

9 September 2005

HIGHLIGHTS

- Hurricane Katrina shuttered production capacity of over 1.4 mb/d of oil and 8.8 bcf/d of natural gas and disrupted refineries with a total capacity of around 3 mb/d when it hit the Eastern Gulf of Mexico on 29 August. While a definitive assessment is not yet possible, recovery profiles suggest a potential loss of 38 mb of products in September and up to 70 mb of crude and NGLs through to early 2006.
- US gasoline prices jumped to over \$100/bbl in Katrina's wake. The price impact swiftly spread as an estimated 25 cargoes of gasoline were pulled from Europe. Tightness has extended to jet and gasoil prices as traders anticipate a contra-seasonal emphasis on gasoline production by US and other refiners.
- World oil supply increased by 440 kb/d in August to 84.9 mb/d. Hurricane Katrina has left 860 kb/d of US GOM oil production shut in. Despite uncertainty over the actual recovery path after Katrina, non-OPEC supply is adjusted down accordingly, growth now averaging 500 kb/d in 2005, but recovering to 1.4 mb/d in 2006.
- OPEC August crude supply averaged 29.7 mb/d, up by 80 kb/d vs. July. Iraqi exports remain prone to disruption, and fell to 1.48 mb/d. The call on OPEC crude and stock change averages 28.1 mb/d for 2005, peaking at 29.1 mb/d in the fourth quarter, below current OPEC output. Downward adjustments to demand hold the 2006 call on OPEC crude and stock change at 28.1 mb/d.
- Projected 2005 global demand growth is revised down by 250 kb/d, to 1.35 mb/d. OECD demand was below expectations in July and Chinese apparent demand remains weak. This change is only partly attributable to Katrina, as regional demand is expected to recover fairly quickly.
- OECD total industry oil stocks rose by 24.7 mb in July, closing 102 mb above last year. This followed from a rise in distillates inventories and large builds in North American 'other products'. Forward demand cover remained at 54 days, two days higher than a year ago.

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ASSESSING KATRINA

With the benefit of an immense data-gathering exercise by the US Energy Information Administration and operators in the area, the market was in a position to make a fairly rapid assessment of the supply disruption caused by Hurricane Katrina.

At its peak, 1.4 mb/d of Gulf of Mexico oil production was reported shut in and 14 refineries were affected. Equally important, key pipelines were closed, with problems spilling over to shipping and other forms of oil transportation. Many of the effects are expected to be temporary and readily repairable: some refineries are already returning to full or partial operation, others will take time to fix.

In the days after Katrina, it became obvious that there was a need for a prompt global response. Based on the information on hand at that time, the IEA estimated that the storm had the potential to reduce US product supply by close to 38 million barrels over September, with an estimated 33 million barrels of crude oil production shut-in.

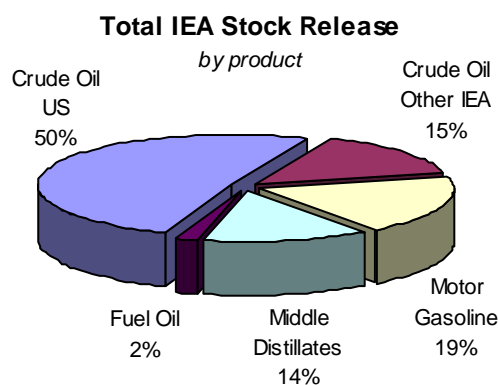
Much in the same way that economic dislocations in one country can spread to others through financial market interlinkage, this localised oil disruption very quickly began to be felt throughout the rest of the world. As a result, gasoline prices in Europe jumped by about a third and by over 13% in Asia. The markets acted swiftly to draw spare product from Europe, the FSU, the Caribbean, South America and Middle East to the US. Around 25 cargoes of gasoline were believed to have been fixed following the storm from Europe alone and others already on water were diverted. The extent of the market response was underscored by clean tanker rates for medium range vessels between Europe and the US rising from Worldscale (WS) 250 to WS 465.

But the market mechanism does not stop there. It is also embedded in the IEA emergency response system. This itself has considerable flexibility through stock release, the removal of the IEA's obligation to hold 90 days of net import demand and in some cases other measures such as demand restraint. Thus IEA member countries may react in the most appropriate way according to regional market conditions. For instance, while the US SPR release is focussing on offsetting the crude output lost in the Gulf of Mexico and the immediate needs of refiners, other governments have, according to the IEA Secretariat's suggestion, offered products. But the market itself will largely determine the level of uptake and therefore the final crude and product mix of this emergency response. More importantly, the market will determine where it is needed most.

Similarly, the market can also be relied upon as an efficient delivery mechanism. Shipping insiders are reporting that the rise in clean freight rates is leading to OBO ships (oil, bulk, ore), whose last cargo was dry, shifting into the clean product sector. There are also reports that around 15 tankers used for crude and fuel oil movement are now being cleaned to transport products.

In a sense, the IEA has acted to add liquidity to the world oil market through the release of stocks to cover a supply interruption that cannot be covered by alternative supplies. How this liquidity will be used is a task for the market. Refiners may be in a position to expand throughput via the timely acquisition of the right type of crude oil, or perhaps to increase blending. Similarly, they may be able to maximise gasoline production if they can use strategic stocks to supplement their existing distillate commitments. Crude and products released from strategic stocks will ultimately move to where they are needed most, be that to the US or to cover for arbitrage cargoes leaving other regions.

It is critical that a response be swift, but also flexible. The initial response is to make available to the market 2.0 million barrels per day for 30 days, with the emphasis on product supply (particularly gasoline) outside of the US. But given that our assessment could be overly optimistic or pessimistic, member countries will meet on 15 September to assess the response – with a view either to adding more, trimming supplies, or prolonging the action. Ultimately much will depend on the recovery of US refining and production facilities on the US Gulf Coast.



DEMAND

Summary

- It is too early to fully assess the demand-side impact of **Hurricane Katrina**. Regional oil product demand will be seriously affected in the near term, but this will be offset by fuel needs for rescue/recovery and rebuilding efforts. The global impact of the initial price spike appears to have been mitigated by the return of some upstream and downstream facilities (although the picture is far from clear) and the stock release of IEA Member countries, as product prices have fallen. US demand is projected to be off by some 200 kb/d in September versus its pre-Katrina trend, but the impact is expected to diminish quickly in subsequent months.
- Projected 2005 **global demand growth** is revised down by some 250 kb/d, to 1.35 mb/d, due to a weakening demand picture in many areas. Note that this change is only partly attributable to Katrina. OECD demand was much weaker than expected in July, Chinese apparent demand has remained weak in comparison to 2004 and 'Other Asia' continues to struggle with the impact of high prices. In 2006 demand growth remains largely unchanged at 1.77 mb/d. A somewhat weaker outlook for Chinese and 'Other Asia' demand growth is counterbalanced by the prospects of a year-on-year rebound from the impact of Katrina, which is largely temporary.
- **Baseline global demand** is revised down by 250 kb/d in 2005 and 260 kb/d in 2006. Global demand is projected to average 83.48 mb/d in 2005 and 85.25 mb/d in 2006.

Global Oil Demand from 2004 to 2006

	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
Demand (mb/d)	82.1	80.9	81.7	83.8	82.1	83.8	81.9	82.6	85.6	83.5	85.4	83.4	84.9	87.3	85.3
Annual Change (%)	2.8	5.3	3.6	3.1	3.7	2.1	1.2	1.2	2.1	1.6	1.8	1.8	2.7	2.1	2.1
Annual Change (mb/d)	2.3	4.1	2.8	2.5	2.9	1.7	1.0	0.9	1.8	1.4	1.5	1.5	2.3	1.8	1.8
Changes from last month's report (mb/d)	-	-	-	-	-	-	0.1	-0.7	-0.3	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3

- Preliminary indications are that year-on-year **OECD demand growth** was weaker than expected in July. This may be attributed in part to a decline in utilities' oil demand as a result of milder temperatures and interfuel substitution. However, it is also possibly indicative of the impact of high prices. Among the seven major OECD consumers from which preliminary data were received, demand growth was off in all except Korea. Overall, OECD demand growth is revised down by 60 kb/d in 2005. Growth is revised upwards by 40 kb/d in 2006, in part due to a rebound from Katrina.

Global Oil Demand by Region

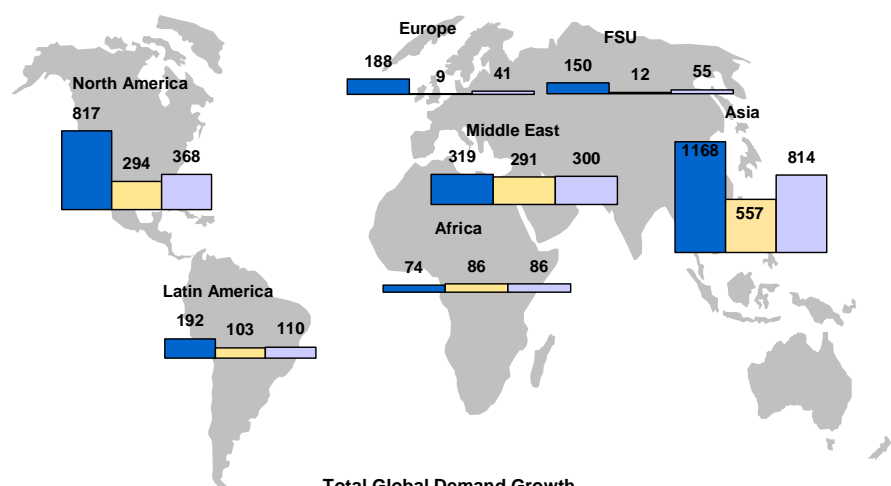
(million barrels per day)

	Demand	Annual Change			Annual Change (%)		
	2005	2004	2005	2006	2004	2005	2006
North America	25.64	0.82	0.29	0.37	3.3	1.2	1.4
Europe	16.31	0.19	0.01	0.04	1.2	0.1	0.3
OECD Pacific	8.66	-0.16	0.13	0.07	-1.9	1.5	0.8
China	6.65	0.86	0.22	0.50	15.4	3.4	7.5
Other Asia	8.74	0.47	0.21	0.25	5.9	2.5	2.9
Subtotal Asia	24.04	1.17	0.56	0.81	5.2	2.4	3.4
FSU	3.75	0.15	0.01	0.06	4.2	0.3	1.5
Middle East	5.88	0.32	0.29	0.30	6.0	5.2	5.1
Africa	2.89	0.07	0.09	0.09	2.7	3.1	3.0
Latin America	4.96	0.19	0.10	0.11	4.1	2.1	2.2
World	83.48	2.91	1.35	1.77	3.7	1.6	2.1

- **Chinese apparent demand** continues to be relatively weak, especially when compared to robust economic growth. However, it is clear that underlying potential product demand exceeds supply at government mandated retail prices. Severe supply shortages emerged in August and rationing was instituted in some areas. The shortages have subsided, but the incentive for supplying the domestic market remains weak in the face of higher international prices. In response, the government has chosen to temporarily eliminate product export tax breaks and halt crude processing agreements in an effort to keep oil products in the domestic market. There are indications that there will be some recovery starting in September, but on the whole, the outlook for 2005 demand growth is revised down by 100 kb/d, to 220 kb/d. Chinese demand is expected to grow by 500 kb/d in 2006, but the prospects for a rebound in fuel oil demand remain slim.

Global Demand Growth 2004/2005/2006

thousand barrels per day



Total Global Demand Growth (mb/d)

2004	2.91	3.7%
2005	1.35	1.6%
2006	1.77	2.1%

- **'Other Asia' demand growth** is revised down by 50 kb/d in 2005 and 40 kb/d in 2006. These countries continue to struggle with the fiscal implications of subsidising product prices when international prices are high. In India, the impact of July flooding was more severe than expected and naphtha demand continues to decline.

OECD

Overview of OECD Demand Trends

Preliminary Inland Deliveries – July 2005¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	%pa	mb/d	%pa	mb/d	%pa	mb/d	%pa	mb/d	%pa	mb/d	%pa	mb/d	%pa
United States ³	9.46	1.1	1.66	0.3	3.05	2.6	0.94	9.8	0.86	-4.6	4.8	-5.9	20.80	-0.4
Mexico	0.65	0.9	0.06	1.6	0.31	1.9	0.00	na	0.34	-0.3	0.3	-8.5	1.70	-1.2
Japan	1.10	-4.5	0.31	3.3	0.64	-4.6	0.43	-4.5	0.44	-9.3	1.6	1.0	4.47	-2.7
Korea	0.16	-9.7	0.07	-17.6	0.32	-3.3	0.02	-12.0	0.22	-5.6	1.0	8.3	1.84	1.2
France	0.27	-7.9	0.14	0.0	0.64	-1.4	0.22	-9.3	0.04	-20.7	0.5	2.0	1.80	-3.0
Germany	0.56	-5.3	0.19	7.6	0.60	-1.9	0.44	-3.8	0.10	-13.1	0.5	-3.8	2.38	-3.3
Italy	0.33	-10.1	0.10	9.9	0.51	-1.0	0.07	-7.5	0.15	-23.5	0.4	-8.6	1.56	-7.3
Total	12.52	-0.4	2.53	0.9	6.08	0.2	2.12	0.7	2.14	-7.4	9.2	-3.1	34.55	-1.3

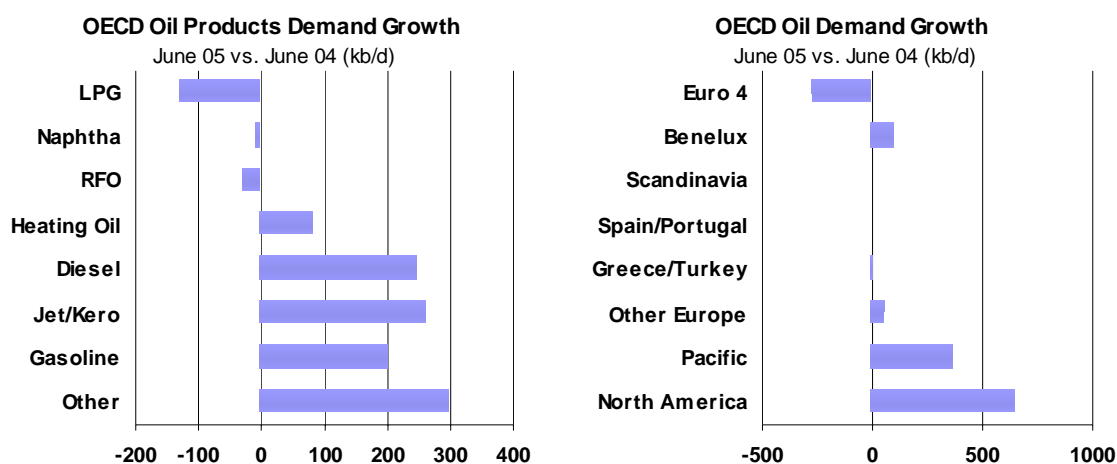
Sources: US EIA, Mexico PEMEX, Japan METI, Korea KNOC, France CPDP, Germany MWV, Italy Ministry of Industry

Percentage change is calculated versus the previous year

¹ excludes refinery fuel and bunkers (except US)

² includes direct use of crude oil

³ fifty states only. Diesel's share of total distillate is estimated. Note that monthly US demand data are subject to revision, as discussed in Reports dated 13 July 2005 and 11 August 2005



Total OECD Demand by Product

(million barrels per day)

	2004	2005	3Q04	4Q04	1Q05	2Q05	Apr 05	May 05	Jun 05	Latest month vs. May 05	Jun 04
LPG & Ethane	4.86	4.79	4.42	5.03	5.39	4.30	4.44	4.12	4.33	0.21	-0.13
Naphtha	3.22	3.29	3.20	3.33	3.40	3.15	3.32	3.12	3.02	-0.11	-0.01
Motor Gasoline	14.88	14.96	15.24	14.89	14.46	15.09	14.96	14.94	15.37	0.43	0.20
Jet & Kerosene	4.10	4.22	3.92	4.23	4.62	3.90	3.91	3.81	4.00	0.19	0.26
Gas/Diesel Oil	12.85	13.04	12.45	13.40	13.38	12.63	12.80	12.36	12.73	0.37	0.33
Residual Fuel Oil	4.59	4.56	4.46	4.68	4.89	4.38	4.48	4.21	4.46	0.25	-0.03
Other Products	4.98	5.02	5.45	4.89	4.42	5.22	4.88	4.96	5.84	0.88	0.30
Total Products	49.47	49.88	49.14	50.45	50.56	48.68	48.79	47.52	49.75	2.23	0.94

Pacific

Preliminary data show that Japanese demand was weaker than expected in July. The average temperature in nine major cities was 1.9°C lower than in July 2004, which contributed to reduced use of home/office and auto air conditioning. As a result, Japan's 10 major utilities are reported to have reduced power generation by some 7% in July. Utilities' consumption of oil fell as thermal power plants generated 13% less electricity in July than the same period last year. Direct burning of crude oil in power generation is reported to be about 53% below last July and consumption of fuel oil in the power sector fell by some 34%.

OECD Pacific Demand by Product

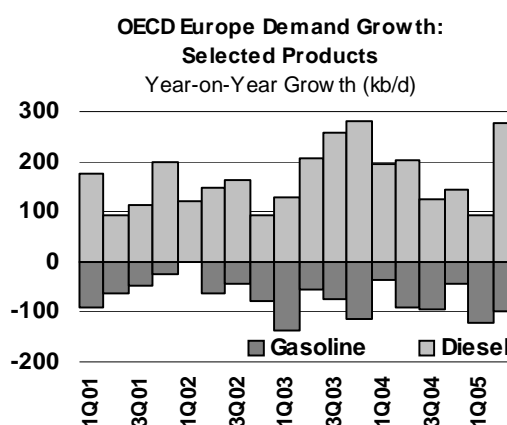
(million barrels per day)

	2004	2005	3Q04	4Q04	1Q05	2Q05	Apr 05	May 05	Jun 05	Latest month vs. May 05	Jun 04
LPG & Ethane	0.88	0.89	0.79	0.88	1.00	0.86	0.94	0.82	0.82	-0.01	0.00
Naphtha	1.57	1.62	1.56	1.63	1.69	1.54	1.61	1.53	1.49	-0.04	0.00
Motor Gasoline	1.60	1.63	1.70	1.63	1.59	1.59	1.60	1.53	1.65	0.12	0.12
Jet & Kerosene	1.02	1.07	0.74	1.12	1.54	0.77	0.87	0.68	0.76	0.08	0.12
Gas/Diesel Oil	1.89	1.90	1.81	1.95	1.99	1.85	1.87	1.70	1.97	0.28	0.10
Residual Fuel Oil	1.05	1.04	1.03	1.05	1.17	0.98	1.04	0.91	1.00	0.09	0.00
Other Products	0.52	0.51	0.54	0.52	0.52	0.50	0.50	0.45	0.55	0.09	0.03
Total Products	8.53	8.66	8.16	8.77	9.49	8.09	8.45	7.62	8.23	0.61	0.37

Although the temporary price spike associated with Hurricane Katrina is expected to have a muted impact on Asian demand, there is certainly evidence that high prices are inhibiting economic growth in this oil import dependent region. Korea's finance minister recently announced that higher than expected oil prices may reduce economic growth by about one percent in 2005. On the whole, preliminary data indicate that Japanese and Korean demand fell by 1.7% in July. Gasoline, diesel and fuel oil were all substantially down.

Europe

Hurricane Katrina contributed to a spike in European oil product prices, especially for gasoline, as supplies were diverted to the US market. At this point, however, it appears that the impact should be temporary as prices have now fallen back. Overall, although high fuel taxes have mitigated the impact of the oil price rise on European fuel demand, there are signs that high prices are affecting consumption at the margin. In Italy, recent reports highlight the fact that there has been a substantial rise in rail passengers, especially on lines that serve commuters. Some have switched from cars to trains for their daily commute. As another example, Southern Europe has recently been turning to natural gas instead of relatively high priced fuel oil to make up for lost hydropower generation.



At the same time, however, in spite of retail fuel costs that are roughly double that of the US, Europe appears to be acquiring North America's enthusiasm for the SUV. In the first half of 2005, SUVs were the fastest growing segment in the western European market. Sales were up by 11%.

OECD Europe Demand by Product

(million barrels per day)

	2004	2005	3Q04	4Q04	1Q05	2Q05	Apr 05	May 05	Jun 05	Latest month vs. May 05 Jun 04	
LPG & Ethane	1.03	0.99	0.91	1.03	1.12	0.89	0.94	0.88	0.86	-0.02	-0.12
Naphtha	1.14	1.15	1.10	1.15	1.21	1.15	1.23	1.14	1.07	-0.07	0.02
Motor Gasoline	2.78	2.69	2.89	2.72	2.52	2.75	2.74	2.73	2.79	0.06	-0.09
Jet & Kerosene	1.16	1.22	1.25	1.16	1.14	1.24	1.18	1.25	1.29	0.05	0.13
Gas/Diesel Oil	5.98	6.05	5.83	6.37	6.17	5.78	5.90	5.67	5.78	0.11	0.05
Residual Fuel Oil	2.02	2.00	1.98	2.08	2.13	1.92	1.93	1.87	1.94	0.08	-0.01
Other Products	1.48	1.49	1.61	1.48	1.26	1.55	1.50	1.50	1.66	0.15	-0.06
Total Products	15.59	15.59	15.57	15.99	15.54	15.28	15.43	15.04	15.39	0.35	-0.09

With the exception of May, when demand rebounded sharply, German demand has been anaemic through 2005. The weakness may be attributed in part to consumers' reluctance to refill their heating oil tanks, but the industry also maintains that consumers are crossing the border to neighbouring countries where taxes are lower to refill their vehicle tanks. This is consistent with relatively strong demand for diesel in the Czech Republic and Poland.

North America

Hurricane Katrina is obviously of overwhelming importance in viewing recent developments in North American oil product demand, as discussed in 'Assessing the Impact of Hurricane Katrina'. However, there were several developments in the US market in the months prior to Katrina which also affect the regional demand picture. The preliminary assessment of June demand has been revised upwards by some 380 kb/d with the release of monthly data. This is in large part due to substantial upward revisions to 'other products'. Note, however, that the demand for key transport fuels such as gasoline and jet fuel was revised down.

Early indications are that July demand was relatively flat, growing by 0.6%. Gasoline demand grew by a preliminary 1.8% (monthly US demand data are adjusted for likely future revisions, as discussed in the Reports of 13 July 2005 and 11 August 2005). Prior to Katrina, preliminary August data showed fairly strong growth. This is attributed in part to high temperatures, which helped spur utilities' demand for low-sulphur fuel oil. The high price of competing fuels, including natural gas and coal, also helped encourage the use of fuel oil.

OECD North America Demand by Product

(million barrels per day)

	2004	2005	3Q04	4Q04	1Q05	2Q05	Apr 05	May 05	Jun 05	Latest month vs. May 05 Jun 04	
LPG & Ethane	2.95	2.91	2.72	3.12	3.27	2.54	2.56	2.42	2.66	0.24	-0.01
Naphtha	0.50	0.52	0.54	0.56	0.50	0.47	0.48	0.46	0.46	0.01	-0.03
Motor Gasoline	10.50	10.65	10.65	10.55	10.35	10.74	10.62	10.68	10.93	0.25	0.18
Jet & Kerosene	1.91	1.93	1.93	1.96	1.94	1.89	1.85	1.88	1.95	0.07	0.02
Gas/Diesel Oil	4.98	5.09	4.81	5.08	5.22	5.00	5.03	4.99	4.98	-0.01	0.19
Residual Fuel Oil	1.51	1.52	1.46	1.54	1.60	1.48	1.51	1.43	1.52	0.09	-0.02
Other Products	2.98	3.02	3.30	2.89	2.65	3.17	2.87	3.00	3.64	0.64	0.33
Total Products	25.34	25.64	25.41	25.69	25.53	25.30	24.92	24.86	26.13	1.27	0.66

Assessing the Impact of Hurricane Katrina

Obviously it is too early to fully assess the demand-side impact of Hurricane Katrina, but there are clearly both localised and more wide-spread impacts that may be expected. It should be pointed out that the market is still adjusting to the hurricane, the industry recovery process and the subsequent IEA Member country response. Until the full extent of the price response becomes clear, it is prudent to adopt a cautious approach in revising projected demand.

