; e-mail: sjohnsgaard@ceri.ca; Web site: www.ceri.ca.

Natural gas market fundamentals, May 12–13, 2005, Vancouver, Canada. Details: Canadian Energy Research Institute #150, 3512–33 Street, NW Calgary T2L 2A6, Canada. Tel: +1 403 282 1231; fax: +1 403 289 2344; e-mail: sjohnsgaard@ceri.ca; Web site: www.ceri.ca.

10th Asia Upstream 2005, May 16–17, 2005, Kuala Lumpur, Malaysia. Details: Global Pacific & Partners, Suite 27, 78 Marylebone High Street, Marylebone, London W1U 5AP, UK. Tel: +44 (0)20 7487 3173; fax: +44 (0)20 7487 5611; e-mail: info@glopac.com; Web site: www.petro21.com.

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Horizontal and multilateral wells Asia 2005, May 17–18, 2005, Kuala Lumpur, Malaysia. Details: IQPC Worldwide Pte Ltd, 1 Shenton Way #13–07, 068803 Singapore. Tel: +65 6722 9388; fax: +65 6224 2515; e-mail: enquiry@iqpc.com.sg; Web site: www.oilandgasiq.com.

5th Annual world GTL summit, May 17–19, 2005, London, UK. Details: CWC Associates Ltd, 3 Tyers Gate, London SE1 3HX, UK. Tel: +44 (0)20 7089 4200; fax: +44 (0)20 7089 4201; e-mail: bookings@thecwcgroup.com; Web site: www.thecwcgroup.com.

9th Uzbekistan International Oil and Gas Exhibition and Technical Conference, May 17–19, 2005, Tashkent, Uzbekistan. Details: ITE Uzbekistan, Mirobadsky area, 20, Oibek Str. 3rd floor, Tashkent Uzbekistan. Tel: +998 71 133 23 37; fax: +998 71 151 21 64; e-mail: office@ite-uzbekistan.uz; Web site: www.ite-uzbekistan.uz.

Introduction to Canada's oil sands industry, May 19–20, 2005, Calgary, Canada, Details: Canadian Energy Research Institute #150, 3512–33 Street, NW Calgary T2L 2A6, Canada. Tel: +1 403 282 1231; fax: +1 403 289 2344; e-mail: sjohnsgaard@ceri.ca; Web site: www.ceri.ca.

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Defining and reporting oil & gas reserves, May 23–27, 2005, London, UK. Details: CWC Associates Ltd, 3 Tyers Gate, London SE1 3HX, UK. Tel: +44 (0)20 7089 4200; fax: +44 (0)20 7089 4201; e-mail: bookings@thecwcgroup.com; Web site: www.thecwcgroup.com.

3rd Maghreb and Mediterranean, May 25–26, 2005, Marrakech, Morocco. Details: Global Pacific & Partners, Suite 27, 78 Marylebone High Street, Marylebone, London W1U 5AP, UK. Tel: +44 (0)20 7487 3173; fax: +44 (0)20 7487 5611; e-mail: info@glopac.com; Web site: www.petro21.com.

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Introduction to the natural gas industry … from wellhead to burner-tip, May 30–31, 2005, Calgary, Canada. Details: Canadian Energy Research Institute #150, 3512–33 Street, NW Calgary T2L 2A6, Canada. Tel: +1 403 282 1231; fax: +1 403 289 2344; e-mail: sjohnsgaard@ceri.ca; Web site: www.ceri.ca.

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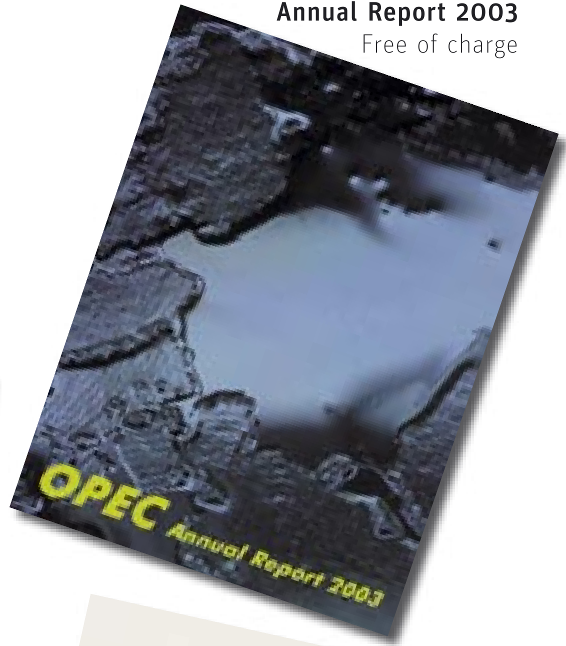

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