For several weeks following Katrina, US product demand is likely to be down versus the pre-hurricane consumption trend. Economic activity has been severely disrupted in affected areas and retail prices have spiked, contributing to reduced demand nationwide. There have also been reports of regionalised product shortages, albeit likely short-lived, as product supplies were cut off. Some airline flights have also been cancelled.

Among the most affected areas, Louisiana and Mississippi oil product demand totals approximately 1.0 mb/d. About 260 kb/d of the states' consumption is gasoline and 480 kb/d is in the industrial sector. Roughly 100-200 kb/d of 'normal' consumption may be lost for a number of weeks. But this loss is likely to be counterbalanced to some extent by rescue/recovery operations and increased fuel use associated with the disruption of normal transportation routes.

Note that the distinction between actual oil product demand and deliveries will be especially important in assessing the impact of Katrina in the coming weeks. Product prices have fallen since the post-Katrina price spike, but at the retail level consumers are reported to remain wary of shortages. Consumers have signalled an inclination to top-off their tanks and maintain higher fill levels. This places added pressure on the distribution system. It also disrupts normal delivery patterns and makes it difficult to interpret preliminary delivery data.

Currently, Katrina is projected to reduce US demand by 200 kb/d on average in September due to storm damage and the temporary product price spike. Recent product price trends indicate that the near-term impact should subside relatively quickly throughout September as the clean-up accelerates. In October, demand is projected to be off by some 90 kb/d.

In terms of specific products, the demand for gasoline, diesel, and jet fuel have been affected but rescue/recovery efforts should mitigate this impact. Gasoline prices remain high, but October futures have returned to pre-hurricane levels. Katrina's impact should begin to fade in coming weeks as the market returns to balance. Natural gas supplies have been disrupted, and—where possible—fuel switching into diesel and fuel oil may have taken place. Some power plants may have drawn on emergency/back-up diesel inventories. The fact that there are wide-spread power outages would normally help mitigate the demands for oil in power, but early reports indicated that several nuclear power plants were taken down, so the demands on oil for power may have increased.

Looking beyond the near term, typically a disaster of this magnitude is followed by a reconstruction period which can boost economic activity and oil demand. However, the price spike that followed Katrina had many worried that high prices could stymie the demand rebound that might otherwise be expected. Among the concerns was that in recent months mid-market retailers have seen a notable drop-off in sales, which they have in part attributed to a reduction in purchasing power brought on by high oil prices. A protracted product price increase associated with Katrina would likely accelerate this trend.

Non-OECD

China

The tension between the Chinese government's desire to maintain product prices that are below the international market price and refiners reluctance to supply the domestic market at these prices came to a head in August. Widespread product shortages were reported and rationing of gasoline was instituted in many areas as refiners choose to export products rather than sell them in the domestic market. The shortages were also attributed in part to a typhoon that disrupted supplies moving from the northern part of China to southern consumers. In addition, there were reports of gasoline 'hoarding' in anticipation of possible further price increases. The supply disruptions have since subsided, but the underlying incentive to limit domestic supplies remains in place. Moreover, this incentive has been further accentuated by an increase in international product prices.

China Crude & Product Trade

(thousand barrels per day)

	2003	2004	3Q04	4Q04	1Q05	2Q05	May 05	Jun 05	Jul 05	Latest month vs.	
										Jun 05	Jul 04
Net Imports/(Exports) of:											
Crude Oil	1664	2346	2232	2491	2305	2541	2406	2520	2421	-99	237
Products & Feedstocks	442	661	545	653	501	375	151	579	406	-173	-215
Gasoil/Diesel	-28	43	21	79	-6	-27	-26	-10	-24	-15	-53
Gasoline	-175	-125	-146	-117	-151	-161	-183	-129	-155	-26	-33
Heavy Fuel Oil	407	506	412	515	480	395	261	508	401	-107	-46
LPG	202	201	222	184	200	179	115	215	175	-40	-74
Naphtha	-22	-33	-48	-51	-49	-67	-54	-79	-25	54	14
Jet & Kerosene	1	16	19	8	6	5	-7	11	-14	-25	-16
Other	58	52	64	34	22	51	45	63	49	-14	-7
Total	2106	3008	2777	3144	2807	2916	2557	3100	2828	-272	22

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

At current retail prices, the underlying potential demand for key products, such as gasoline and diesel, is clearly stronger than apparent demand (defined as the sum of domestic refinery output and net product imports with adjustments for direct crude burning, smuggling and unreported refinery output). Rather than raising retail prices to restrict demand and encourage domestic supply, the government has chosen to eliminate a tax break that refiners receive when they export gasoline and naphtha. The refund of 11% of the 17% refund on the value added tax on gasoline and naphtha will extend through the end of 2005. The government also plans to halt approvals of new contracts for export processing of oil, which had allowed coastal refineries to refine crude and export products in return for a processing fee. These moves will certainly help limit the incentive to export products. However, it could also induce refiners to limit crude runs as their profits are further curtailed. For the moment, early indications of planned crude runs and product exports for September indicate that the government has been able to pressure refiners to maintain product output and limit exports.

China Demand by Product

	Demand (kb/d)			Annual Change (kb/d)		Annual Change (%)	
	2004	2005	2006	2005	2006	2005	2006
LPG & Ethane	633	643	680	10	37	1.5	5.8
Naphtha	684	718	796	34	78	4.9	10.9
Motor Gasoline	1069	1100	1202	31	102	2.9	9.2
Jet & Kerosene	239	252	274	13	22	5.3	8.9
Gas/Diesel Oil	2150	2283	2468	133	184	6.2	8.1
Residual Fuel Oil	829	785	806	-44	21	-5.4	2.7
Other Products	828	869	922	41	53	4.9	6.1
Total Products	6433	6650	7147	217	497	3.4	7.5

Chinese apparent demand has been adjusted downwards by some 30 kb/d and 190 kb/d, respectively in the second and third quarters. June apparent demand was weaker than preliminary government data had suggested and early indications are that July and August were weak as well. August fuel oil imports into China's southern Huangpu port, which takes in roughly half of China's fuel oil imports, were the lowest they had been since May.

Although underlying pent-up demand suggests that fourth quarter consumption could rebound, the prospects for a recovery in fuel oil demand appear increasingly remote. This is of critical importance to both the regional and global fuel oil markets as fuel oil typically accounts for over 70% of China's product imports. Quite simply, high fuel oil prices have induced fuel switching where possible and hydropower generation has increased to the extent that a repeat of last year's 17.5% increase in fourth quarter fuel oil demand appears exceedingly unlikely. Based on recent trends, fuel oil demand is projected to decline by some 6.2% in the fourth quarter versus the same period in 2004. Year-on-year demand growth could weaken further if prices were to move higher.

Chinese apparent demand has been revised down by some 170 kb/d in the fourth quarter of 2005, in large part due to the reassessment of fuel oil demand. In 2006, fuel oil demand is expected to grow by only 2.6% while the demand for other fuels is projected to increase more in line with economic growth of 8-9%. As evidence that stronger apparent demand growth should return in response to continued robust economic performance, auto sales rose by 25% in July and 11% over the first seven months of the year.

Other Non-OECD

Indian demand declined by some 5.0% in July due to severe flooding associated with the monsoon rains. This was a larger decline than expected, but it should in turn contribute to a demand recovery in August. The outlook for July 2006 demand growth has been revised upwards due to the lower, flood-affected, July 2005 baseline. Note that the large year-on-year July 2005 decline may also be in part attributed to a strong July 2004 baseline as retailers are said to have increased inventories in anticipation of an increase in administered fuel prices.

In addition to the flood-related changes, the prospects for further interfuel substitution of natural gas for naphtha have also been re-evaluated as naphtha demand shrank by approximately 7.1% in the second quarter of 2005. With comparatively low-priced liquefied natural gas (LNG) contracts in place and the continued development of domestic gas fields, this trend should continue into 2006, albeit at a slower pace.

India Crude & Product Trade

(thousand barrels per day)

	2003	2004	3Q04	4Q04	1Q05	2Q05	Apr 05	May 05	Jun 05 ¹	Latest month vs. May 05 Jun 04	
Net Imports/(Exports) of:											
Crude Oil	1863	1945	2013	1742	1969	1894	1912	1905	1864	-41	-759
(by Public Oil Cos)	1243	1158	1214	1000	1133	1116	1123	1121	1103	-18	-585
Products & Feedstocks	-152	-176	-178	-222	-82	-92	-110	13	-184	-197	-44
Gasoil/Diesel	-119	-139	-122	-162	-89	-108	-121	-76	-127	-51	-24
Gasoline	-72	-75	-75	-80	-53	-39	-24	-53	-40	13	13
Heavy Fuel Oil	5	-6	-5	-20	-4	10	-7	29	6	-23	7
LPG	55	86	86	128	95	74	70	86	64	-22	13
Naphtha	-1	-7	-29	-25	-15	-39	-32	-9	-77	-69	-83
Jet & Kerosene	-22	-47	-43	-74	-34	-5	-11	25	-29	-54	18
Other	1	12	9	12	17	15	14	11	19	8	12
Total	1712	1769	1834	1520	1887	1801	1801	1918	1681	-238	-803

¹ Preliminary

Sources: Indian Ministry of Commerce, Indian Port Authorities and IEA estimates

As in many non-OECD countries (particularly in Asia), the Indian government continues to debate the extent to which it should pass rising international oil product prices on to consumers. The government recently decided to raise gasoline and diesel prices by some seven percent. This change provides some relief to refiners and retailers, but the price change still does not match the recent run-up in international prices.

According to the Asian Development Bank, Asian economic growth remains surprisingly resilient in the face of high oil prices. However, many analysts have expressed growing concern about the Indonesian economy. Indonesia's troubles have been brought on in part by costly oil subsidies which are threatening the country's fiscal health and have contributed to a sharp decline in the rupiah. At this time, few analysts expect problems to spread throughout the region as they did in 1997-98.

However, high oil prices continue to force governments to take action to head-off fiscal problems as countries like Malaysia, Indonesia and Vietnam are under pressure to raise product prices, which will in turn impact upon demand. Thailand is reported to have begun exporting diesel for the first time in a year as diesel demand fell after the government eliminated subsidies.

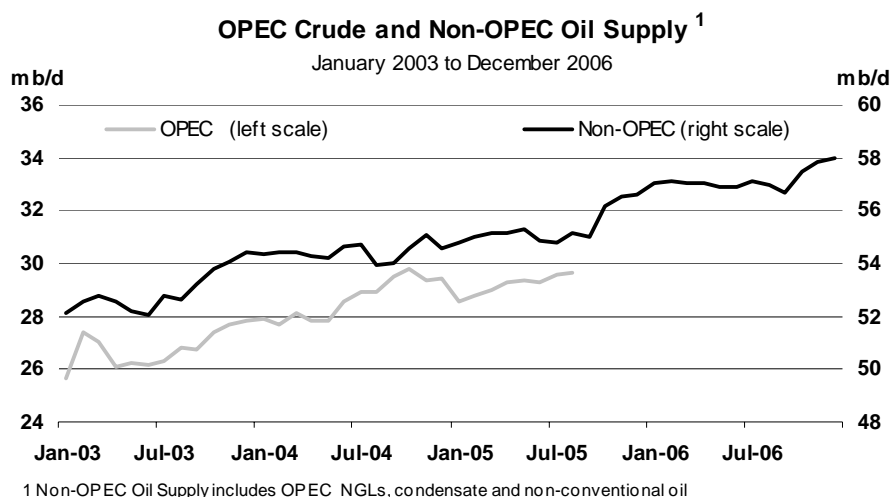
Although oil product pricing issues are most visible in Asia because the region has recently been the global engine of economic and oil demand growth, the rise in prices threatens fiscal and/or market stability in many countries. In Latin America, for example, Argentina has essentially frozen domestic gasoline prices in the face of rising international prices. Companies are hesitant to raise prices because they are afraid of government reprisals. Earlier this year the government called for a boycott when a major supplier raised prices and sales plummeted, forcing the supplier to limit the price increase. While this may assuage consumers in the near term, these actions likely inhibit the long-term development of the energy sector.

Early indications are that FSU exports of crude and products will rise in September as exporters push to beat an October export duty hike. This has contributed to a downward revision to the assessment of third quarter apparent demand (defined as the difference between crude production and net exports of crude and products). Fourth quarter demand has been revised up as October exports are likely to suffer.

SUPPLY

Summary

- **World oil supply** gained 440 kb/d in August to reach 84.9 mb/d. A rebound from Mexico after storms reduced output in July counteracted lower production due to summer maintenance in the North Sea. The FSU and Africa also saw higher production, while OPEC crude supply gained 80 kb/d. However, Hurricane Katrina has had a severe impact on US Gulf of Mexico (GOM) supply and will likely affect production for several months to come. An annual comparison shows world oil supply 2.0 mb/d above August 2004. OPEC crude stands 0.75 mb/d higher, OPEC other liquids supply is up 0.5 mb/d and non-OPEC supply is 0.75 mb/d up.
- **Hurricane Katrina** severely curtailed regional oil operations from 26 August onwards. In energy terms, electric power supplies and US Gulf Coast refining operations have been worst hit. At the time of writing, 861 kb/d (57%) of US GOM oil production remains shut-in, along with 4.0 bcf/d of natural gas production (40% of GOM total). Crude oil import and pipeline infrastructure, including the LOOP terminal and the Capline feeding crude to Midwestern refineries, appears to be relatively unscathed. It is too early to be definitive about the likely pace and extent of supply recovery, but preliminary recovery profiles and experience from last year's Hurricane Ivan, suggest potentially similar aggregate losses from Katrina of 55 mb of crude plus 15 mb of NGL running through early-2006. This provisional estimate for Katrina, plus the adoption of a heavier hurricane adjustment henceforward, reduce forecast GOM oil supply by 140 kb/d for 2005 and 55 kb/d for 2006.
- Hurricane Katrina provides the basis for substantial revisions to 2005 **non-OPEC supply** and also impacts upon the 2006 forecast. In all, 2005 non-OPEC supply is revised down by 165 kb/d to 50.6 mb/d and the 2006 total by 15 kb/d to 52.0 mb/d. North Sea and Australian production is adjusted down by 20 kb/d in 2005 but up by a similar amount in 2006. Furthermore, non-OECD production is revised up by 10-15 kb/d in both years. Higher Angolan supply in 2005 and modest but widespread revisions elsewhere in 2006 help to partly offset the negative impact of US adjustments. Non-OPEC growth dips to 500 kb/d in 2005 but rebounds to 1.4 mb/d in 2006. These estimates remain subject to revision depending on US supply recovery after Hurricane Katrina.
- **OPEC crude supply** in August averaged 29.7 mb/d, up by 80 kb/d from July. Increases of 10-30 kb/d each came from the UAE, Iran, Iraq, Kuwait and Saudi Arabia while Nigerian supply fell by 20 kb/d. Iraqi exports fell by 100 kb/d to 1.48 mb/d due to lower tanker liftings from Ceyhan. Gross production was sustained by higher deliveries into the local market and ongoing, if sporadic, shipments by pipeline from Kirkuk to Ceyhan. OPEC spare capacity remains around 2.0 mb/d on paper but closer to 1.2 mb/d on an effective basis.
- **The 'call on OPEC crude and stock change'** averages 28.1 mb/d for 2005, as a 0.2 mb/d reduction for non-OPEC oil and OPEC other liquids supplies partly counters lower demand-side estimates. The peak fourth quarter call averages 29.1 mb/d, some 0.6 mb/d below current OPEC supply. The average call for 2006 is identical to 2005, at 28.1 mb/d. This is 0.2 mb/d less than in last month's Report following downward adjustments to Asian demand for 2006.



All world oil supply figures for August discussed in this Report are IEA estimates. Estimates for OPEC countries, Alaska and Russia are supported by preliminary August crude supply data.

Note: Random events present downside risk to the non-OPEC production forecast contained in this Report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. These aside, no contingency allowance for random events is subtracted from the supply forecast. While upside variations can occur, experience in recent years indicates that the random events listed above may cause supply losses of between 300 kb/d and 400 kb/d for non-OPEC supply each year.

OPEC

Growth in OPEC crude supply slowed to some 80 kb/d in August as maintenance and capacity constraints placed a ceiling over output for most members, and Saudi Arabia appeared to face limited demand for crude from its surplus capacity in heavier/sourer grades. July OPEC supply was revised down modestly, by 10 kb/d to 29.6 mb/d. There were indications of sharper than anticipated recovery in UAE production after maintenance (adding 65 kb/d to the original July estimate) and slightly higher internal consumption in Iraq (adding 20 kb/d). However, these upward revisions were countered by a 95 kb/d downward adjustment in Iranian exports compared to original estimates. OPEC supply in August averaged 29.7 mb/d and increases of 10-30 kb/d each came from the UAE (further post maintenance recovery), Iran, Iraq, Kuwait and Saudi Arabia. Localised unrest in Rivers State, Nigeria caused Shell and Total to shut-in production during August and Nigerian supply is assessed off by 20 kb/d for the month.

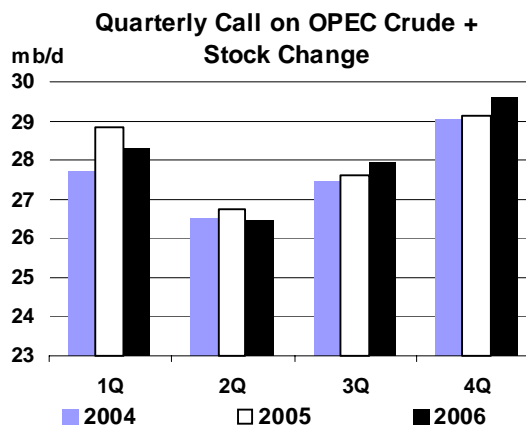
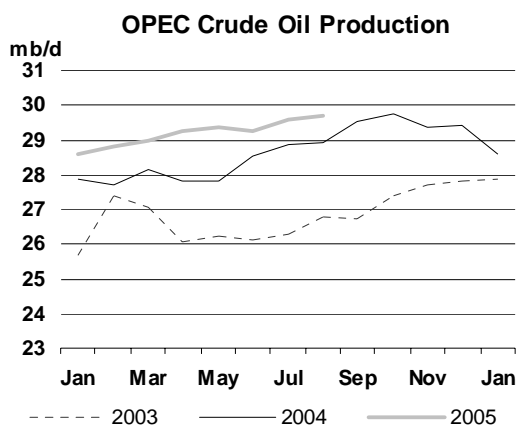
OPEC Crude Production

(million barrels per day)

	1 July 2005 Target	August 2005 Production	Sustainable Production Capacity ¹	Spare Capacity vs. August 2005 Production	Production vs. Target
Algeria	0.89	1.35	1.35	0.00	0.46
Indonesia	1.45	0.94	0.98	0.04	-0.51
Iran	4.11	3.98	4.10	0.13	-0.14
Kuwait ²	2.25	2.41	2.50	0.09	0.16
Libya	1.50	1.65	1.65	0.00	0.15
Nigeria	2.31	2.46	2.50	0.05	0.15
Qatar	0.73	0.80	0.83	0.03	0.07
Saudi Arabia ²	9.10	9.56	10.50	0.94	0.46
UAE	2.44	2.51	2.55	0.05	0.06
Venezuela ³	3.22	2.12	2.20	0.08	-1.10
Subtotal	28.00	27.77	29.16	1.39	-0.23
Iraq		1.91	2.50	0.60	
Total		29.67	31.66	1.99	
<i>(excluding Iraq, Nigeria, Venezuela, Indonesia</i>				<i>1.23)</i>	

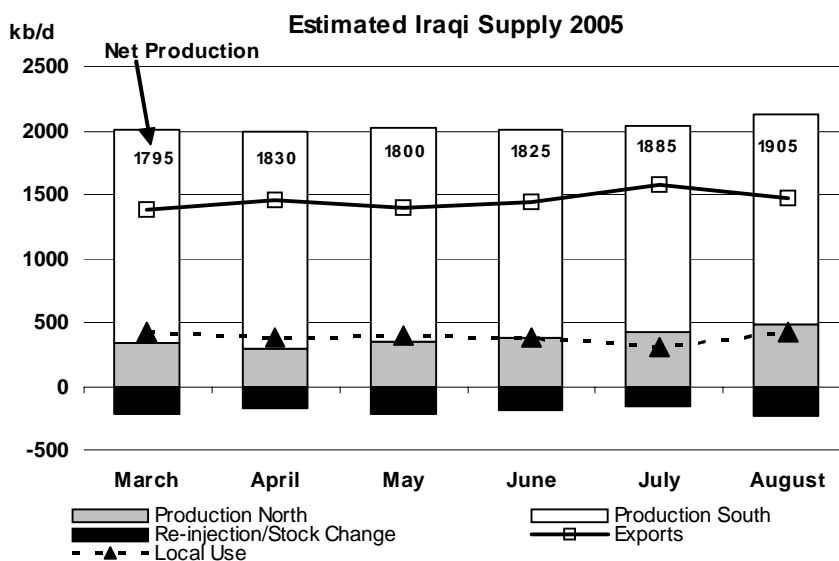
1. Capacity levels can be reached within 30 days and sustained for 90 days
2. Includes half of Neutral-Zone Production
3. Excludes upgraded Orinoco extra-heavy oil which averaged 588 kb/d in August

OPEC sources began to express concern in early-August over the further rise in crude prices seen during the month. The OPEC President cited total OPEC output as being around 30.4 mb/d and suggested that downstream bottlenecks remained a key impediment to market stability. However, on 29 August the President suggested that he would propose a 500 kb/d increase in the production ceiling (from the current 28.0 mb/d), and a similar rise in actual output, to the Organisation's ministerial meeting on 19 September. For its part, Saudi Arabia reiterated a willingness to boost supply to as much as 11.0 mb/d (from current levels of around 9.5 mb/d) if the extra crude was required by customers. Crucially for now however, OPEC spare capacity is concentrated in the hands of Saudi Arabia and comprises mostly Arab Heavy crude, for which there is only a limited appetite in world markets. In the aftermath of Hurricane Katrina, the market is seeking more in the way of clean products and light, sweet crude. As such, impending additions to lighter crude production capacity expected from Libya, Nigeria, UAE and the Saudis themselves will be keenly awaited. Nonetheless, the US was reported to have received offers of assistance in the form of humanitarian aid and crude and products from Indonesia, Kuwait, Nigeria, Qatar, Saudi Arabia, the UAE and Venezuela.



A decline in **Iraqi** crude exports was countered by increased domestic use, and net production is estimated to have risen by 20 kb/d to 1.91 mb/d. After depressed activity levels at the Basrah and Daura refineries in July, local crude oil use is estimated to have risen to 430 kb/d in August, including some 70 kb/d of direct use for power generation.

Total exports fell by 100 kb/d from July's 1.58 mb/d, to 1.48 mb/d. Despite power outages, which crimped southern exports from Basrah and Khor al-Amaya in the second and fourth weeks of August, southern loadings averaged an unchanged 1.42 mb/d. This was nonetheless some 300 kb/d less than initial export schedules had suggested. With unchanged border sales to Syria of 15 kb/d, the big drop in August came via exports from Ceyhan in Turkey. While crude in storage at Ceyhan reached as much as 4 mb in August, actual liftings were restricted to two pipeline shipments amounting to 1.25 mb made to Turkish refiner Tupras. On 23 August SOMO awarded a tender for Total, BP and Cepsa to lift 1 mb each from Ceyhan during the 28 August to 6 September period. Actual liftings however were believed to have been deferred into early September.



Having repeatedly been the target of sabotage by insurgents, a section of the Kirkuk to Ceyhan export pipeline was again blown up by a bomb on 3 September. Throughput on the pipeline is estimated at around 100 kb/d in August, based on reports of storage levels at Ceyhan, although such shipments are excluded from this Report's net production and export estimates to avoid double counting when cargoes leave Ceyhan. There were also reports in late-August of producing facilities in the Kirkuk region having been hit by sabotage. This is one of the few instances in which production, as distinct from export, infrastructure has been affected. Perhaps reflecting this greater uncertainty surrounding northern operations, Iraqi authorities announced on 6 September that this month's exports were likely to average no more than 1.6 mb/d. The increase is in line with the three announced cargoes now scheduled for early-September departure from Ceyhan. Total export sales of between 1.8 mb/d and 2.0 mb/d are targeted for end-2005.

Tanker tracking data and **Saudi Arabia's** own pronouncements suggest stable production at around 9.5-9.6 mb/d since April. August supply is assessed largely unchanged at 9.56 mb/d. The Kingdom again emphasised its willingness to boost supply closer to 11 mb/d should buyers request extra crude, while acknowledging that it did not expect significant extra demand to emerge for spare capacity held predominantly in the form of heavy sour barrels. One press report in early September cited buyers in the Mediterranean who had requested extra cargoes as having received no response.

However, there were signs recently of Saudi moves to sustain and potentially boost supplies to the market. Firstly, Aramco announced plans for maintaining capacity at the Marjan, Zuluf and Safaniyah fields, which produce Arab Medium and Arab Heavy crude. This was backed up by reports of jack-up drilling equipment scheduled to move in late-2005 from the Gulf of Mexico to Saudi Arabia. New installations should be in place before end-2006 (although whether recent events in the GOM have affected timing is not certain). Secondly, selling prices for October, notably those for Arab Medium and Arab Heavy into the Atlantic Basin, have been cut by upwards of \$2/bbl, presumably designed to increase offtake of Saudi Arabia's heaviest and sourest barrels, facilitating a rise in output in the process.

Iranian exports continued to follow an erratic course in July, and are now estimated to have dropped by some 50 kb/d from June highs near 2.6 mb/d. Initial indications are that a modest rebound in production and exports occurred in August, despite late month problems at the recently inaugurated offshore Nowruz heavy oil field. Repeated delays in completing and sustaining expanded production at the Soroush-Nowruz development, and steep decline at mature fields, keep assessed Iranian sustainable production capacity at 4.1 mb/d for now.

Production from the **UAE** now appears to have bounced back more strongly in July than anticipated in last month's Report. July production is now seen averaging 2.48 mb/d, with a further modest rise to 2.51 mb/d in August based on provisional data. As a result, August spare capacity dipped below 50 kb/d measured against sustainable capacity of 2.55 mb/d. Capacity could reach 2.65-2.7 mb/d by end-year. The increases in output came primarily from Abu Dhabi. Earlier indications that production recovery would be concentrated in August, after peak June maintenance at the offshore Umm Shaif and Lower Zakum fields, seem to have been pre-empted by a sharper July recovery.

Output from **Kuwait** remained below 2.5 mb/d capacity amidst ongoing maintenance at western facilities but did nudge higher by some 20 kb/d to 2.41 mb/d in August. Production could rise further in September as work at the GC-27 gathering station draws to a close. This, plus a planned stoppage involving an 80 kb/d distillation unit at the Mina Abdullah refinery, could see September crude exports move higher. The refinery turnaround will reportedly run through to the end of September.

The potential for disrupted oil supplies from **Nigeria** persisted in August. Community protests caused a one week shut-in of up to 25 kb/d of output by Shell and similar action affected 35 kb/d of production by French producer Total. In all, Nigerian crude supply is assessed off by 20 kb/d in August at 2.46 mb/d. A gas pipeline fire in late-August is likely to curb September condensate production with some 12 kb/d of output affected for an indeterminate period. Incremental gas liquids supply of up to 30 kb/d associated with expanded LNG facilities due for third quarter has also now been deferred until early-2006. In early September a nationwide strike over fuel price increases appeared to have been averted, although further consultations on strike action involving oil workers are likely in early October.

OECD

North America

US – August Alaska actual, others estimated: Developments elsewhere in the US are dwarfed by those taking place in the GOM (see above). Total US supply for 2005 has been revised down by 155 kb/d in 2005 and by 50 kb/d in 2006, due to the knock-on effects of Katrina, and its impact on assumed seasonal storm outages for subsequent years. However, higher baseline oxygenate production data for June result in a 10 kb/d upward revision to this source of supply in both 2005 and 2006. Alaskan crude production gained 35 kb/d in August after summer maintenance work. Alaskan output is revised up by 5 kb/d for the remainder of 2005 and 2006 based on stronger than expected performance from the expanded Alpine facilities. Production here appears to have attained levels around 120 kb/d. Total US oil production now averages 7.6 mb/d in 2005 and 7.7 mb/d in 2006.

The Upstream Impact of Hurricane Katrina

The Current Situation

Offshore Gulf of Mexico (GOM) production began to be shut in on 26 August with the approach of Hurricane Katrina. The storm reached maximum category five status just prior to landfall on 29 August and although it subsequently weakened, by 30 August a peak of 1.4 mb/d of offshore oil production and 8.8 bcf/d of natural gas were shut-in. Recovery of production has been slow and by 7 September 871 kb/d of oil output and 4.0 bcf/d of natural gas remained out of operation. These levels represent 57% and 40% respectively of typical GOM production. A measure of the slow progress in restoration is a comparison with last year's Hurricane Ivan. One week on from Ivan's landfall in September 2004, GOM oil production had recovered from 1.4 mb/d offline to around 580 kb/d whereas 0.9 mb/d is still out of action a week after Katrina hit land.

A key problem with the Katrina aftermath is that 20% of manned platforms and 12% of rigs remain evacuated. In testimony to the US Senate Energy and Natural Resources Committee on 6 September, the Department of the Interior conceded that full recovery of production could take many months, with pipeline damage similarly taking time to rectify. Some 37 shallow water platforms were destroyed and four large deepwater platforms (including Shell's Mars facility) have suffered extensive damage. However, this infrastructure is thought to account for only 11% of GOM oil production, raising the possibility that some 90% of production could be back onstream in less than the 3-6 months which these specific facilities are likely to require for replacement/repair. Producers BP, ExxonMobil, Chevron, Apache, Anadarko and Kerr McGee have all reported recovering production levels and an absence of substantial damage to production facilities.

The state of repair of subsea production infrastructure and pipelines remains highly uncertain however. Mudslides and pipeline disruption on the floor of the Gulf accounted for much of the prolonged production outage after last year's Hurricane Ivan. More time is needed before assessments of likely pipeline status can be completed. Here too however, initial indications are favourable. Katrina's path ashore was more direct than that of Ivan in 2004, reducing the likelihood that mudflats on the Mississippi delta were disturbed to the same extent.

The 1.0 mb/d Louisiana Offshore Oil Port (LOOP), which normally handles imported crude and Mars blend from the Gulf itself, was operating at 75% of capacity at the time of writing. Imported crude forms the bulk of current shipments as Shell's Mars platform is currently inoperable. LOOP is feeding crude to the 1.1 mb/d Capline pipeline which transports feedstock to refineries in the US Midwest. Capline itself is operating in excess of 80% capacity. It is expected that sustained capacity operations from LOOP can be re-established once power supplies to the Fourchon booster station are fully restored around the start of the week commencing 12 September.

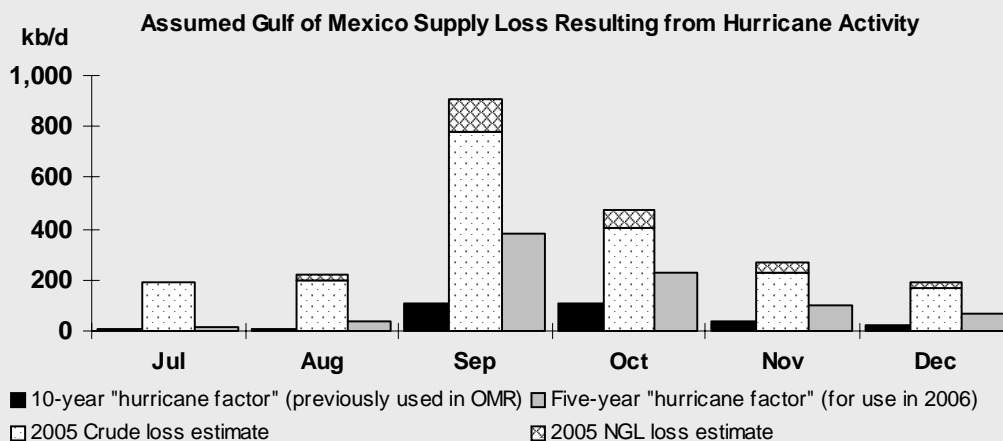
Looking Ahead

Any supply projections made in the immediate aftermath of an event of this magnitude are subject to greater than usual uncertainty. What follows represents a "working case" assumption rather than a "most likely" case forecast per se. It remains difficult to project the timing and extent of future recovery in production. The outlook for GOM and broader US production is subject to significant revision in the weeks and months ahead as more damage and re-start reports become available. The task is complicated by the widespread nature of damage and displacement caused by the storm. Flooding and power supply shortages have disrupted pipelines, pumping stations, refineries, storage and gas processing facilities and service depots onshore in the Gulf region. This has delayed damage assessment and reactivation of undamaged offshore facilities, both topside and subsea. Not least of the problems is the displacement and loss of operational personnel.

Initial assessments made by the US DoE suggested production outages lasting through December 2005 at least. We have taken the shut-in situation at 7 September (861 kb/d) as a starting point and an assumption that all production barring the 11% affected by serious damage can be reactivated by early-December. This is a more conservative assumption on recovery than used by some government agencies but is employed in part due to the lack of information on pipeline status and also due to the slow rate of recovery in recent days. After storm-related shut-ins amounting to 190 kb/d in both July and August, lost crude supply in this scenario is 780 kb/d for September, 405 kb/d in October, 225 kb/d in November, and 165 kb/d in December. Bearing in mind the long "tail" experienced before production recovered fully after Hurricane Ivan (through June 2005), this Report has extended crude outages into January 2006 (40 kb/d) and February (10 kb/d).

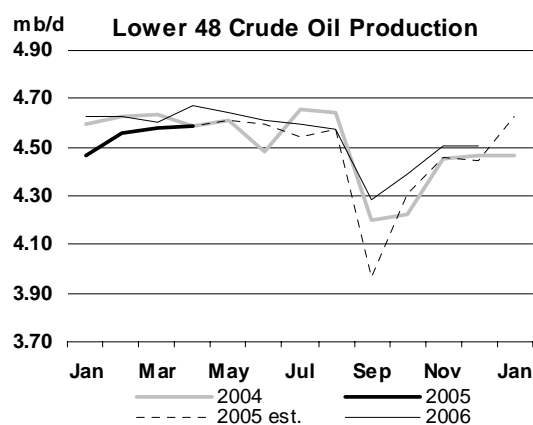
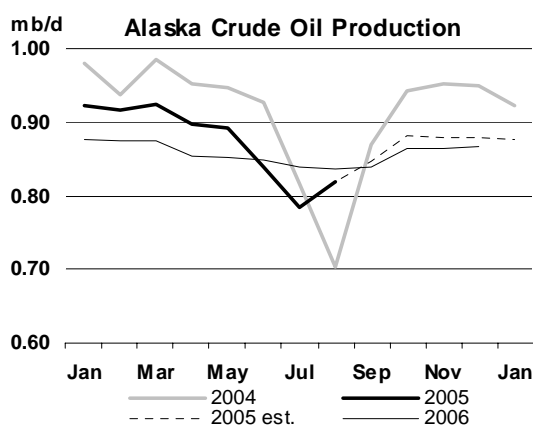
The Upstream Impact of Hurricane Katrina (continued)

Total lost crude production due to Katrina under this scenario amounts to 55 mb. In comparison, Ivan caused the loss of 40 mb of production through end-2004 and a further 15-20 mb in the first half of 2005. This Report also now incorporates assumptions on NGL supply loss due to natural gas production, pipeline and processing facility outages. NGL supply shut-ins are assumed to average 30 kb/d in August, 125 kb/d in September, 65 kb/d in October, 20 kb/d in November and 10 kb/d in December, over and above the crude losses itemised above. Losses of sweet crude supply could be relatively more keenly felt early in the recovery period. However, if extensive damage to the Mars platform is confirmed and it stays out of action longer, heavy sour grades will also be in tight supply in the longer term.

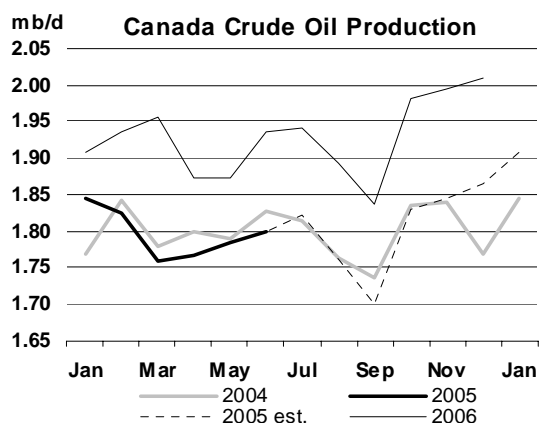
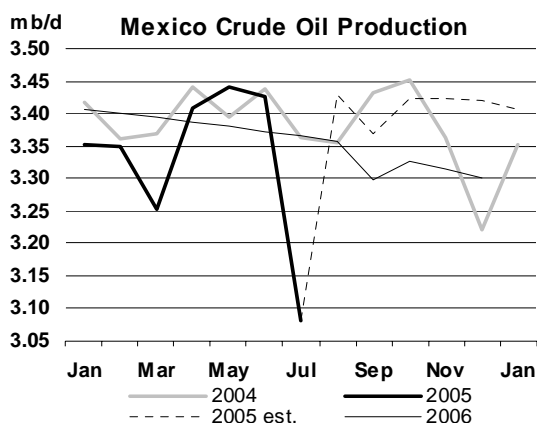


Prior issues of this Report had assumed peak hurricane-related outages in the GOM of 110 kb/d in September and October and 35 kb/d in November. This was consistent with the ten year average outage level actually experienced during 1995-2004. Not only does the provisional Katrina outage scenario dramatically increase expected 2005 outages, but it will clearly impact significantly upon assumed outage levels for forecast years. In fact, we have taken this opportunity to revisit our assumptions on storm outages and have now switched to a five-year rather than a ten-year average. Although far from conclusive, recent evidence suggests a trend towards more frequent and higher impact storms. Adopting this higher average shut-in rate for 2006 suggests combined oil outages peaking at 360 kb/d in September 2006, 285 kb/d in October, and 125 kb/d in November. Assumptions for 2005 and future years are of course subject to substantial revision, depending upon the final losses sustained due to Katrina, and any subsequent storms, this year.

Canada – Newfoundland July actual, others June actual: June/July supply data point towards higher production of bitumen and NGL, but lesser crude volumes deriving from Saskatchewan and offshore Newfoundland. Revisions on an annualised basis are minor however, and amount to +10 kb/d versus last month's projection for 2006. Canadian oil supply is seen declining by 55 kb/d in 2005 to 3.03 mb/d, but then increases by 265 kb/d in 2006, to 3.3 mb/d. The latter is based on rising syncrude and bitumen supply plus new offshore east coast production from Husky's White Rose field.

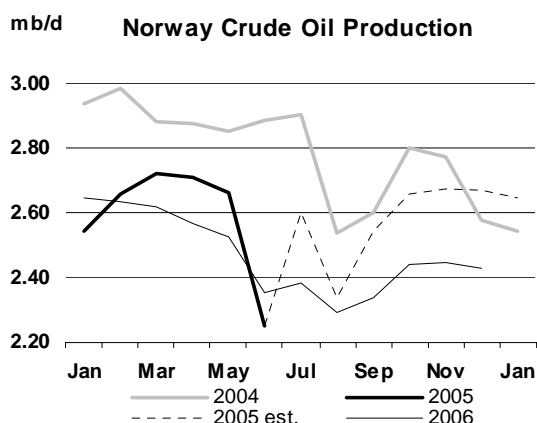
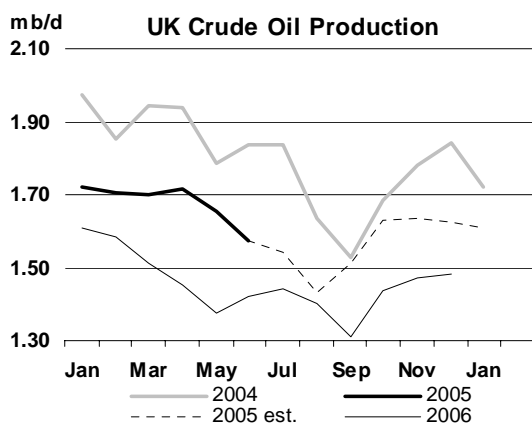


Mexico – July actual: Production data from state producer Pemex for July showed crude production around 30 kb/d lower than anticipated, at 3.08 mb/d and NGL output underperforming versus the Report's previous estimates by 40 kb/d, at 399 kb/d. However, this merely reflects a heavier than anticipated impact from Hurricane Emily and downward adjustments are not carried forward into the forecast for now. Although total liquids production fell by nearly 400 kb/d in July, exports fell by only 80 kb/d to 1.7 mb/d, suggesting sales out of storage or refinery run cuts. Pemex confirmed in August an expected 70 kb/d decline from the Cantarell field in 2006, but anticipates offsetting increases from other fields.



North Sea

UK – June actual: Production data through June and offshore loading schedules through September indicate lower supplies from the UK in the second and third quarters of 2005. Output for both quarters is revised down by 35 kb/d, with total UK oil output averaging 1.9 mb/d and 1.7 mb/d for the second and third quarters respectively. Production is expected to rise to some 1.9 mb/d in the fourth quarter. However, ongoing mature field decline in 2006 sees production fall by 175 kb/d to average 1.7 mb/d. While summer maintenance has curbed recent production levels, unscheduled outages also continue to plague North Sea operations. A fire at BP's Schiehallion field shut-in production for three weeks in August, one week longer than had been anticipated in last month's Report. However, higher baseline production levels through May 2005 from the west of Shetland area result in a modest upward revision to supplies looking forward. August Schiehallion problems were augmented by the loss of 10 kb/d from the Brent Bravo platform following a leak on 18 August.



Norway – June actual, July provisional: Adjustments to Norwegian output data are less uniform than those for the UK. Second quarter 2005 production is revised down by 45 kb/d to some 2.95 mb/d as a result of much lower than expected June output. Maintenance work proved heavier than expected, notably in the Oseberg-Troll and Sleipner-Frigg systems. In contrast, provisional data for July point to a 300 kb/d rebound in Norwegian output to 2.97 mb/d. August output was constrained by maintenance but also by unscheduled outages affecting the Veslefrikk, Snorre and Vigdis fields. In total, Norwegian oil supply is seen averaging 3.0 mb/d in both 2005 and 2006, down from nearly

3.2 mb/d in 2004. New condensate and NGL supply helps to offset ongoing crude decline in 2006. Norway's national statistics office boosted its expectations for oil and gas investment for 2006, with high crude prices seen spurring investment levels. Norsk Hydro announced in August the discovery of an additional 50-100 mb of oil near existing Troll C facilities.

Former Soviet Union (FSU)

Russia – July actual, August provisional: The forecast for Russian oil production is largely unchanged from last month, with production projected to average 9.5 mb/d for 2005 and 9.8 mb/d in 2006. Month-on-month growth appears to have resumed after a hiatus caused in part by uncertainty over the investment environment and what many companies see as an unfavourable tax structure. Production grew by 40-50 kb/d in both July and August (annualised growth of around 150 kb/d). Some pick-up in growth is expected for the balance of 2005. Lukoil, BP-TNK and Surgutneftegaz, together with new production from the Sakhalin project, underpin the growth and help to offset potentially disappointing performance from other producers.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

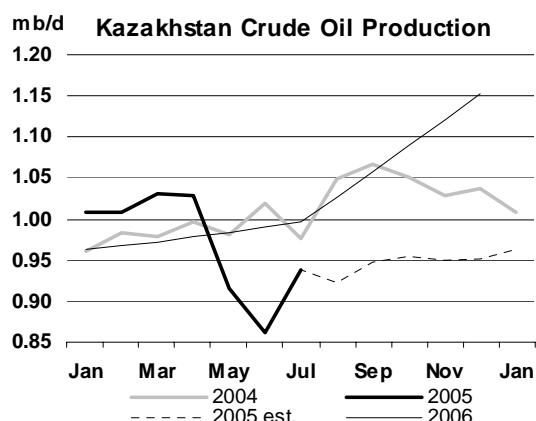
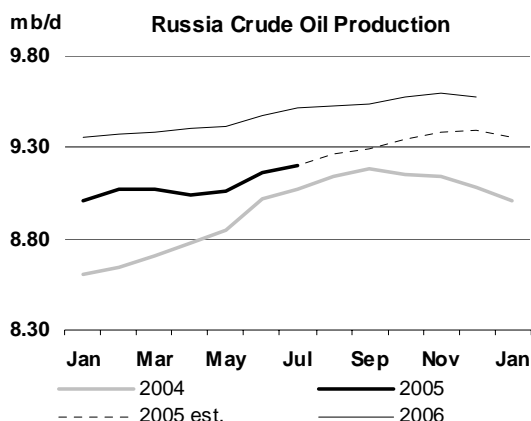
	2004	3Q04	4Q04	1Q05	2Q05	Revised May 05	Prelim. Jun 05	Latest month vs. Jul 05	Jun 05	Jul 04
Crude										
Black Sea	2.20	2.17	2.28	2.22	2.38	2.52	2.23	2.34	2.23	2.27
Baltic	1.77	1.52	1.48	1.64	1.61	1.66	1.55	1.48	1.55	1.55
Artic/Far East	0.25	0.30	0.30	0.19	0.19	0.17	0.24	0.22	0.24	0.30
Crude Seaborne	4.22	3.99	4.06	4.04	4.18	4.35	4.02	4.04	4.02	4.13
Druzhba Pipeline	1.12	1.13	1.14	1.13	1.10	1.10	1.10	1.13	1.10	1.11
Other Routes	0.16	0.28	0.25	0.28	0.35	0.38	0.39	0.33	0.39	0.27
Total Crude Exports	5.50	5.41	5.46	5.45	5.64	5.83	5.51	5.49	5.51	5.52
<i>Of Which: Transneft</i>	<i>3.77</i>	<i>3.74</i>	<i>3.86</i>	<i>4.01</i>	<i>4.26</i>	<i>4.44</i>	<i>4.18</i>	<i>4.15</i>	<i>4.18</i>	<i>3.88</i>
Products										
Fuel Oil	0.86	0.95	0.87	0.78	0.91	0.88	1.08	1.11	1.08	0.91
Gasoil	0.80	0.81	0.78	0.89	0.80	0.69	0.79	0.84	0.79	0.82
Other Products	0.44	0.46	0.42	0.58	0.56	0.54	0.57	0.61	0.57	0.54
Total Products	2.10	2.22	2.07	2.25	2.27	2.11	2.45	2.56	2.45	2.26
Total Exports	7.60	7.62	7.52	7.70	7.90	7.93	7.96	8.05	7.96	7.78
Imports	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Net Exports	7.59	7.61	7.51	7.69	7.89	7.93	7.95	8.03	7.95	7.77

Sources: Petro-Logistics, IEA estimates

FSU net exports reached 8.03 mb/d in July, some 80-100 kb/d above May and June levels. Seaborne crude exports are thought to have risen further in August, with last month's increase focussed on liftings from the Baltic ports. However, oil products and crude shipments by rail and barge are thought to have slipped in August. A 50-100 kb/d increase is scheduled for Russian seaborne September liftings, with pipeline maintenance at Novorossiysk suggesting that Baltic sailings could again lead any increase. Recent months have seen Russian products exports rising more sharply than crude oil. This in part stems from the sharply higher crude oil export duties in force than those applied to products. Current crude export duties amount to \$140/tonne but are scheduled to rise to \$179/tonne from October. Products export duties will also rise in October, but remain less onerous than those on crude. The domestic refining of Russian crude has become a more attractive option, notably in comparison to more costly rail and barge crude exports. There are suggestions that the government is sustaining differentials between crude and products export taxes to encourage the upgrading of largely unsophisticated Russian refinery hardware.

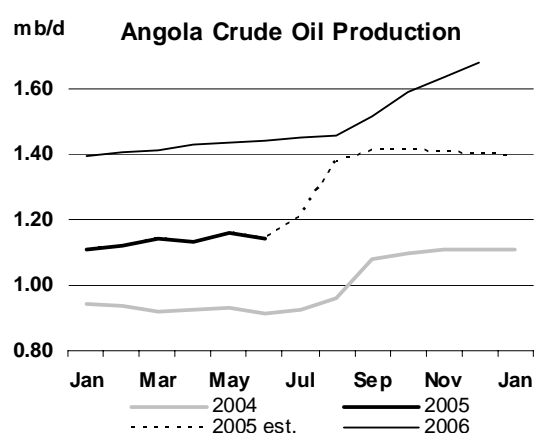
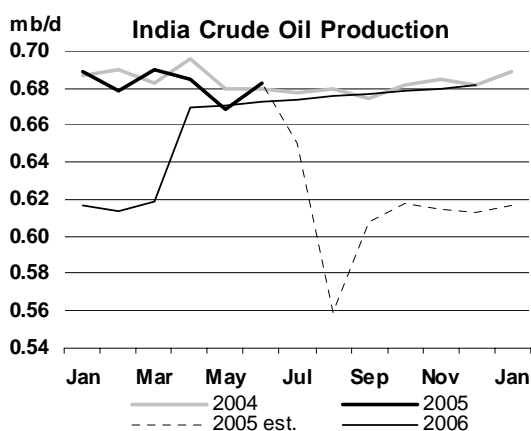
Kazakhstan – July actual: Production from Kazakhstan remains below early-year highs of 1.3 mb/d and in July averaged 1.18 mb/d. Despite an electrical failure, Tengiz field production increased by 50 kb/d to 250 kb/d and is expected to regain around 275 kb/d by October. Condensate production from the Karachaganak field continues to oscillate in a 250-275 kb/d range and August supply likely remained below peak due to a 10 day maintenance stoppage. Signalling the country's growing linkage with eastern markets, producer PetroKazakhstan is to be purchased by China's CNPC. It is

thought that this will open the way for increased export volumes to China and could also see an easing of the recent slide in Petrokazakhstan output due to gas flaring restrictions. Total Kazakh output is estimated at 1.23 mb/d for 2005 (20 kb/d up from 2004) and 1.3 mb/d in 2006.



Other Non-OPEC

India – June actual, July provisional: Forecast Indian oil production is revised down by 10-15 kb/d for 2005 and 2006 as a result of latest information on the impact of July's fire at the Bombay High offshore platform. The reductions primarily affect fourth quarter 2005 and first quarter 2006 output. The accident initially cut supply from the 260 kb/d field by 120 kb/d, but state company ONGC reported in late August that 60 kb/d of production had been restored. However it is likely to be April 2006 before full production is resumed. In the interim, ONGC will hire a floating production and processing facility to help reinstate production. Including some 125 kb/d of NGL, Indian oil production is now seen averaging 770 kb/d in 2005 and 790 kb/d in 2006, versus 800 kb/d in 2004.



Angola – July provisional: June and July data for Angolan production come in around 20 kb/d lower than anticipated in last month's Report. However, sources within Angola and amongst service companies suggest that build-up from the newly started Kizomba B field is indeed likely to be rapid, reaching plateau 250 kb/d by September. This Report had earlier assumed a more conservative profile and the net result of these adjustments is a 30 kb/d upward revision for 2005 and 5 kb/d for 2006. Total production now averages 1.25 mb/d in 2005 and 1.49 mb/d in 2006. Further recent deepwater discoveries suggest that total production could rise into a 2-2.5 mb/d range by end-decade.

Revisions to other non-OPEC estimates: Total non-OPEC production is revised down by 165 kb/d for 2005 and by a lesser 15 kb/d in 2006. Provisional adjustments to US GOM output, caused by Hurricane Katrina, account for the bulk of these changes. US supply overall is revised down by 155 kb/d in 2005 and by 50 kb/d for 2006.

Elsewhere, aside from changes mentioned above, the **UK** and **Norway** see production revised down by a combined 20 kb/d for 2005. However, OECD European supply is revised up by 10 kb/d for 2006 based on developments in the UK and Germany, with baseline supply in the latter having been revised upwards. Output from the Asia-Pacific region is revised down by 10-20 kb/d in 2005 and 2006, in part due to revised **Indian** supply. **Thailand** sees stronger performance with a number of new wells starting up from June through third quarter and augmenting our earlier estimates. However, expectations for **Malaysia** are revised down following weak July performance. Higher baseline supply in **Bolivia** is countered by weaker performance from **Brazil** in 2005, but Bolivia underpins a 15 kb/d upward revision to the Latin American forecast in 2006.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last Month's OMR			This Month's OMR			This Month vs. Last Month		
	2005	2006	06 vs. 05	2005	2006	06 vs. 05	2005	2006	06 vs. 05
North America	14.61	14.83	0.22	14.45	14.79	0.34	-0.16	-0.04	0.12
Europe	5.75	5.49	-0.25	5.73	5.51	-0.23	-0.02	0.01	0.03
Pacific	0.57	0.57	0.00	0.57	0.58	0.01	0.00	0.01	0.01
Total OECD	20.93	20.89	-0.04	20.75	20.87	0.12	-0.18	-0.02	0.16
Former USSR	11.60	12.09	0.49	11.59	12.08	0.49	-0.01	0.00	0.01
Europe	0.16	0.15	-0.01	0.16	0.15	-0.01	0.00	0.00	0.00
China	3.62	3.62	0.00	3.62	3.62	-0.01	0.00	0.00	0.00
Other Asia	2.74	2.86	0.13	2.73	2.85	0.12	-0.01	-0.01	0.00
Latin America	4.32	4.50	0.18	4.32	4.51	0.20	0.00	0.02	0.02
Middle East	1.81	1.75	-0.07	1.82	1.75	-0.06	0.00	0.01	0.00
Africa	3.74	4.27	0.52	3.78	4.27	0.50	0.03	0.01	-0.03
Total Non-OECD	27.99	29.23	1.24	28.00	29.24	1.24	0.01	0.01	-0.01
Processing Gains	1.86	1.90	0.04	1.86	1.90	0.04	0.00	0.00	0.00
Total Non-OPEC	50.78	52.03	1.25	50.61	52.01	1.40	-0.17	-0.01	0.15

OMR = Oil Market Report

OECD STOCKS

Summary

- **OECD total industry oil stocks** rose across all regions in July to end 24.7 mb higher than June and 102 mb above last year. The gains came mainly from a rise in distillates inventories, but also from large builds in North American 'other products'. A downward revised 2Q build of 1.12 mb/d covered crude and all products bar gasoline. Days of forward demand cover by industry stocks remained stable at 54 days, 2 days higher than a year ago.

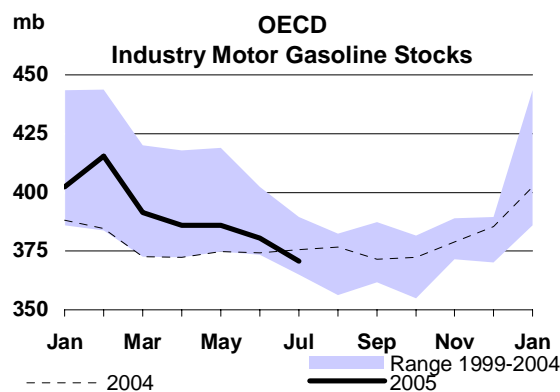
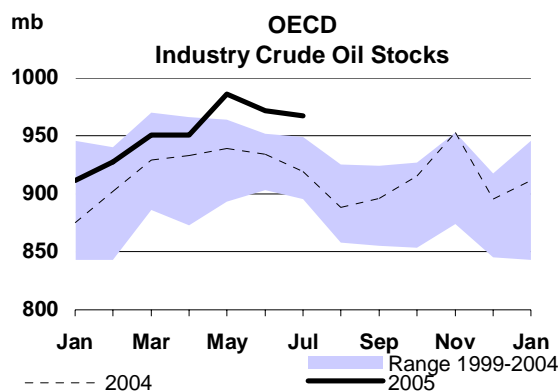
Preliminary Industry Stock Change in July 2005 and Second Quarter 2005

(million barrels per day)

	July (preliminary)				Second Quarter 2005			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	-0.34	0.13	0.08	-0.13	0.15	0.01	0.08	0.23
Gasoline	-0.35	0.03	0.01	-0.31	0.01	-0.12	-0.01	-0.12
Distillates	0.35	0.18	0.26	0.78	0.16	0.08	0.11	0.36
Residual Fuel Oil	-0.02	-0.04	0.07	0.01	-0.03	0.05	0.02	0.04
Other Products	0.46	-0.02	0.03	0.47	0.42	-0.06	0.07	0.43
Total Products	0.44	0.15	0.36	0.95	0.56	-0.05	0.20	0.71
Other Oils ¹	0.03	-0.03	-0.02	-0.02	0.13	-0.03	0.08	0.17
Total Oil	0.13	0.25	0.41	0.80	0.83	-0.07	0.35	1.12

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** fell by 4.2 mb in July, with a draw in North America partly offset by builds in Europe and the Pacific. OECD crude stocks remain well above last year's levels and their recent historical range. The draws in North America came both in the US and Mexico following weather related closures in the Gulf of Mexico in July. Lost crude production and lower average imports to the US outpaced a decline in refinery runs. US crude stocks closed at 322 mb pre-Hurricane Katrina, or close to 40 mb above last year. US weekly data show crude stocks falling 6.4 mb in the week following the hurricane, below market expectations.
- **OECD industry gasoline stocks** declined seasonally in July by 9.6 mb, driven by draws in the US. European and Pacific inventories held relatively flat in comparison mainly due to weak demand. US gasoline draws continued through August with lower output and a lower product yield due to competitive futures crack spreads for gasoil. Weekly US data show that gasoline stocks fell by 4.3 mb in the week following the hurricane, less than market expectations.
- **OECD industry distillate stocks** built by 24.3 mb in July as refiners began to shift output away from gasoline to seasonally replenish distillate inventories. European industry stocks held above seasonal norms in July while independent storage in the ARA area was close to capacity by the end of August. In the aftermath of Hurricane Katrina, spiking gasoline prices and potential US product shortages will likely swing refinery output away from distillates. Depending on the extent and duration of the refinery yield shift, the relatively comfortable US distillate position at the end of August could tighten.



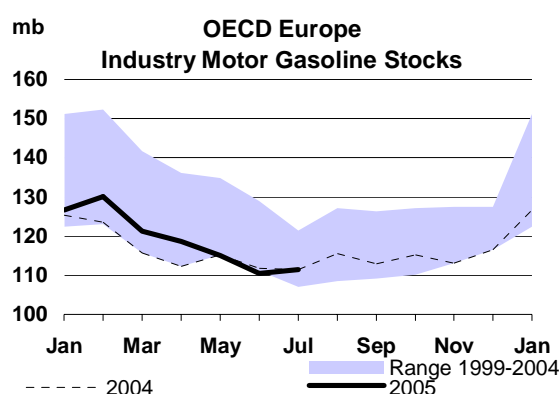
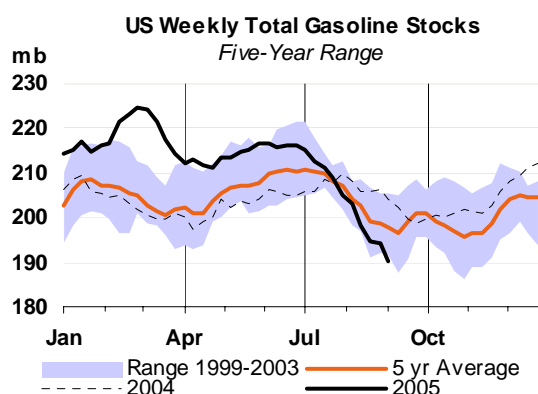
OECD Industry Stock Changes in July 2005

OECD North America

US-50 industry crude oil stocks ahead of Hurricane Katrina bucked seasonal trends, rising about 3 mb from July through 26 August. Crude import volumes remained strong despite apparently closed spot arbitrage opportunities for Brent-related grades, prompting greater demand for domestic light sweet crude. Weakness in mid-month runs also led to reduced average refinery utilisation rates in August. Disruption to the Louisiana Offshore Oil Port, interruptions to inland pipeline flows alongside lost crude production resulted in a crude draw. Weekly data ended 2 September show a fall of 6.4 mb in inventories against pre-hurricane levels.

US gasoline inventories were tightening rapidly ahead of Hurricane Katrina, trending towards the bottom of their five-year range. The quicker than expected decline since July followed on the heels of a series of refinery glitches, lower product yield and some discretionary reduction of summer grade gasoline stocks. Forward demand cover at the tail-end of the driving season remained low and disruptions to gasoline supplies associated with the Hurricane will further tighten the cover. Outside of the Gulf Coast, the adjacent Mid-Continent and the Northeast areas will be most affected by a relatively short-lived interruption of pipeline deliveries of crude and product. Weekly data ended 2 September show a fall of 4.3 mb in inventories against pre-hurricane levels. However, higher gasoline prices could prompt a partial offsetting reduction in demand (above and beyond Hurricane-related disruptions to road transport). At the same time, higher prices will increase imports and combined with EPA waivers for product specification which will allow direct use of foreign gasoline in the US market, some supply relief is likely to be forthcoming.

Distillates inventories increased in July and August with combined builds in diesel and heating oil despite relatively healthy demand growth. Pre-Katrina distillate stock levels trended above their five-year average in August and the immediate impact of the Hurricane is likely to produce a less pronounced draw in inventories than for gasoline. However, distillate stocks risk falling back rapidly if refiners maximise gasoline output over distillate for a protracted period.



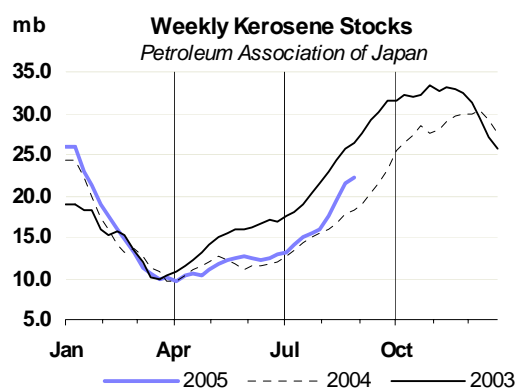
OECD Europe

European industry crude oil stocks edged higher in July (from a downward revised June base), closing at 352.1 mb, or 24.3 mb above 2004. Higher stocks followed a modest recovery in crude runs and active bidding by European refiners for regionally trapped North Sea grades. The forward Brent market remained in contango for June/July supporting crude storage. Regional supplies in August are likely to remain high with closed transatlantic arbitrage. Medium sour crude supplies improved with higher availability of Baltic Urals and comparable Middle Eastern grades. Though North Sea schedules showed a tighter August programme, European refiners had covered their requirements.

Product stocks were up 4.8 mb in July, primarily due to a 5.7 mb distillate build. The rise in distillate stocks, supported by a contango in IPE gasoil futures, came mainly in heating oil as end-user demand in key markets remained weak. German consumers kept stocks at seasonally low levels, with tanks filled at 47% of capacity. Jet fuel stocks are also thought to have built, lifted by inflows from the Middle East. Gasoline stocks held relatively flat in July as contracting demand was balanced by weak year-on-year refinery runs. Exports to the US, Nigeria and Iran continued, alongside refinery buying in ARA to cover for unplanned outages. On a forward demand cover basis, industry gasoline stocks were at seasonally comfortable levels at the end of July, trending at 40 days, two days above last year.

OECD Pacific

Pacific crude oil stocks ended slightly higher in July, closing at 178 mb, down 4.5 mb against last year. The preliminary stock build derived from Korea, where higher volumes of crude oil held on tankers at ports (yet to be cleared by customs) accounted exclusively for the increase. However, onshore crude inventories fell in both Japan and Korea, reflecting increased refinery runs in both countries. Relatively high crude imports from the Middle East and Africa into the region suggest higher tanker volumes in Japan as well (not included in the preliminary July stock change) and could imply a higher overall build. According to preliminary weekly data, Japanese onshore crude fell by 5 mb in August on firm crude runs.



In July, products stocks in the OECD Pacific were up 11 mb from June, closing 9.5 mb above last year, with builds in all product categories. The rise came amid preliminary data suggesting lower demand for main products in July. The bulk of the increase in stocks came in middle distillates which rose 8 mb with higher stocks seen mainly in Japan and to a lesser extent in Korea. Regional refiners have begun rebuilding kerosene inventories seasonally ahead of peak winter demand.

OECD Inventory Position at End-July and Revisions to Preliminary Data

June preliminary total oil inventories were revised down by 16.5 mb. Major product categories were little changed on aggregate and downward revisions were mainly accounted for by the changeable 'other products' category in North America (-16 mb). Gasoline inventories were adjusted downwards by a combined 2.2 mb for the OECD as a whole. Downward revisions to crude stocks were centred in Europe (-13 mb), the reduced assessment partly offset by higher inventory levels in Japan.

Revisions Versus 13 July 2005 Oil Market Report

(million barrels)

	North America		Europe		Pacific		OECD	
	May 04	Jun 05	May 04	Jun 05	May 04	Jun 05	May 04	Jun 05
Crude Oil	0.5	1.0	0.7	-12.6	0.0	5.5	1.3	-6.0
Gasoline	-2.2	-0.6	-0.3	-2.7	0.0	1.1	-2.5	-2.2
Distillates	-0.4	-1.6	2.1	0.6	0.0	0.2	1.6	-0.8
Residual Fuel Oil	1.1	0.3	0.7	-1.2	0.0	-0.2	1.9	-1.1
Other Products	-2.3	-14.0	-0.7	-2.5	0.2	0.1	-2.8	-16.5
Total Products	-3.8	-15.9	1.8	-5.8	0.2	1.1	-1.8	-20.6
Other Oils ¹	3.6	10.2	0.4	-0.6	0.0	0.5	3.9	10.1
Total Oil	0.3	-4.7	2.9	-18.9	0.2	7.1	3.4	-16.5

¹ other oils includes NGLs, feedstocks and other hydrocarbons

Total OECD industry stocks ended July at 2677.4 mb, 101.8 mb above a year ago (from a downward revised June). Crude oil inventories, with builds in both North America and Europe, were up 48.3 mb on last year. Combined with a lower OECD demand forecast, the higher stock levels left forward demand cover unchanged at 54 days, two days higher than last year. On a regional basis, forward demand cover came to 50 days for North America, 62 for Europe and 53 for OECD Pacific.

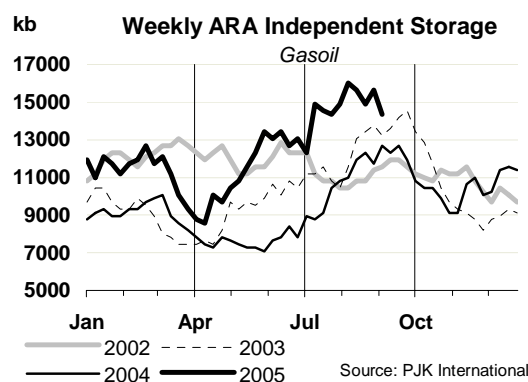
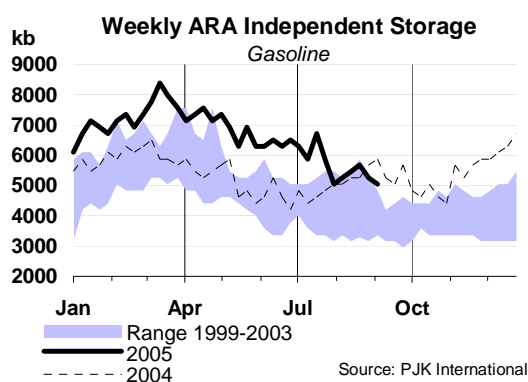
Year-on-Year Industry Stock Comparisons for July 2005

	(million barrels)				(Days of Forward Demand)				
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total	
Crude Oil	28.5	24.3	-4.5	48.3	Total Oil	2.1	1.6	0.7	1.7
Total Products	39.9	2.2	9.5	51.6	<i>Versus 2003</i>	1.4	2.5	-3.8	0.8
Other Oils ¹	1.5	0.5	-0.1	1.9	<i>Versus 2002</i>	-2.4	0.8	-1.1	-1.2
Total Oil	70.0	26.9	4.9	101.8	Total Products	1.2	0.1	1.2	0.8
<i>Versus 2003</i>	83.0	43.2	-27.5	98.6	<i>Versus 2003</i>	0.8	1.4	-1.5	0.6
<i>Versus 2002</i>	20.9	26.3	-10.0	37.2	<i>Versus 2002</i>	-1.7	-0.8	-1.2	-1.4

¹ other oils includes NGLs, feedstocks and other hydrocarbons

Recent Developments in ARA Independent Storage

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area continued to close above seasonal norms in August. This stemmed in part from increased competition from Russian supplies, reducing European export opportunities. Stocks held relatively flat from July as increased refinery output following the end of scheduled maintenance was likely balanced by an increase in exports to the US and firmer demand. The paper market for gasoline in Northwest Europe has been in backwardation since mid-July, encouraging sales from storage. With US gasoline prices spiking in the aftermath of Hurricane Katrina, at least 25 vessels have been fixed to deliver gasoline to the US. The increased flows are expected to result in a decline in inventories in September.



Gasoil stocks built into early August, as traders continued to move product into storage with the support of a deep contango in IPE gasoil futures. However, inventories subsequently fell at the end of the month, driven lower in part by a pick-up in German wholesale demand for heating oil. Relatively weak demand and ample supplies of heating oil contrasted with emerging pockets of tightness in diesel. Market reports suggest that storage space for heating oil is becoming scarce as dedicated tanks reach close to capacity fill. Increases in heating oil inventories since April have also been supported by large inflows of material from the FSU. Movements in jet fuel stocks tracked those of gasoil, trending above their normal range on increased imports from the Middle East. As in the case of gasoil, tight storage prompted European traders to look for export opportunities.

Fuel oil inventories are still trending well above their normal range as supplies of high sulphur cargoes from the Baltic built in the ARA area in the absence of arbitrage outlets to Asia. The Mediterranean also saw relatively high shipments from Black Sea ports. At the same time, low-sulphur material used by power utilities remained well supplied. The arbitrage to Asia and the US remained shut until the end of August although reports emerged of BP sending one VLCC from Rotterdam to Asia at the end of the month.

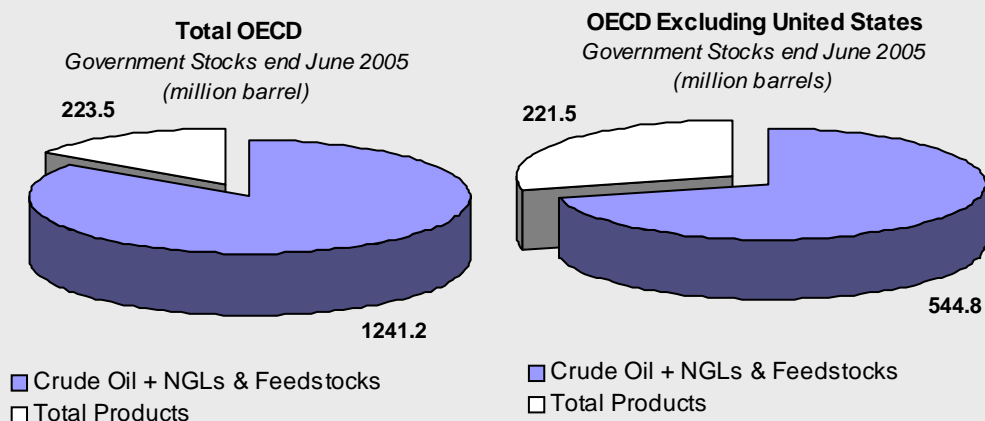
Recent Developments in Singapore Stocks

Total product stocks in Singapore surveyed by *International Enterprise* held relatively flat in August with a build in light distillates (gasoline and naphtha) offsetting small declines in middle distillates and residues. Gasoline stocks built as Chinese exports increased with refiners taking advantage of higher international prices. September is likely to see a reversal of this trend as Chinese exports are expected to fall. Paper naphtha prices in Singapore were in backwardation encouraging sales from storage. Middle distillate inventories, although still in the middle of their five-year-range, have been coming down since early July. This is partly due to reduced exports from the Middle East, where domestic use of diesel increases in the summer months. Fuel oil inventories also came down in July and through most of August as exports from Korea declined in line with decreased refinery throughputs. By the end of August, however, stocks rebounded somewhat as arbitrage cargoes arriving from the Caribbean and Europe increased. Fuel oil stocks remain at high levels as Chinese imports have been lagging for most of the year.

IEA Emergency Response: Mechanisms and Outcome

Following an assessment of the initial damage wrought on US Gulf production, refining and transportation infrastructure by Hurricane Katrina, the IEA Secretariat decided that there was a clear disruption to oil supplies which would have global implications.

On the evening of September 2nd, the IEA Secretariat, having reached a consensus of all Member countries, announced the activation of an emergency response equivalent to the release of 60 million barrels of oil to the market. The volume of the response would average 2 million barrels of oil per day over an initial period of 30 days, with a review of the collective action by the IEA Governing Board on 15 September. Countries were asked, where possible, to contribute finished products – particularly gasoline. The stock draw will be released using market mechanisms to allocate the oil where it is most needed.



Net-importing IEA Member countries are required to hold at least 90 days of net imports. Countries may meet this obligation by holding stocks of crude and finished products (owned directly by the government, held by industry or held/managed by stock holding agencies). Many European IEA countries are also members of the EU. These countries, based on EU directives, hold stocks in three product categories (gasoline, middle distillates and residual fuels) and, thus, a significant portion of their IEA stock holding obligation is met by products.

When the IEA decides to activate an emergency response, IEA Member countries may use various emergency measures to participate in the collective action. The amount of an IEA Member countries' response is proportionate to its share of the IEA group's total consumption over the previous four-quarters. The stock draw may be implemented by the release of publicly held stocks or, alternatively, by temporarily reducing stockholding obligations imposed on industry. A small percentage of the measures will be in the form of demand restraint, thereby freeing oil elsewhere in the supply chain. Other emergency measures which countries may use include raising levels of indigenous production.

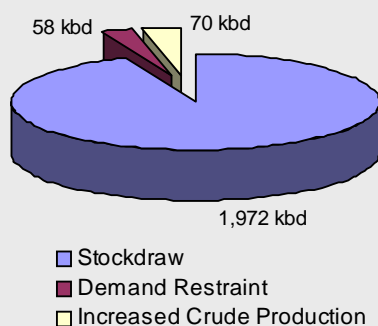
The IEA has received the details of Member countries contributions to the collective action. At present, the total response from IEA countries is 63 million barrels over the initial period of 30 days, the equivalent of 2.1 million barrels per day. The majority of Member countries have opted to draw down stocks. Of this response, 94% would be achieved through the drawdown of either industry or government stocks, 3% by demand restraint and 3% by increased indigenous production. Within the total amount of stocks to be released by IEA countries, 65% would be crude oil and 35% products.

IEA Emergency Stock Release: Region Contribution Breakdown

IEA Region	Share of consumption	Stock Release (kb/d)		
		Crude	Total Products	Of which Gasoline
North America	49 %	1,000	-	-
Pacific	19 %	208	140	52
Europe	32 %	79	545	303
Total IEA	100 %	1,287	685	355

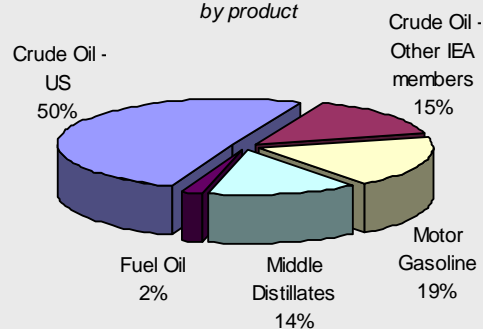
Total IEA Initial Response

by Measure



Total IEA Stock Release

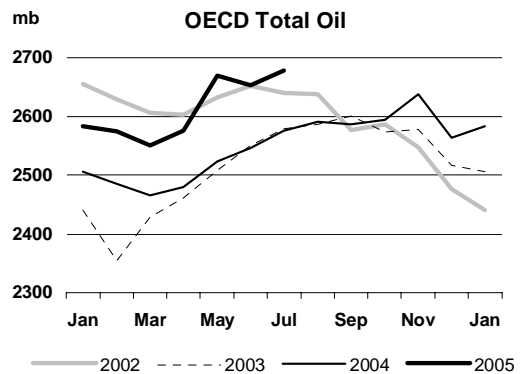
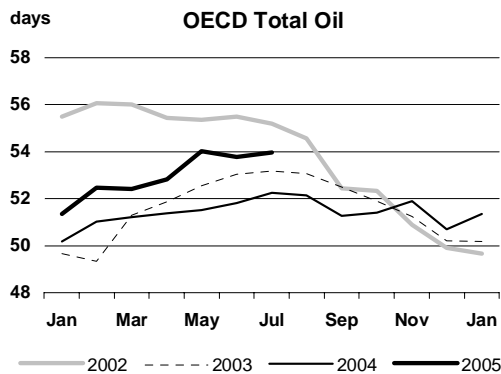
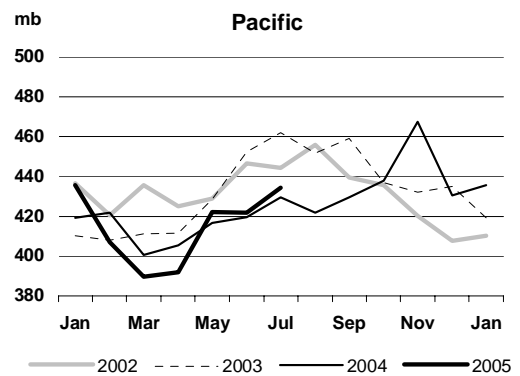
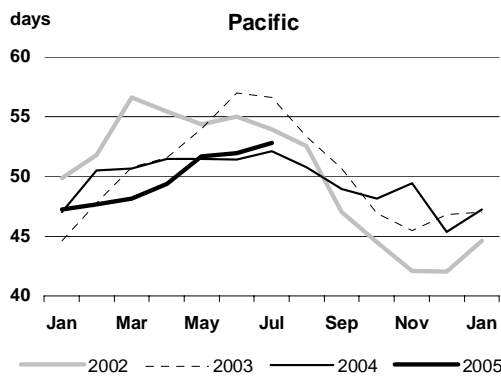
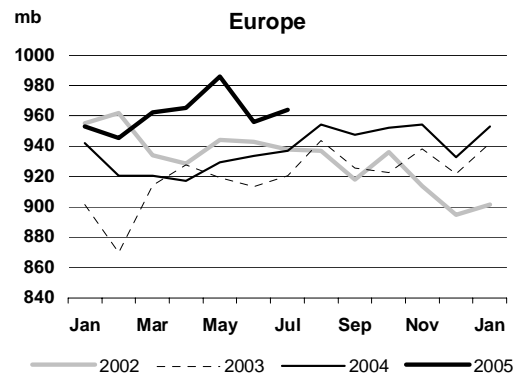
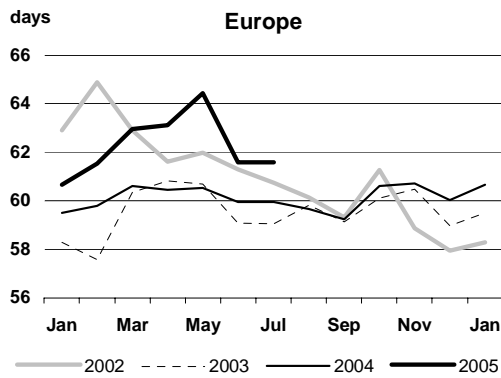
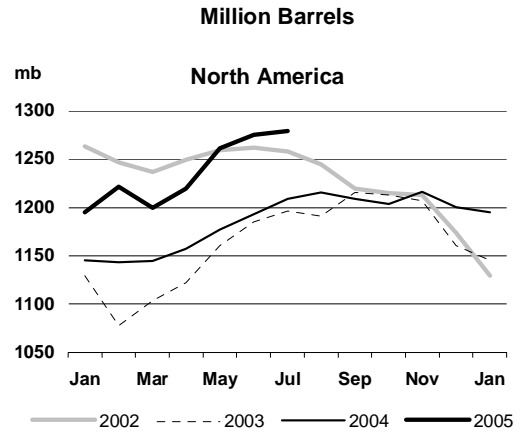
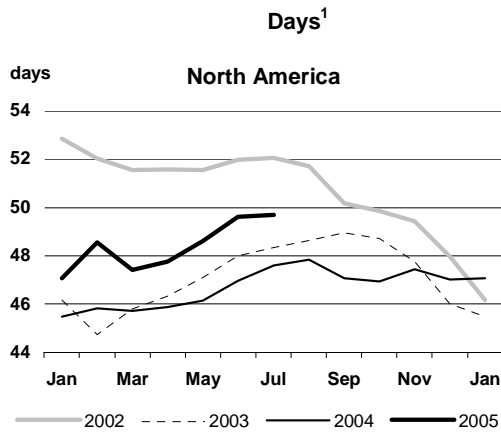
by product



Contributed by:

Jason Elliott – Emergency Planning & Preparations Division - eppd@iea.org
James Ryder – Oil Industry and Markets Division

Regional OECD End-of-Month Industry Stocks (in days of forward demand and millions barrels of total oil)



¹ Days of forward demand are based on average demand over the next three months.

The rapid agreement that 2 mb/d of IEA member country emergency reserves should be made available to the market helped to ease some uncertainty over the use of strategic stocks. Each member country has to decide how to meet that requirement, through any combination of crude, product supplies or demand restraint. The US has offered crude (to offset losses in the Gulf of Mexico) while other IEA members have been asked to provide the most appropriate help according to the needs of the international market, their reserve structure and with an emphasis on product supplies.

Spot Crude Oil Prices and Differentials*

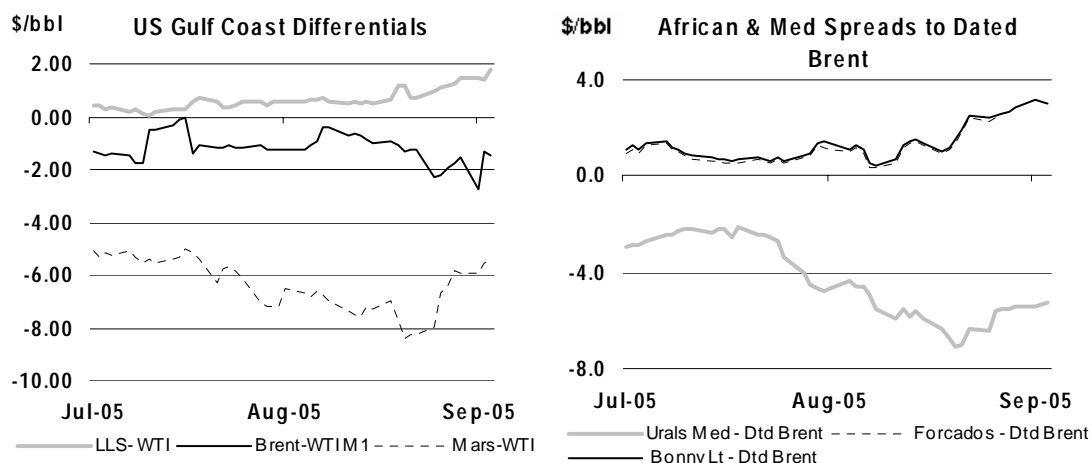
(monthly and weekly averages, \$/bbl)

	Jun 05	Jul 05	Aug 05	Aug-Jul		Week Commencing:				
				Change	%	08 Aug	15 Aug	22 Aug	29 Aug	05 Sep
Crudes										
Brent Dated	54.39	57.58	64.12	6.54	11.4	64.66	64.23	65.64	66.35	64.16
WTI Cushing 1 month (adjusted)	56.36	58.68	64.96	6.28	10.7	64.89	64.96	66.29	68.38	65.80
Urals (Mediterranean)	51.66	55.02	58.61	3.59	6.5	59.85	58.49	58.92	60.65	58.79
Dubai 1 month (adjusted)	51.08	52.83	56.60	3.77	7.1	56.53	56.57	57.27	58.79	57.38
Tapis	55.86	59.70	67.26	7.56	12.7	66.97	67.92	68.77	70.60	69.10
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	1.98	1.10	0.84	-0.26		0.23	0.73	0.64	2.03	1.64
Urals (Mediterranean)	-2.72	-2.56	-5.50	-2.94		-4.80	-5.74	-6.72	-5.70	-5.37
Dubai	-3.30	-4.75	-7.52	-2.76		-8.13	-7.66	-8.37	-7.56	-6.78
Tapis	1.48	2.12	3.14	1.02		2.32	3.69	3.13	4.25	4.94
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	-0.69	-0.72	-0.45	0.27		-0.36	-0.40	-0.30	-0.62	-0.62
WTI Cushing 1mth-2mth (adjusted)	-0.81	-1.21	-0.63	-0.60		-0.60	-0.37	-0.39	-0.69	-0.69

* Weekly data for Brent and WTI 1st month and 2nd month are unadjusted

The strengthening of light, sweet over heavy, sour crudes crude differentials was underway well before the Hurricane hit as US gasoline stocks moved towards the bottom of their five-year seasonal range. The resultant strength in gasoline prices and easing of emphasis of refiners away from distillate boosted US demand for light sweet crudes. Fuel oil weakness (as refiners cranked up runs to meet tail-end summer demand and build pre-maintenance stocks) further contributed to a widening of light, sweet-heavy, sour spreads.

The widening spread between Brent and WTI also facilitated (on paper at least), the movement of North Sea crudes to the US. European demand for crude was also tempered to a degree ahead of autumn refinery maintenance, offset slightly by seasonal work on upstream facilities in the North Sea.



Despite the relatively modest post-Katrina crude price movements so far, there remains the potential for larger swings in differentials over the coming weeks as the market responds to regional refiner and product requirements.

Strong demand for West African crudes pushed the premium of Bonny Light to Dated Brent to record levels. Asia's gasoline and naphtha markets also tightened, creating (for the first time in several months) competitive upward price pressures between East and West on West African crudes. An estimated 1.2 mb/d were expected to move to Asia in September, with India and China as featured buyers. This compared with volumes of around 1.0 mb/d in August and 1.1 mb/d in July. Asian light sweet crudes also outperformed dated Brent, with Tapis moving to its highest differential for five months as regional gasoline, naphtha and jet prices tightened.

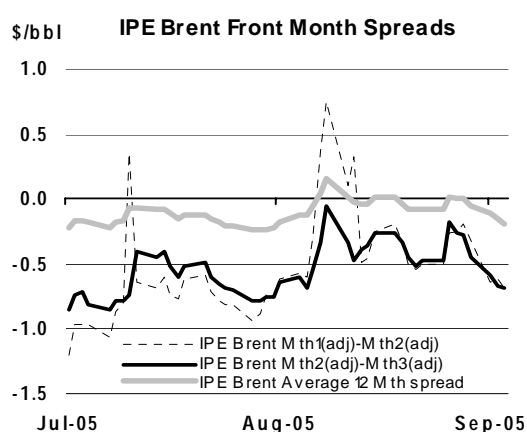
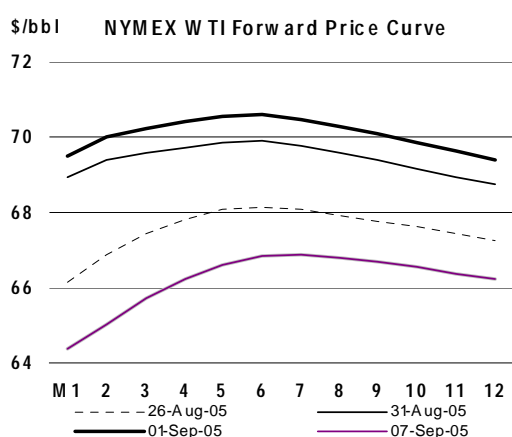
Light sweet crudes are likely to remain in strong demand as the world oil market adapts to the US refinery outages. Any spare refinery capacity is likely to be of a simple (or hydroskimming) configuration and therefore requires light sweet crudes to maximise gasoline and minimise fuel oil production. Further, European and US refineries undertaking partial autumn maintenance are likely to run lighter crudes during the process, at the expense of heavy sour.

Urals lost ground relative to dated Brent as gasoline took over from gasoil as the lead product market and fuel oil prices weakened. Also, preliminary September export schedules suggest an increase in volumes from the Baltics, while Black Sea supplies were expected to remain flat. Urals is having to compete with heavier Iranian and Syrian crudes in the Mediterranean, alongside sporadic Iraqi exports from Ceyhan. However, an improvement in Oman differentials and the disruption to the Mars stream helped to narrow Ural's discount to Brent in early September. Dubai differentials continued to weaken throughout the month as weak Asian gasoil markets reduced demand.

Crude Futures

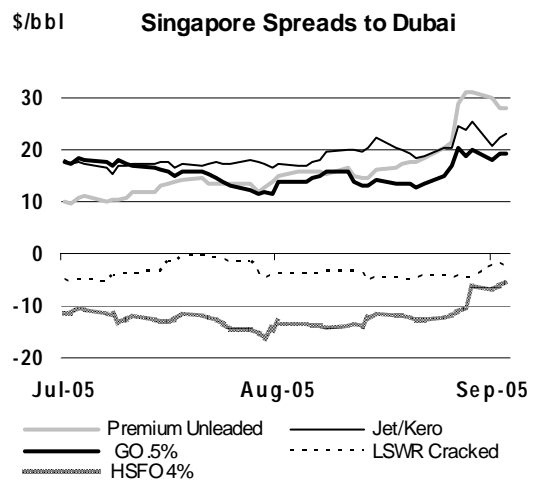
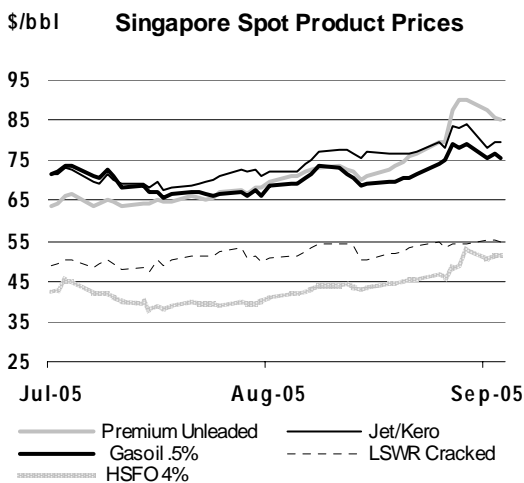
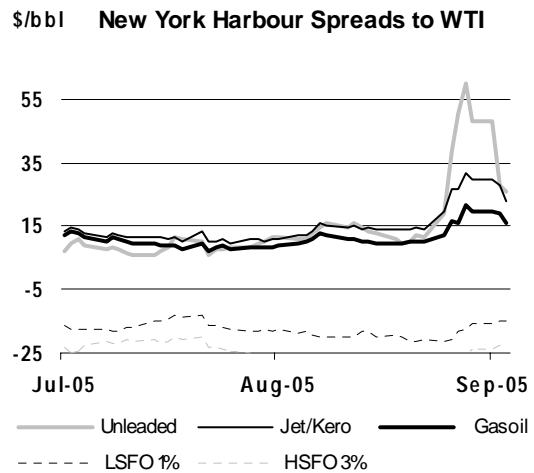
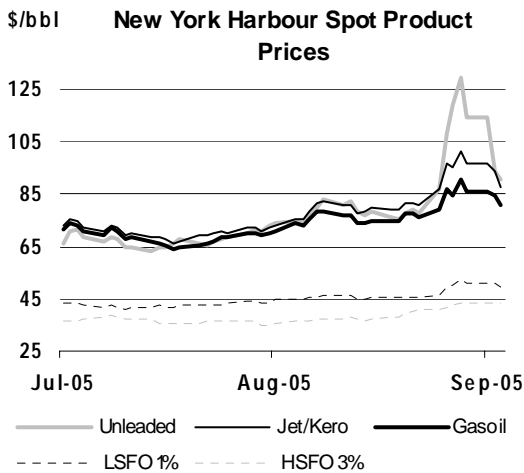
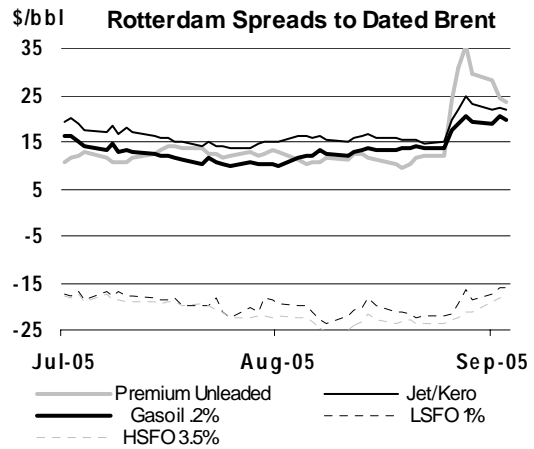
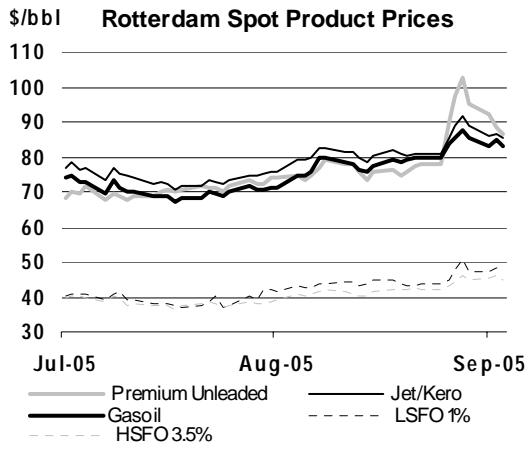
In line with the upward trend in spot prices, NYMEX light crude and IPE Brent crude futures spreads tightened throughout August. Each consecutive inter-month spread through to March next year narrowed as the contango flattened. Indeed, the average spread between consecutive months over the first year of futures contracts on IPE Brent futures spent most of the month in a modest backwardation. Dominating this tightening of the spreads was a rise in gasoline prices and increased demand for light sweet crudes ahead of autumn maintenance.

While front-month futures crude prices jumped following the hurricane, and the forward spreads tightened further, the return of crude supplies in the US Gulf, coupled with the release of strategic stocks, offers of additional crude by OPEC and reduced demand from shuttered Gulf Coast refiners quickly subdued the rally. Similarly the market has also resumed the contango structure that had been in place prior to the start of the Hurricane season in July.



Delivered Crude Prices in June

The average price of crude delivered to IEA countries in June was higher in all regions than the price in May following rising price trends in the crude spot market. For the IEA as a whole, the price of crude delivered in June averaged nearly \$3.50/bbl higher. European IEA countries paid almost \$5 more for the average barrel delivered in June, whilst the increase in IEA North America was around \$4 per barrel. Crude delivered to the IEA Pacific region, however, stayed almost flat for the second month running, increasing by only one cent in June.

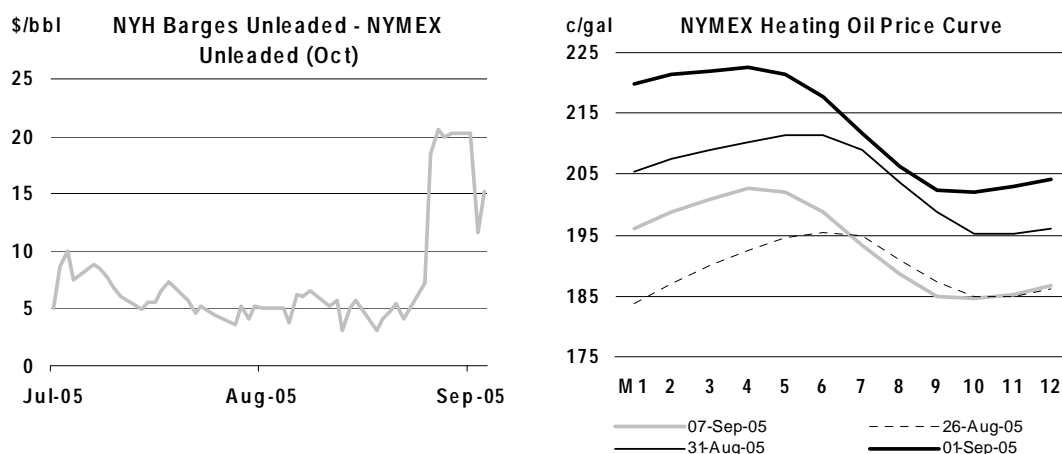


US fuel oil prices were mixed following Hurricane Katrina. While the shut-in of natural gas production is likely to have caused increased demand for low sulphur fuel oil in some regions, logistics made it difficult for suppliers west of Louisiana to move material to Florida. Europe saw strong demand in the Mediterranean, which prior to the Hurricane was close to opening an arbitrage for low sulphur fuel oil to move from the US to Europe. In Asia, incremental supplies of low sulphur waxy residue from Indonesia and lower Japanese demand capped LSWR prices for much of August; however, traders reported a pick-up in Japanese demand in early September.

High sulphur fuel oil differentials to crude remained weak until the end of August, with peak August throughput in Europe and the US and rising runs in Asia increasing the volume of fuel oil available to the market. However, differentials rose at the end of August and early September as Chinese import demand increased in the face of a tight internal diesel market. Reduced exports from Europe and the Middle East and good bunker demand helped to support prices.

Product Futures

Comparing the movements of NYMEX heating oil and gasoline futures both before and after Hurricane Katrina is revealing. While gasoline futures spiked sharply, before falling back to pre-Hurricane levels, heating oil prices have seen a more modest decline. The fall in gasoline prices is partly due to the expiry of September delivery futures on 31 August and the prevalence of a steep backwardation, but this does not explain all of the decline.



Comparing cash market gasoline prices with NYMEX October futures shows that the premium of spot gasoline cargoes to the October contract (or backwardation) actually widened until 2 September. The subsequent narrowing of the backwardation on the first trading day after the US Labour Day holiday reflected the improving refinery outage situation on the US Gulf Coast, with imminent restarts pending for a number of refineries, and some better-than-expected news on some of those refineries believed to have sustained severe damage. It was also the first trading session on which the US could digest the news of the IEA collective action on releasing strategic reserves.

Heating oil prices however declined much less rapidly. This can partly be explained by the expected shift in refiner emphasis towards higher gasoline yields at the expense of distillate, coupled with the large quantity of exports booked to the US since the Hurricane hit. While US distillate stocks are currently above normal, and stockbuilds have been seen in Europe, the switch by refiners to higher gasoline yields would largely be at the expense of distillate yields.

End-User Product Prices in August

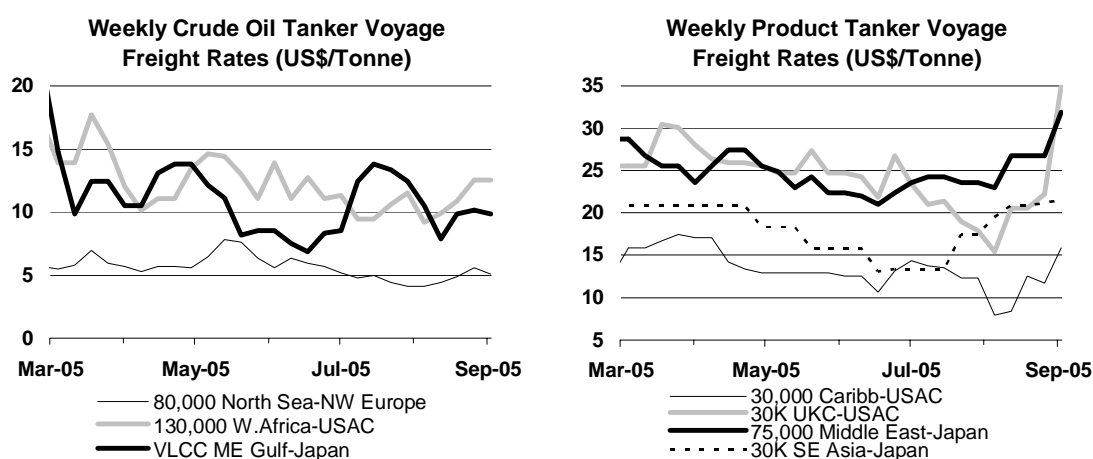
End-user gasoline prices increased in August in all countries surveyed. On a national currency basis, the largest percentage increases were seen in Canada and the US, where gasoline rose by over 7% at the pump compared to July. This represented a price rise of 30.6% in the US since last August. Survey averages reveal that European gasoline was higher in August by almost 2% in national currency terms but, following a stronger US dollar performance in August, this equated to a 4% rise when the exchange rate to the dollar was factored in. These increases will be exacerbated by the rise in spot prices following Hurricane Katrina. In dollar terms, prices for all products increased, in every country surveyed. There were notable price gains in automotive diesel in Japan, USA and to a lesser extent, UK in line with rising gasoil spot prices. August heating oil prices rose by 4% in Japan

compared to July but barely changed in Italy, Spain and France, in Euro terms. Germany experienced the highest August growth in industrial fuel oil prices, adding a 2% increase on July, with the UK close behind.

Freight

Focus on the clean product tanker market sharply intensified in the wake of Hurricane Katrina as damage to US Gulf refineries sparked a surge in gasoline exports to the US. Freight rates for cross-Atlantic clean product shipments had already risen by a third in the second half of August (albeit from 2005 lows) following the tightening of the US gasoline market, before rising from WS 250 to WS 465 as cross-Atlantic gasoline trade surged. Charter rates from the Caribbean to the US Atlantic Coast (a more immediate product supply source for the US) rose from WS 245 to WS 350 in the week following the hurricane. Elsewhere, market momentum following US events carried 30K Singapore-Japan rates above W300 and MEG-Japan to WS 245.

Shipping insiders are reporting that the rise in clean freight rates is leading to OBO ships (oil, bulk, ore), whose last cargo was dry, shifting into the clean product sector. There are also reports that around 15 tankers used for crude and fuel oil movement are now being cleaned to transport products. To allow this, a ship's tanks must undergo a 5-6 day cleaning procedure and the price differential between products and freight must be sufficient to make this conversion economically viable.



The State of Louisiana found itself directly in Hurricane Katrina's path and the storm caused the closure and evacuation of the LOOP terminal with imports from VLCCs (and other tankers) suspended for 6 days. Gradual resumption of importing, storage and distribution activities at the terminal began on Friday, 2 September. A day earlier, the Bush Administration further eased the flow of oil around the US coast by granting a waiver on the Jones Act, which forbids non-US flagged vessels to carry oil between US ports.

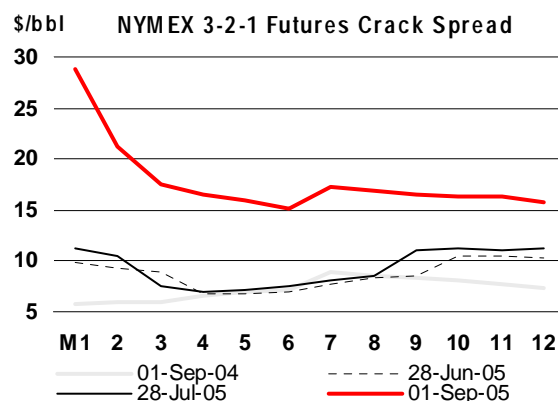
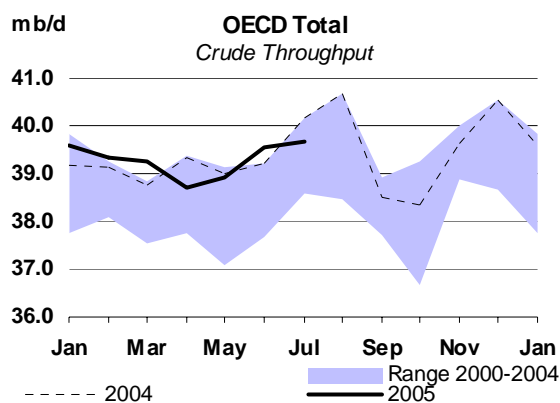
While a LOOP closure would normally have lent support to VLCC freight rates, the significant shift in market attention towards product supply meant that, like crude prices, crude freight rates did not show large knee-jerk reactions to the hurricane. Instead, MEG-USG 260k rates drifted up around five points to WS 70, whilst MEG-Japan rates dipped below WS 70 in the couple of days following the storm. Charter rates for cross-Atlantic Suezmax crude runs from West Africa heading for the US Atlantic fell from around WS 130 to WS 112 immediately after Katrina struck but rebounded to over WS 130 by 2 September. Once the initial shock of the disaster subsided, all crude rates experienced moderate gains in light of the global need to redistribute oil after a significant supply disruption.

These mild gains were in contrast to the weaker rates seen in the first two weeks of August in the VLCC sector with spare tonnage growing. Middle East Gulf (MEG)-USG and MEG-Japan rates both fell WS 20 to 30 points to the WS 60 mark by mid-month. Following this trough, rates for both trade routes gradually gained support, kicked-off by some bookings to the US Gulf for late August/early September made by Saudi Aramco. VLCC chartering gathered momentum throughout the second half of August, particularly for vessels trading East, as September cargoes became available. Aframax tonnage (80 to 120 kdw) became increasingly stretched throughout the first half of August and rose further when Katrina suddenly threw short-term supply to the US into the limelight.

REFINERY ACTIVITY

Summary

- **Full-cost refinery margins** saw divergent trends in August between the US and other refining centres surveyed in this Report prior to Hurricane Katrina. US margins performed strongly on the basis of strong gasoline prices while European and Asian margins either posted modest gains or declined due to weaker product prices against crude oil. In the immediate aftermath of Katrina, product prices jumped globally while crude prices were little changed in relative terms, shifting virtually all margins surveyed into positive territory.
- **US Gulf Coast margins rose** across refinery configurations in August. Cracking margins generally increased by more than \$3.50 /bbl while returns on coking configurations saw increases by over \$6 /bbl. Underpinning the gains during August was a string of unplanned refinery outages and rapidly declining gasoline inventories. In the wake of Hurricane Katrina, uncertainty surrounding damage to the US's main refining centre led to a jump in margins by around \$20 /bbl.
- **European margins** in August saw mixed trends between sweet and sour crudes. Brent cracking and hydroskimming margins fell as the North Sea marker saw prompt prices rise, with the forward market flipping temporarily into backwardation. Margins on Urals improved, mainly due to weakness in the grade's differentials against Dated Brent. Urals prices fell with competing supplies of comparable crudes and weakening demand, notably from China, for Baltic loading material.
- **Asian margins** were mixed in August. Distillate price differentials weakened and regional crude prices rose unevenly. Gasoil and jet supplies improved, deepening the contango in Singapore forward swap prices. At the same time, Chinese demand remained thin and spot arbitrage outlets for jet fuel to the US West Coast appeared intermittent. Singapore margins, that had been weakening with slowing Asian demand, were virtually all lifted back into positive territory following a global rebound in product prices in the aftermath of Hurricane Katrina.
- **OECD refinery throughputs** were only marginally higher in July compared to June. Runs increased in the Pacific and in Europe; however, this was offset by unscheduled outages and discretionary run cuts in the US. As a result of Hurricane Katrina, around 5% of US refining capacity, or 885 kb/d, was severely impacted. The duration of outages is subject to uncertainty and estimates for full recovery range between a couple of weeks up to three months depending on the facility affected.
- **The 3-2-1 NYMEX crack spread** in the front-month jumped over \$20 by 1 September as fears concerning product supply shortages lifted premiums over crude. The gasoline spread was the main driver in the cracks increase. Despite the end of the driving season, the combination of low gasoline stocks and uncertainty over the duration and magnitude of lost output saw gasoline prices closing at 261.45 cents a gallon, or nearly \$110 /bbl on 31 August.



Refining Margins

Pre-Katrina refining margins saw divergent East/West trends during August. These increased in the US, driven higher by firming gasoline prices, while those in Asia fell as distillate prices eased or posted more modest gains with slowing demand and rising prompt supplies. Europe was a mixed picture and margins were mainly driven by crude quality differentials. The strength of light sweet Brent prices relative to products led to a softening in margins whereas weaker medium sour Urals, both in Northwest Europe and the Mediterranean, helped to push margins for the grade higher.

In the aftermath of Hurricane Katrina, product prices jumped globally with sharp increases in motor fuels as well as jet fuel prices. Spiking product prices outpaced gains in crude prices, generally, leading to substantial increases in refining margins across centres. The rally in the product complex was largely driven by US gasoline prices. Concerns over severe supply shortages associated with refinery shutdowns as well as interruptions in pipeline distribution into the Northeast and Mid-continent areas caused physical prices of gasoline to rocket upwards. Cargo prices of unleaded reformulated gasoline in New York Harbour reached premiums to the front month NYMEX futures contract of \$21.41 /bbl on 2 September. The rise in US prices led to higher European prices, these gaining around 30% for that period, supported by trading activity to fix transatlantic cargoes.

Selected Refining Margins in Major Refining Centres

	Monthly Average			Change Aug-Jul 05	Week Ending:				
	Jun 05	Jul 05	Aug 05		05 Aug	12 Aug	19 Aug	26 Aug	02 Sept
NW Europe									
Brent (Cracking)	4.65	4.74	4.28	-0.46	3.75	3.07	3.49	3.70	13.84
Brent (Hydroskimming)	-0.32	-0.89	-2.44	-1.54	-2.56	-3.90	-2.66	-3.28	4.96
Mediterranean									
Urals (Cracking)	5.69	4.34	7.19	2.84	5.70	5.86	6.92	7.73	15.24
Urals (Hydroskimming)	-1.64	-3.26	-2.17	1.09	-2.82	-3.93	-1.94	-1.90	3.64
US Gulf Coast									
Brent (Cracking)	1.53	0.23	3.89	3.66	1.28	3.80	1.91	0.29	17.38
LLS (Cracking)	3.67	3.02	6.77	3.75	3.80	8.38	4.48	3.92	19.99
Maya (Coking)	11.03	11.57	18.40	6.83	14.12	19.65	16.07	15.78	32.33
US West Coast									
ANS (Cracking)	3.81	4.22	6.22	2.01	7.83	5.67	3.06	7.30	15.23
Oman (Cracking)	3.23	4.33	8.54	4.21	9.77	8.76	6.76	9.13	16.17
Kern (Coking)	17.26	18.45	20.52	2.07	24.21	20.47	19.03	19.87	28.27
Singapore									
Tapis (Hydroskimming)	-1.30	-2.32	-5.40	-3.08	-5.20	-5.22	-6.24	-5.72	-0.99
Dubai (Hydrocracking)	2.72	2.67	3.18	0.52	2.55	3.42	4.24	3.38	10.45
Tapis (Hydrocracking)	0.94	-0.26	-3.05	-2.79	-3.00	-2.92	-3.67	-3.35	2.79
China*									
Cabinda (Hydroskimming)	-2.45	-0.52	-4.02	-3.50	-3.21	-4.98	-5.66	-5.10	-0.36
Daqing (Hydrocracking)	-0.59	1.64	1.93	0.29	2.05	2.65	1.74	1.31	5.28

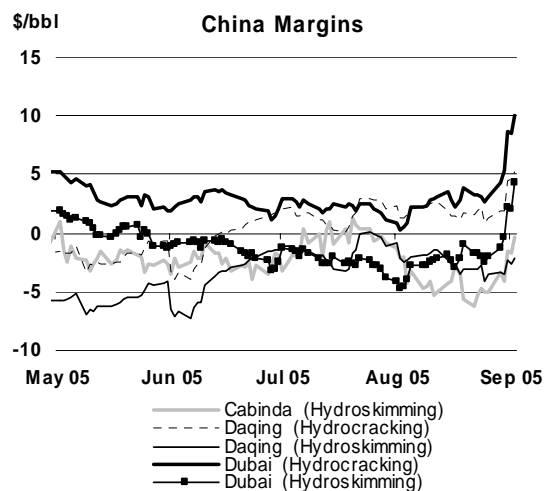
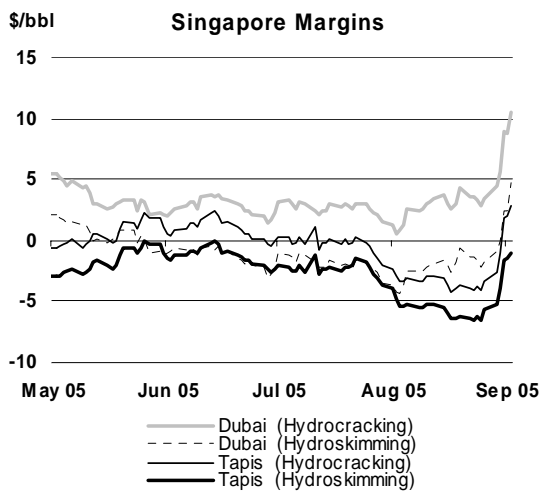
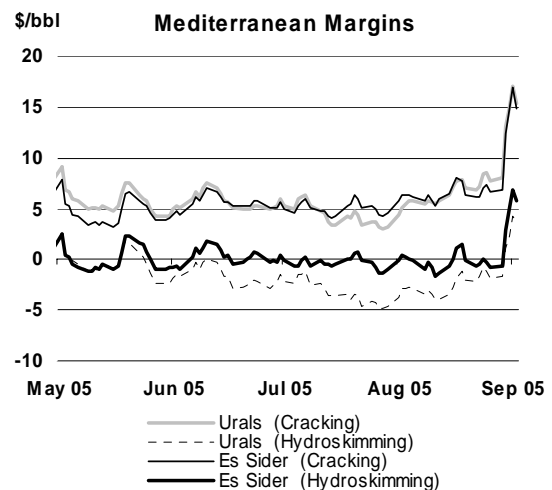
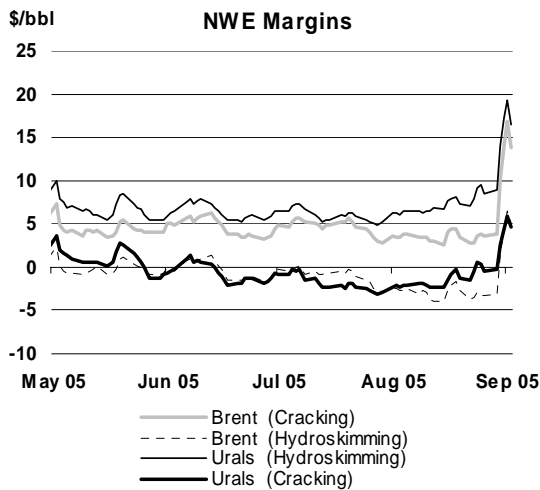
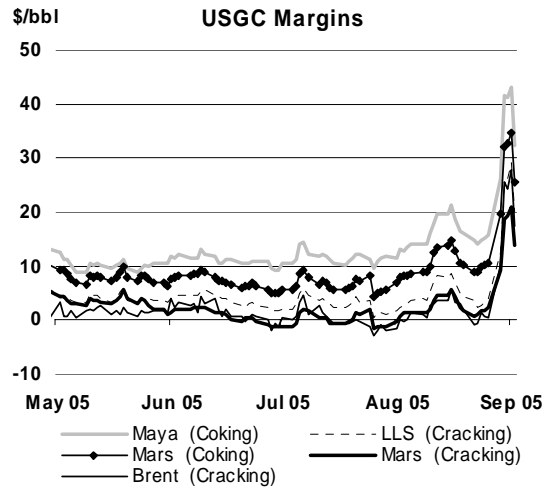
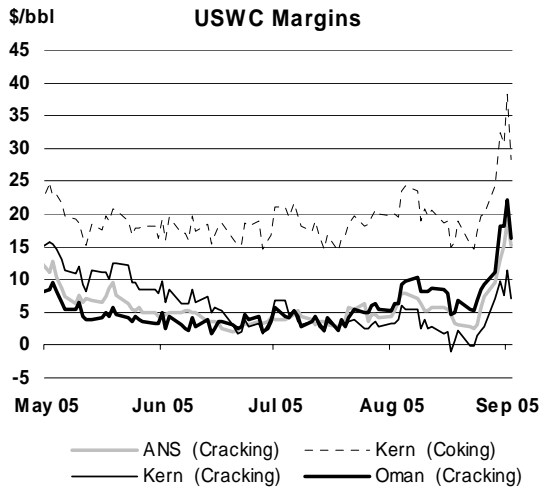
For the purposes of this Report, refining margins are calculated for various complexity configurations, each optimised for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability for a given refining centre. No attempt is made to model or otherwise comment upon the relative economics of specific refineries running individual crude slates and producing custom product sales, nor are these calculations intended to infer the marginal values of crudes for pricing purposes.

* The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations. A full list of refining margins and gross product worth can be found in table 15 on www.oilmarketreport.org.

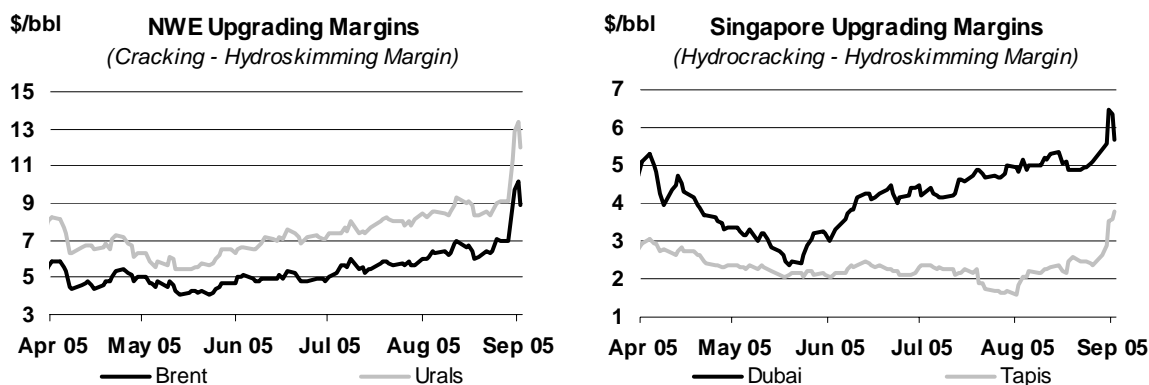
Sources: IEA, Purvin & Gertz Inc.

Pre-Katrina margins in the US were already gasoline-driven, though the gains varied between the Gulf and West Coast. Refinery glitches in late July early August had heightened concerns over gasoline availability despite the fact that the end of the driving season on Labour day weekend was in sight. While gasoline demand growth eased in August, seasonal declines in inventories took place at a faster pace than market expectations. The draws came in spite of rising imports as domestic production was curtailed with lower average utilisation rates. The decline in inventories also followed in part from discretionary reductions of stocks ahead of the upcoming change in product quality from summer to winter material. Product yield on diesel and heating oil was also unseasonably high, cutting into gasoline production. As such, crack spreads on futures for heating oil were competitive with those for gasoline. Cracking margins on domestic light sweet grades in the Gulf Coast held firm while those on

Regional Full-Cost Refining Margins



medium sour such as deepwater Mars (which yields a large share of fuel oil) continued to suffer from the weakness of that product, namely in high sulphur material. The discount of 3.5% fuel oil to Mars on the US Gulf Coast pre-Katrina widened, trending at around \$18 /bbl. Coking margins, that maximise gasoline production, also benefited from a further widening of discounts of medium and heavy crudes against WTI in the second half of the month. West Coast cracking margins, with the exception of Kern improved, gaining \$2.01 /bbl for ANS and \$4.21 /bbl for Oman during August. Though dipping at mid-month, light product prices in the Los Angeles area during August held on to gains achieved during their July rally. Coking margins continued to provide the highest returns, with those for Kern rising by \$2.07 /bbl to \$20.52 /bbl on average.



Pre-Katrina changes in European cracking margins diverged according to crude quality. Product crack spreads relative to Brent, mainly in distillates, underperformed those against Urals during August. Brent prices were relatively firm on active European refinery buying, with forward prices temporarily flipping into backwardation. Urals prices in turn suffered from sagging demand, notably for barrels sourced from the Baltics. In the absence of China interest, these were re-offered into the Mediterranean. With the added competition of comparable Middle Eastern grades in the region, Urals differentials widened and discounts against Brent reached over \$7.00 /bbl by 25 Aug. Cracking Urals gained more than \$2 /bbl in August for a return of \$7.19 /bbl in the Mediterranean and \$8.02 /bbl in Northwest Europe. Cracking on Brent returned \$4.28 /bbl, down 46 cents from July. Upgrading margins, or the relative profitability of a cracking process over a hydroskimming one, continued to increase in August. This was supported by a further deterioration in hydroskimming margins due to weak fuel oil prices. Heavy inflows of Russian high-sulphur material lifted stocks in Northwest Europe in the absence of arbitrage outlets. As well, supplies of low-sulphur material for power generation into countries affected by drought conditions (such as Spain and Portugal) were adequate.

Hydroskimming margins in Singapore fell across crudes surveyed in August before the landfall of Hurricane Katrina. Weakness in fuel oil price spreads against crude weighed on simple margins despite some reduction in fuel oil stockpiles on slowing arrivals of high sulphur material arbitrated from the West and reduced Korean exports. Prices in Singapore for LSWR (used by power utilities), after showing relative strength in July, trended sideways, converging with those of benchmark 180 cst material and competing low sulphur material from Korea. Milder weather lowered requirements for the product, with demand easing particularly from Japan. This cut margins for Tapis crude, which yields a high cut of LSWR. Cracking margins for Dubai and Daqing edged higher on the recovery of gasoline and naphtha prices. The gains, however, in the case of cracking light sweet Tapis proved insufficient to outweigh increases in that crude's prices. More broadly, a recovery in cracking margins was dampened by the relative weakness of jet and gasoil price differentials against crude. Cracks fell as regional supplies improved and demand from China remained thin.

Refinery Throughput

OECD refinery throughputs rose to 39.7 mb/d in July, up 120 kb/d from June. The increase came with higher crude runs in Europe and the Pacific while those in North America were down, mainly on a decline in the US. The increase in European crude runs accompanied the gradual exit of some refiners from scheduled maintenance. Underlying in part the modest pace of the resumption was further work to install sulphur reduction capacity. Last autumn, some refiners likely delayed work, by running greater volumes of light sweet crude. However, despite an increase in European runs of 220 kb/d, in July, throughputs at 13.7 mb/d, were down 500 kb/d against year-ago levels. This puts

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day						Change from Jul 04		Utilisation rate ²	
	Feb 05	Mar 05	Apr 05	May 05	Jun 05	Jul 05	mb/d	%	Jul 05	Jul 04
OECD North America										
US ³	15.11	15.14	15.49	15.89	16.40	15.87	-0.27	-1.7	93.1	95.6
Canada	1.89	1.86	1.64	1.75	1.84	1.83	-0.05	-2.4	90.7	94.3
Mexico	1.27	1.32	1.33	1.27	1.27	1.23	-0.06	-4.8	73.3	72.0
Total	18.27	18.32	18.45	18.91	19.52	18.94	-0.37	-1.9	91.3	93.9
OECD Europe										
France	1.72	1.84	1.79	1.56	1.62	1.76	-0.06	-3.1	90.0	92.9
Germany	2.33	2.35	2.22	2.33	2.30	2.29	-0.10	-4.1	93.3	97.3
Italy	1.74	1.71	1.89	1.95	1.90	1.90	0.06	3.5	81.8	79.4
Netherlands	1.05	0.98	1.12	1.13	1.10	0.95	-0.17	-15.0	77.2	91.2
Spain	1.09	1.09	1.19	1.18	1.11	1.15	-0.06	-5.1	90.6	95.5
UK	1.60	1.64	1.58	1.62	1.59	1.75	-0.01	-0.8	95.7	96.9
Other OECD Europe	4.07	3.89	3.51	3.65	3.89	3.94	-0.21	-5.2	84.3	88.8
Total	13.60	13.50	13.31	13.43	13.51	13.73	-0.55	-3.8	87.3	90.9
OECD Pacific										
Japan	4.36	4.24	3.96	3.58	3.69	4.03	0.14	3.6	85.5	82.6
Korea	2.43	2.46	2.24	2.33	2.12	2.25	0.32	16.7	87.2	75.6
Other OECD Pacific	0.67	0.72	0.74	0.66	0.72	0.74	-0.05	-6.7	85.6	91.7
Total	7.46	7.42	6.94	6.57	6.53	7.01	0.41	6.2	86.1	81.4
OECD Total	39.33	39.24	38.69	38.91	39.55	39.67	-0.51	-1.3	88.9	90.6

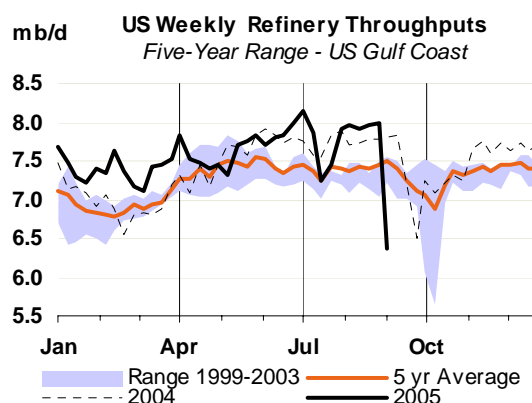
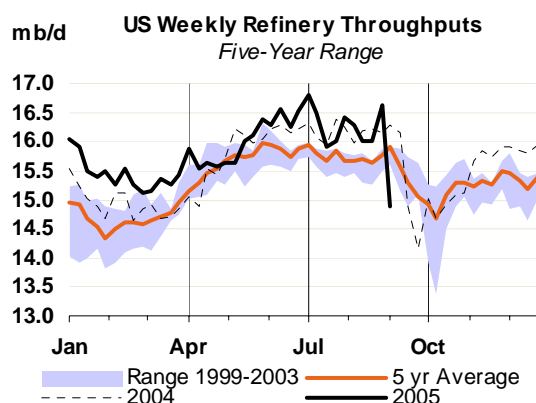
¹ Estimate

² Based on crude throughput and current operable refining capacity

³ US50

utilisation rates at about 87.3% of capacity, leaving a significant margin for an upswing in August. Main crude distillation capacity maintenance in September will be centred in Scandinavian countries and Belgium. In the Pacific, throughputs in July mainly rose with increases in Japan where runs were up by some 300 kb/d to 4.03 mb/d. The rebound followed seasonal patterns, extending through August according to weekly data as refiners began to replenish distillate stocks ahead of the winter. Korean runs also picked up, in likely response to tighter domestic product supplies ahead of some maintenance in August. However, preliminary surveys for Asian schedules suggest only modest offline capacity for Japan and Korea over the August to October period, allowing room to expand runs in response to higher international product prices.

US runs were down on average in July, following a string of unscheduled refinery outages mainly in the Gulf Coast area. Closures were generally linked to stress on the refining system by running plants at near-capacity utilisation rates by the end of June. The spate of incidents from mid to end-July were connected to fires, problems with heating and water cooling systems, or power failures. Rates fell to slightly over 93% utilisation before closing the month back up to 95.8% of capacity. Pre-Hurricane Katrina runs appeared to respond to a faster than expected decline in gasoline inventories. After an initial curtailment, supported in part by discretionary inventory draws with an upcoming change to winter quality material, throughputs rebounded as crack spreads on gasoline widened.



US Refineries Post-Hurricane Katrina and Alternative Product Supply

Hurricane Katrina affected about 3 mb/d, 36% of total Gulf Coast capacity on 31 August, representing some 17% of total US capacity. The impact was exacerbated and spread nationwide by disruptions to the key Louisiana Offshore Oil Port (LOOP) and pipeline systems feeding products and crude oil into the Mid-continent and Northeast region.

Some of these issues have been solved relatively swiftly. At the time of writing, refineries were reported coming back online and pipeline distribution systems for crude oil and product were resuming higher flow rates. The Colonial pipeline in particular, that delivers product through the southeast and north into New Jersey, was reported operating at close to normal rates. The LOOP terminal, which can handle large crude carriers, and the Capline pipeline that delivers crude oil into the Mid-continent were reported running at around 75-80% of capacity as electrical power was partially restored.

An estimated 1.2 mb/d of crude distillation (CDU) capacity on the Gulf Coast is expected to remain shut through 9 September, possibly notching below 1 mb/d by the following week depending on re-starts and the pace of ramp up to normal operations. However, it would appear that flooding resulted in significant damage to several refineries, while others, according to recent reports expect a swifter return to operations.

Refinery	Location	Company	CDU Capacity
Chalmette	Chalmette (LA)	ExxonMobil/PDVSA	190,000 bpd
Pascagoula	Pascagoula (MS)	Chevron Corp.	325,000 bpd
Alliance	Belle Chasse (LA)	ConocoPhillips	247,000 bpd
St Charles	** Norco (LA)	Valero Energy Corp.	185,000 bpd
Norco	* Norco (LA)	Motiva Enterprises	227,000 bpd
Meraux	Meraux (LA)	Murphy Oil	120,000 bpd

* Expected to restart operation in middle of week starting Monday 12 September

** Re-started partial operation in the end of week starting Monday 5 September

Given water damage, estimates regarding a return to normal operations can vary considerably. One historical precedent occurred in September 1998 when hurricane-induced flooding of the Chevron facility at Pascagoula damaged a large number of the motors at the plant. The refinery was offline for about 3 months to replace the motors and repair other damage. The first weekly figures post Katrina shows overall US runs falling 1.6 mb/d to 14.6 mb/d, with those on the Gulf Coast falling 1.5 mb/d to 6.3 mb/d. The indirectly impacted areas of the Mid-continent and the Northeast saw runs relatively unchanged. Assessment of lost US product output going forward remains highly dependent on the timing of re-starts, pace of ramp up in runs and actual damage sustained by the infrastructure. For scenario purposes, the following table is based on implied US yields and assumptions on average crude distillation capacity offline from 1 September for the periods indicated. In the weeks ahead, the US is likely to see increased runs in regions that have not suffered from infrastructure damage. In addition, there have been announcements of some postponed scheduled autumn maintenance, thus mitigating the product loss scenario below.

Cumulative US Product Supply Loss Scenario (million barrels)

	Implied US Yields (%)	Based on average offline capacity indicated in parenthesis			
		15 days (1.65 mb/d)	30 days (885 kb/d 2 nd half)	61 days (885 kb/d)	91 days (885 kb/d)
Naphtha	1.23	0.3	0.5	0.8	1.1
Motor Gasoline	47.49	11.4	17.7	30.7	43.3
Jet Fuel	9.68	2.3	3.6	6.3	8.8
Other Kerosene	0.32	0.1	0.1	0.2	0.3
Gasoil/Diesel	25.83	6.2	9.6	16.7	23.6
Residual Fuel Oil	4.80	1.2	1.8	3.1	4.4
Petroleum Coke	5.14	1.2	1.9	3.3	4.7
Other products	7.01	1.7	2.6	4.5	6.4
Total		24.4	37.8	65.7	92.6

US Refineries Post-Hurricane Katrina and Alternative Product Supply (continued)

Also, spare CDU capacity exists in other areas of the world. Given conversion capacity constraints, refiners that choose to increase throughputs would be running on hydroskimming or simple margins. Should these margins remain positive, then there is potential for product loss offsets from other markets though increased runs. The table below shows implicit yields for selected countries or regions. The yields are indicative, and with the potential for light sweet crude release from IEA emergency stocks, they could be higher for lighter products.

Implied Yields for Selected OECD Countries and Regions

Derived from the latest observed refinery intake and product output – net of refinery use

	Canada	Mexico	Europe	Japan	Korea
Naphtha	5.72	4.16	6.56	7.83	12.10
Motor Gasoline	40.92	27.09	22.59	22.32	8.14
Jet Fuel	4.25	5.69	5.86	5.61	2.97
Other Kerosene	5.29	0.67	1.27	7.89	8.20
Gasoil/Diesel	37.21	20.58	39.53	30.49	28.63
Residual Fuel Oil	8.31	31.39	15.96	15.55	36.65
Petroleum Coke	2.82	0.13	0.51	0.31	0.00
Other products	13.80	2.80	9.22	4.84	1.27

The table below shows product supply gains for light product over different periods. The increase in runs indicated in the table represents the difference between the latest data (July 2005) for crude runs and total crude distillation capacity less an allowance for maintenance and unutilised capacity. The results are to be understood as a potential maximum volumetric offset to lost supplies. Market conditions may not necessarily support the increases. These results are for the OECD countries, but offsetting volumes are also available from non-OECD countries.

Alongside a potential of increased output, trade flows are working to alleviate shortages in product supply in the US. Europe is sending upwards of 25 MR type cargoes (38,000-49,999-dwt) of gasoline. At the same time, use of flexi-tankers and conversion of dirty freight tonnage is being considered alongside the use of larger tonnage. Larger size vessels, LR1s (50-74,999-dwt) and LR2s(75-119,999-dwt) do not yet appear to have been chartered for transatlantic delivery, but are likely the next step should MR availability become scarce. Alongside physical supplies, delivery to market has been greatly eased with the issue of product specification waivers by the US Environmental Protection Agency. Finally, release of emergency IEA stocks will be a supporting factor in facilitating alternative product supply delivery to the US.

Estimated Cumulative Maximum Incremental Product Supply (million barrels)

Based on a maximised runs and sustained for the periods indicated

		15 days	30 days	61 days	91 days
Canada & Mexico + 172 kb/d assumed	Motor Gasoline	0.8	1.6	3.3	5.0
	Jet Fuel	0.1	0.3	0.5	0.8
	Other Kerosene	0.1	0.1	0.3	0.4
	Gasoil/Diesel	0.7	1.4	2.8	4.1
OECD Europe + 469 kb/d assumed	Motor Gasoline	1.7	3.3	6.8	10.2
	Jet Fuel	0.4	0.9	1.8	2.6
	Other Kerosene	0.1	0.2	0.4	0.6
	Gasoil/Diesel	2.9	5.9	11.9	17.8
Japan & Korea + 709 kb/d assumed	Motor Gasoline	1.8	3.6	7.4	11.0
	Jet Fuel	0.5	1.0	2.0	3.0
	Other Kerosene	0.9	1.8	3.6	5.4
	Gasoil/Diesel	3.3	6.6	13.4	19.9
Total of Above	Motor Gasoline	4.3	8.6	17.5	26.1
	Jet Fuel	1.1	2.1	4.3	6.4
	Other Kerosene	1.0	2.1	4.2	6.3
	Gasoil/Diesel	6.9	13.8	28.1	41.8

Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
OECD DEMAND																	
North America	24.1	24.5	25.2	25.0	25.4	25.7	25.3	25.5	25.3	25.7	26.0	25.6	25.9	25.5	26.1	26.4	26.0
Europe	15.3	15.4	15.6	15.2	15.6	16.0	15.6	15.5	15.3	15.5	16.0	15.6	15.5	15.3	15.7	16.0	15.6
Pacific	8.6	8.7	9.3	7.9	8.2	8.8	8.5	9.5	8.1	8.1	8.9	8.7	9.5	8.1	8.3	9.1	8.7
Total OECD	48.0	48.6	50.1	48.1	49.1	50.5	49.5	50.6	48.7	49.3	51.0	49.9	50.9	48.9	50.1	51.5	50.3
NON-OECD DEMAND																	
FSU	3.5	3.6	3.5	3.7	3.8	4.0	3.7	3.7	3.6	3.6	4.1	3.8	3.8	3.6	3.7	4.1	3.8
Europe	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7
China	5.0	5.6	6.3	6.5	6.3	6.6	6.4	6.5	6.4	6.6	7.0	6.7	6.9	6.9	7.2	7.5	7.1
Other Asia	8.0	8.0	8.4	8.7	8.3	8.7	8.5	8.7	8.9	8.5	8.9	8.7	8.9	9.1	8.8	9.2	9.0
Latin America	4.8	4.7	4.7	4.9	5.0	4.9	4.9	4.8	5.0	5.1	5.0	5.0	4.9	5.1	5.2	5.1	5.1
Middle East	5.2	5.3	5.5	5.5	5.8	5.6	5.6	5.8	5.7	6.1	5.9	5.9	6.1	6.0	6.4	6.2	6.2
Africa	2.7	2.7	2.8	2.8	2.7	2.8	2.8	2.9	2.9	2.8	2.9	2.9	3.0	3.0	2.9	3.0	3.0
Total Non-OECD	29.7	30.6	32.0	32.8	32.5	33.3	32.7	33.3	33.2	33.3	34.6	33.6	34.4	34.5	34.8	35.9	34.9
Total Demand¹	77.7	79.2	82.1	80.9	81.7	83.8	82.1	83.8	81.9	82.6	85.6	83.5	85.4	83.4	84.9	87.3	85.3
OECD SUPPLY																	
North America	14.5	14.6	14.8	14.7	14.4	14.4	14.6	14.4	14.6	14.2	14.6	14.4	14.9	14.9	14.6	14.7	14.8
Europe	6.6	6.3	6.4	6.2	5.7	6.0	6.1	5.9	5.7	5.5	5.8	5.7	5.8	5.5	5.3	5.5	5.5
Pacific	0.8	0.7	0.6	0.6	0.6	0.5	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Total OECD	21.9	21.6	21.8	21.5	20.8	21.0	21.3	20.9	20.9	20.2	21.0	20.7	21.3	20.9	20.5	20.8	20.9
NON-OECD SUPPLY																	
FSU	9.4	10.3	10.9	11.1	11.4	11.5	11.2	11.4	11.5	11.6	11.8	11.6	11.9	11.9	12.2	12.4	12.1
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	0.2	0.2	0.2
China	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Other Asia	2.5	2.6	2.7	2.7	2.8	2.8	2.8	2.7	2.6	2.7	2.8	2.7	2.8	2.9	2.9	2.9	2.8
Latin America	3.9	4.0	4.1	4.1	4.1	4.1	4.1	4.2	4.4	4.3	4.4	4.3	4.4	4.5	4.5	4.6	4.5
Middle East	2.1	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.8
Africa	3.0	3.0	3.3	3.3	3.5	3.5	3.4	3.6	3.6	3.9	4.0	3.8	4.1	4.2	4.3	4.4	4.3
Total Non-OECD	24.5	25.6	26.5	26.8	27.3	27.5	27.0	27.5	27.7	28.1	28.7	28.0	28.8	29.0	29.4	29.7	29.2
Processing Gains ²	1.8	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Total Non-OPEC	48.1	49.0	50.1	50.1	49.9	50.3	50.1	50.3	50.4	50.2	51.6	50.6	52.0	51.8	51.7	52.5	52.0
OPEC																	
Crude ³	25.1	26.8	27.9	28.1	29.1	29.5	28.6	28.8	29.3								
NGLs	3.7	3.9	4.3	4.3	4.3	4.4	4.3	4.7	4.7	4.8	4.9	4.8	5.0	5.1	5.2	5.3	5.2
Total OPEC	28.8	30.7	32.2	32.3	33.4	33.9	33.0	33.5	34.0								
Total Supply⁴	76.9	79.7	82.3	82.5	83.3	84.2	83.1	83.8	84.4								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.4	0.1	-0.6	0.9	0.4	-0.2	0.1	-0.1	1.1								
Government	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1								
Total	-0.3	0.3	-0.4	0.9	0.5	-0.1	0.2	0.0	1.2								
Floating Storage/Oil in Transit	0.0	0.2	-0.2	-0.2	0.3	0.3	0.0	-0.4	0.0								
Miscellaneous to balance ⁵	-0.4	0.0	0.9	0.8	0.8	0.3	0.7	0.3	1.3								
Total Stock Ch. & Misc	-0.7	0.5	0.2	1.6	1.6	0.5	1.0	-0.1	2.5								
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	25.9	26.3	27.7	26.5	27.5	29.0	27.7	28.9	26.8	27.6	29.1	28.1	28.3	26.4	28.0	29.6	28.1
Total Demand ex. FSU	74.2	75.6	78.6	77.2	77.9	79.8	78.4	80.1	78.3	79.0	81.5	79.7	81.6	79.8	81.2	83.2	81.4
Total demand exc. FSU (% ch) ⁷	1.1	1.9	3.4	4.8	3.3	3.1	3.6	1.9	1.4	1.4	2.1	1.7	1.9	1.9	2.7	2.2	2.2

¹ Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning, oil from non-conventional sources and other sources of supply

² Net volumetric gains and losses in the refining process (excludes net gain/loss in former USSR, China and non-OECD Europe) and marine transportation losses

³ Upgraded Venezuelan Orinoco extra-heavy production is classified as non-conventional crude.

⁴ Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply

⁵ Includes changes in non-reported stocks in OECD and non-OECD areas

⁶ Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs

⁷ Year on year % growth in global oil demand excluding FSU

Table 1A
WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1
(million barrels per day)

	2002	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	0.1	-0.1	-0.1	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	0.1	-0.3	-0.1	-0.1	-	-	-	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.2	-0.2	-0.1	-	-0.1	-0.1	-0.1	-0.1
Other Asia	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-0.4	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.2
Total Demand	-	-	-	-	-	-	-	-	0.1	-0.7	-0.3	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-0.4	-0.2	-0.2	-	-	-0.1	-0.1	-
Europe	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-0.1	-0.4	-0.2	-0.2	-	0.1	-0.1	-0.1	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-0.1	-0.4	-0.2	-0.2	-	0.1	-0.1	-0.1	-
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Supply	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	0.1	-	-	-	-0.1	-0.2	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	0.1	-	-	-	-0.1	-0.2	-	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-	-0.1	-	-	-	0.1	-	-	-	-	-	-	-	-	-
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	-0.2	-	-	-	-	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	0.2	-0.3	-0.1	-0.1	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2
Total Demand ex. FSU	-	-	-	-	-	-	-	0.1	-0.6	-0.4	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3

When submitting their monthly oil statistics, OECD Member countries periodically update data for prior periods. Similar updates to non-OECD data can occur.

Table 2
Summary of Global Oil Demand

	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006
Demand (mb/d)																
North America	24.53	25.22	25.05	25.41	25.69	25.34	25.53	25.30	25.70	26.01	25.64	25.91	25.55	26.15	26.41	26.01
Europe	15.43	15.63	15.19	15.57	15.99	15.59	15.54	15.28	15.52	16.00	15.59	15.53	15.26	15.66	16.00	15.61
Pacific	8.69	9.28	7.90	8.16	8.77	8.53	9.49	8.09	8.11	8.94	8.66	9.49	8.09	8.25	9.07	8.72
Total OECD	48.65	50.14	48.14	49.14	50.45	49.47	50.56	48.68	49.34	50.95	49.88	50.93	48.90	50.06	51.47	50.34
FSU	3.59	3.50	3.71	3.78	3.97	3.74	3.73	3.58	3.59	4.11	3.75	3.79	3.61	3.74	4.10	3.81
Europe	0.69	0.76	0.70	0.66	0.71	0.71	0.78	0.72	0.67	0.73	0.72	0.79	0.74	0.68	0.74	0.74
China	5.58	6.28	6.53	6.32	6.60	6.43	6.55	6.41	6.62	7.02	6.65	6.94	6.92	7.22	7.50	7.15
Other Asia	8.05	8.42	8.67	8.32	8.68	8.52	8.71	8.85	8.47	8.91	8.74	8.92	9.09	8.75	9.17	8.99
Latin America	4.67	4.71	4.87	4.96	4.89	4.86	4.82	4.97	5.06	5.00	4.96	4.92	5.08	5.17	5.11	5.07
Middle East	5.27	5.51	5.45	5.79	5.62	5.59	5.79	5.74	6.08	5.91	5.88	6.10	6.05	6.37	6.21	6.18
Africa	2.73	2.80	2.83	2.73	2.84	2.80	2.89	2.92	2.81	2.92	2.89	2.98	3.00	2.89	3.01	2.97
Total Non-OECD	30.57	31.98	32.76	32.55	33.33	32.66	33.27	33.19	33.29	34.61	33.60	34.44	34.49	34.84	35.86	34.91
World	79.22	82.12	80.90	81.69	83.78	82.12	83.83	81.87	82.63	85.56	83.48	85.37	83.39	84.90	87.33	85.25
<i>of which:</i>																
US50	20.03	20.60	20.54	20.82	20.97	20.73	20.80	20.66	21.02	21.22	20.92	21.09	20.85	21.36	21.53	21.21
Euro4	8.30	8.38	8.09	8.35	8.45	8.32	8.18	8.05	8.20	8.36	8.20	8.10	8.01	8.26	8.33	8.18
Japan	5.50	5.98	4.87	5.12	5.45	5.35	6.05	4.99	5.04	5.52	5.40	6.03	4.92	5.09	5.59	5.41
Korea	2.18	2.30	2.02	2.00	2.27	2.15	2.40	2.06	2.01	2.34	2.20	2.40	2.10	2.08	2.38	2.24
Mexico	1.95	1.96	1.96	1.95	2.01	1.97	2.01	2.08	2.01	2.04	2.04	2.09	2.09	2.08	2.11	2.09
Canada	2.21	2.30	2.22	2.31	2.36	2.30	2.35	2.23	2.33	2.40	2.32	2.36	2.27	2.35	2.40	2.35
Brazil	2.04	2.06	2.12	2.21	2.18	2.14	2.09	2.15	2.24	2.22	2.17	2.13	2.19	2.28	2.26	2.21
India	2.47	2.66	2.65	2.46	2.61	2.59	2.77	2.64	2.46	2.69	2.64	2.83	2.72	2.58	2.77	2.73
Annual Change (% per annum)																
North America	1.7	3.1	3.9	2.9	3.5	3.3	1.2	1.0	1.1	1.3	1.2	1.5	1.0	1.7	1.5	1.4
Europe	1.0	1.2	0.3	0.7	2.1	1.1	-0.5	0.6	-0.3	0.0	0.0	-0.1	-0.2	0.9	0.0	0.2
Pacific	1.5	-4.2	-2.4	2.8	-3.2	-1.9	2.2	2.4	-0.6	1.9	1.5	0.0	0.0	1.7	1.4	0.8
Total OECD	1.4	1.1	1.7	2.2	1.8	1.7	0.8	1.1	0.4	1.0	0.8	0.7	0.5	1.5	1.0	0.9
FSU	3.4	-8.5	15.7	9.0	2.6	4.2	6.6	-3.5	-4.9	3.4	0.3	1.4	0.8	4.1	-0.1	1.5
Europe	3.8	2.5	2.5	3.0	3.1	2.8	2.6	2.6	2.1	2.0	2.3	2.1	2.2	2.4	2.4	2.3
China	11.0	18.0	23.4	9.2	12.0	15.4	4.3	-1.9	4.7	6.4	3.4	6.0	8.0	9.2	6.8	7.5
Other Asia	1.2	6.5	9.5	4.4	3.4	5.9	3.4	2.1	1.8	2.7	2.5	2.5	2.7	3.4	2.9	2.9
Latin America	-1.8	4.9	5.0	3.9	2.8	4.1	2.2	2.1	1.9	2.2	2.1	2.1	2.2	2.3	2.2	2.2
Middle East	1.9	5.3	8.9	5.5	4.7	6.0	5.1	5.3	5.1	5.2	5.2	5.3	5.3	4.8	5.1	5.1
Africa	1.6	2.2	3.0	3.1	2.6	2.7	3.3	3.3	2.9	2.9	2.9	2.9	2.9	3.0	3.1	3.0
Total Non-OECD	2.9	5.7	11.1	5.8	5.0	6.8	4.0	1.3	2.3	3.9	2.9	3.5	3.9	4.6	3.6	3.9
World	2.0	2.8	5.3	3.6	3.1	3.7	2.1	1.2	1.2	2.1	1.6	1.8	1.8	2.7	2.1	2.1
Annual Change (mb/d)																
North America	0.40	0.76	0.95	0.71	0.86	0.82	0.31	0.25	0.29	0.33	0.29	0.38	0.25	0.45	0.40	0.37
Europe	0.16	0.19	0.04	0.11	0.34	0.17	-0.09	0.10	-0.05	0.01	-0.01	-0.01	-0.02	0.13	0.00	0.02
Pacific	0.13	-0.41	-0.19	0.23	-0.29	-0.16	0.20	0.19	-0.04	0.17	0.13	0.00	0.00	0.14	0.13	0.07
Total OECD	0.69	0.53	0.79	1.04	0.91	0.82	0.42	0.54	0.20	0.50	0.41	0.37	0.22	0.72	0.52	0.46
FSU	0.12	-0.33	0.50	0.31	0.10	0.15	0.23	-0.13	-0.19	0.14	0.01	0.05	0.03	0.15	-0.01	0.06
Europe	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02
China	0.55	0.96	1.24	0.53	0.71	0.86	0.27	-0.12	0.30	0.42	0.22	0.39	0.51	0.61	0.48	0.50
Other Asia	0.09	0.51	0.75	0.35	0.29	0.47	0.29	0.18	0.15	0.23	0.21	0.22	0.24	0.29	0.26	0.25
Latin America	-0.08	0.22	0.23	0.19	0.13	0.19	0.10	0.10	0.09	0.11	0.10	0.10	0.11	0.12	0.11	0.11
Middle East	0.10	0.27	0.44	0.30	0.25	0.32	0.28	0.29	0.29	0.29	0.29	0.31	0.30	0.29	0.30	0.30
Africa	0.04	0.06	0.08	0.08	0.07	0.07	0.09	0.09	0.08	0.08	0.09	0.08	0.09	0.08	0.09	0.09
Total Non-OECD	0.85	1.72	3.27	1.78	1.58	2.09	1.29	0.43	0.74	1.28	0.94	1.17	1.29	1.55	1.25	1.31
World	1.54	2.25	4.07	2.83	2.49	2.91	1.71	0.97	0.94	1.79	1.35	1.54	1.51	2.27	1.77	1.77
Changes from Last Month's Report																
North America	-	-	-0.04	-	-	-0.01	-	0.11	-0.11	-0.07	-0.01	-0.01	-	-	-	-
Europe	-	0.02	0.02	0.02	0.01	0.02	-	-0.01	-0.11	-0.02	-0.03	-0.02	-0.01	-0.01	-0.01	-0.01
Pacific	-	-	-	-	-	-	-	0.01	-0.07	-0.02	-0.02	-0.01	-0.01	-0.01	-0.01	-0.01
Total OECD	-	0.02	-0.02	0.02	0.01	0.01	-	0.12	-0.28	-0.10	-0.07	-0.05	-0.02	-0.02	-0.02	-0.03
FSU	-	-	-	-	-	-	0.01	-	-0.12	0.05	-0.02	-	-	-0.02	-	-0.01
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.01	-
China	-	-	-	-	-	-	-	-0.03	-0.19	-0.17	-0.10	-0.05	-0.13	-0.13	-0.13	-0.11
Other Asia	-	-	0.01	-	-0.01	-	-0.03	0.01	-0.09	-0.09	-0.05	-0.09	-0.07	-0.09	-0.10	-0.09
Latin America	-	-	-	-	-	-	-	-0.01	-0.01	-0.01	-0.01	-0.01	-0.03	-0.01	-	-0.01
Middle East	-	-	-	-	-	-	-	-	0.01	-	-	-	-	0.01	-	-
Africa	-	-	-	-	-	-	-	-	0.00	-0.01	-	-0.01	-0.01	-0.01	-0.01	-0.01
Total Non-OECD	-	-	0.01	-	-0.01	-	-0.03	-0.04	-0.41	-0.24	-0.18	-0.16	-0.25	-0.25	-0.26	-0.23
World	-	0.02	-0.01	0.02	-	0.01	-0.03	0.08	-0.70	-0.34	-0.246	-0.21	-0.27	-0.27	-0.28	-0.26

Table 3
WORLD OIL PRODUCTION

(million barrels per day)

	2004	2005	2006	1Q05	2Q05	3Q05	4Q05	1Q06	Jun 05	Jul 05	Aug 05
OPEC											
Crude Oil											
Saudi Arabia	8.75			8.92	9.21				9.22	9.27	9.28
Iran	3.93			3.87	3.96				4.00	3.95	3.98
Iraq	1.99			1.79	1.82				1.83	1.89	1.91
UAE	2.35			2.38	2.35				2.26	2.48	2.51
Kuwait	2.05			2.10	2.12				2.11	2.11	2.13
Neutral Zone	0.60			0.60	0.57				0.57	0.57	0.57
Qatar	0.78			0.78	0.78				0.79	0.80	0.80
Nigeria	2.32			2.36	2.43				2.45	2.48	2.46
Libya	1.55			1.61	1.65				1.65	1.65	1.65
Algeria	1.20			1.31	1.34				1.35	1.35	1.35
Venezuela	2.17			2.13	2.13				2.12	2.12	2.12
Indonesia	0.97			0.95	0.94				0.94	0.95	0.94
Total Crude Oil	28.65			28.78	29.30				29.27	29.59	29.67
Total NGLs ¹	4.32	4.77	5.15	4.69	4.70	4.81	4.88	5.04	4.75	4.80	4.82
Total OPEC	32.97			33.48	33.99				34.01	34.39	34.49
NON-OPEC²											
OECD											
North America	14.58	14.45	14.79	14.41	14.61	14.17	14.61	14.91	14.60	14.14	14.55
United States	7.66	7.62	7.70	7.72	7.74	7.44	7.57	7.81	7.69	7.65	7.66
Mexico	3.83	3.80	3.79	3.75	3.87	3.72	3.86	3.83	3.87	3.48	3.87
Canada	3.09	3.03	3.30	2.95	3.00	3.01	3.18	3.27	3.04	3.01	3.01
Europe	6.10	5.73	5.51	5.94	5.70	5.47	5.83	5.78	5.27	5.60	5.27
UK	2.06	1.87	1.70	2.00	1.90	1.72	1.87	1.81	1.78	1.77	1.66
Norway	3.19	3.01	3.00	3.08	2.94	2.90	3.12	3.14	2.64	2.97	2.76
Others	0.85	0.85	0.81	0.86	0.86	0.85	0.83	0.82	0.86	0.86	0.85
Pacific	0.58	0.57	0.58	0.55	0.55	0.58	0.58	0.59	0.54	0.56	0.58
Australia	0.54	0.52	0.54	0.50	0.51	0.53	0.54	0.54	0.50	0.52	0.54
Others	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total OECD	21.26	20.75	20.87	20.90	20.87	20.21	21.02	21.28	20.42	20.30	20.39
NON-OECD											
Former USSR	11.22	11.59	12.08	11.42	11.47	11.63	11.83	11.86	11.50	11.54	11.63
Russia	9.23	9.49	9.78	9.34	9.38	9.55	9.68	9.67	9.46	9.49	9.55
Others	1.99	2.10	2.30	2.08	2.09	2.09	2.15	2.19	2.04	2.05	2.08
Asia	6.24	6.35	6.47	6.36	6.26	6.35	6.42	6.44	6.37	6.36	6.32
China	3.48	3.62	3.62	3.63	3.61	3.62	3.62	3.62	3.65	3.63	3.63
Malaysia	0.86	0.83	0.86	0.84	0.77	0.84	0.86	0.87	0.79	0.82	0.85
India	0.80	0.77	0.79	0.80	0.80	0.73	0.74	0.74	0.81	0.78	0.68
Others	1.10	1.13	1.20	1.08	1.08	1.16	1.21	1.21	1.13	1.14	1.15
Europe	0.17	0.16	0.15	0.16	0.16	0.16	0.15	0.15	0.16	0.16	0.16
Latin America	4.09	4.32	4.51	4.16	4.37	4.32	4.41	4.45	4.39	4.28	4.32
Brazil	1.80	2.01	2.26	1.85	2.03	2.05	2.11	2.17	2.05	2.02	2.04
Argentina	0.80	0.76	0.71	0.77	0.77	0.76	0.75	0.72	0.76	0.76	0.76
Colombia	0.53	0.52	0.50	0.53	0.53	0.51	0.49	0.50	0.52	0.52	0.51
Ecuador	0.53	0.53	0.55	0.53	0.54	0.50	0.56	0.56	0.55	0.48	0.50
Others	0.44	0.49	0.49	0.48	0.50	0.50	0.50	0.50	0.51	0.50	0.50
Middle East³	1.91	1.82	1.75	1.84	1.81	1.81	1.80	1.78	1.81	1.81	1.81
Oman	0.79	0.75	0.73	0.76	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Syria	0.50	0.48	0.45	0.49	0.48	0.47	0.47	0.46	0.48	0.48	0.47
Yemen	0.42	0.39	0.37	0.39	0.38	0.39	0.39	0.37	0.38	0.39	0.39
Africa	3.40	3.78	4.27	3.57	3.61	3.87	4.05	4.13	3.61	3.73	3.90
Egypt	0.71	0.69	0.67	0.70	0.69	0.69	0.68	0.68	0.69	0.70	0.69
Angola	0.99	1.25	1.49	1.12	1.15	1.33	1.40	1.40	1.14	1.21	1.37
Gabon	0.24	0.23	0.23	0.23	0.23	0.24	0.24	0.24	0.23	0.23	0.24
Others	1.47	1.60	1.88	1.51	1.54	1.61	1.72	1.81	1.54	1.58	1.60
Total Non-OECD	27.02	28.00	29.24	27.51	27.69	28.14	28.66	28.82	27.84	27.88	28.13
Processing Gains ⁴	1.83	1.86	1.90	1.88	1.85	1.84	1.88	1.92	1.84	1.84	1.84
TOTAL NON-OPEC	50.11	50.61	52.01	50.28	50.41	50.20	51.56	52.01	50.09	50.03	50.37
TOTAL SUPPLY	83.08			83.76	84.41				84.10	84.42	84.85

¹ Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Orimulsion Orinoco extra-heavy oil, and non-oil inputs to Saudi Arabian MTBE

² Comprises crude oil, condensates, NGLs and oil from non-conventional sources

³ Includes small amounts of production from Israel, Jordan and Bahrain

⁴ Net volumetric gains and losses in refining (excludes net gain/loss in FSU, China and non-OECD Europe) and marine transportation losses

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Mar2005	Apr2005	May2005	Jun2005	Jul2005*	Jul2002	Jul2003	Jul2004	3Q2004	4Q2004	1Q2005	2Q2005
North America												
Crude	434.4	446.7	451.3	447.6	437.1	412.5	398.8	408.6	-0.26	0.06	0.38	0.15
Motor Gasoline	244.8	242.0	245.2	245.4	234.7	246.3	231.9	240.3	-0.04	0.11	0.00	0.01
Middle Distillate	175.3	174.4	180.6	190.1	200.8	205.2	190.6	193.3	0.14	0.04	-0.26	0.16
Residual Fuel Oil	48.8	45.6	46.6	45.9	45.3	43.4	39.0	42.5	-0.04	0.10	-0.02	-0.03
Total Products ³	626.0	635.3	664.0	676.8	690.5	689.7	643.1	650.6	0.26	0.01	-0.32	0.56
Total ⁴	1199.6	1219.2	1261.2	1275.1	1279.2	1258.3	1196.2	1209.2	0.18	-0.10	-0.01	0.83
Europe												
Crude	347.2	345.6	363.8	348.2	352.2	326.6	331.6	327.9	-0.07	-0.09	0.25	0.01
Motor Gasoline	121.3	118.6	115.1	110.4	111.4	117.7	107.0	111.4	0.01	0.04	0.05	-0.12
Middle Distillate	246.0	252.1	256.3	253.4	259.1	253.1	238.3	245.2	0.18	-0.10	0.05	0.08
Residual Fuel Oil	68.5	70.0	76.3	73.3	72.1	70.0	67.6	79.3	-0.01	-0.03	-0.07	0.05
Total Products ³	540.9	544.1	549.0	536.5	541.3	546.5	517.6	539.1	0.22	-0.08	0.05	-0.05
Total ⁴	962.2	965.0	985.8	956.0	963.9	937.6	920.7	937.0	0.15	-0.16	0.33	-0.07
Pacific												
Crude	169.0	158.5	171.3	175.9	178.2	169.8	192.6	182.7	-0.09	0.03	-0.02	0.08
Motor Gasoline	25.2	25.3	25.7	24.5	24.7	25.4	26.2	23.8	-0.01	0.00	0.01	-0.01
Middle Distillate	48.8	55.1	62.5	58.9	66.9	80.0	73.4	62.7	0.16	0.00	-0.29	0.11
Residual Fuel Oil	21.2	21.5	24.7	23.4	25.4	23.7	26.1	22.3	-0.01	0.01	-0.01	0.02
Total Products ³	154.9	164.1	178.1	173.2	184.2	194.3	195.3	174.7	0.15	0.02	-0.37	0.20
Total ⁴	389.5	391.8	422.2	421.6	434.3	444.3	461.9	429.4	0.11	0.01	-0.45	0.35
Total OECD												
Crude	950.6	950.8	986.3	971.7	967.5	908.8	923.0	919.2	-0.41	-0.01	0.61	0.23
Motor Gasoline	391.3	385.9	386.0	380.4	370.8	389.4	365.0	375.5	-0.03	0.15	0.06	-0.12
Middle Distillate	470.0	481.6	499.4	502.5	526.8	538.2	502.3	501.1	0.47	-0.06	-0.50	0.36
Residual Fuel Oil	138.5	137.0	147.6	142.5	142.8	137.1	132.6	144.1	-0.06	0.08	-0.10	0.04
Total Products ³	1321.7	1343.5	1391.1	1386.5	1416.0	1430.4	1355.9	1364.4	0.63	-0.05	-0.64	0.71
Total ⁴	2551.2	2576.0	2669.2	2652.7	2677.4	2640.2	2578.8	2575.6	0.44	-0.25	-0.14	1.12

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Mar2005	Apr2005	May2005	Jun2005	Jul2005*	Jul2002	Jul2003	Jul2004	3Q2004	4Q2004	1Q2005	2Q2005
North America												
Crude	688.2	691.9	693.9	696.4	698.6	578.5	612.4	665.7	0.09	0.06	0.14	0.09
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	160.4	161.0	161.0	161.4	161.4	148.4	152.9	158.0	0.00	0.07	-0.04	0.01
Products	209.4	206.0	207.8	210.4	210.4	198.7	205.8	205.3	0.00	0.00	0.04	0.01
Pacific												
Crude	384.5	384.5	384.5	383.4	384.6	381.7	382.8	386.7	-0.02	0.00	0.00	-0.01
Products	11.0	11.0	11.0	11.1	11.3	7.3	10.0	11.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1233.1	1237.4	1239.5	1241.2	1244.6	1108.7	1148.1	1210.4	0.06	0.12	0.10	0.09
Products	222.4	219.1	220.9	223.5	223.7	208.0	217.8	218.3	0.00	0.00	0.04	0.01
Total ⁴	1456.5	1457.5	1461.3	1465.7	1469.3	1317.7	1366.8	1429.7	0.07	0.13	0.14	0.10

* estimated

1 Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) and include stocks held by industry to meet IEA, EU and national emergency reserve commitments and are subject to government control in emergencies.

2 Closing stock levels.

3 Total products includes gasoline, middle distillates, fuel oil and other products.

4 Total includes NGLs, refinery feedstocks, additives/oxygenates and other hydrocarbons.

5 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES¹

(millions of barrels² and 'days')

	End June 2004		End September 2004		End December 2004		End March 2005		End June 2005 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	163.0	71	174.5	74	167.8	72	164.7	74	165.2	-
Mexico	39.5	20	41.4	21	41.3	21	44.2	21	45.6	-
United States ⁴	1632.9	78	1643.5	78	1646.8	80	1658.8	81	1740.5	-
Total ⁵	1857.5	73	1881.5	73	1878.0	74	1889.8	75	1973.5	77
Pacific										
Australia	34.9	39	34.3	38	33.2	38	34.8	39	35.2	-
Japan	622.0	121	632.0	116	635.3	105	604.9	121	629.4	-
Korea	152.9	76	152.1	67	149.4	62	137.4	67	142.5	-
New Zealand	7.7	52	7.1	48	8.0	49	7.9	53	9.0	-
Total	817.4	100	825.5	94	825.9	87	785.0	97	816.1	101
Europe⁶										
Austria	20.3	66	20.2	70	21.0	77	20.8	76	18.8	-
Belgium	26.5	46	27.7	39	27.2	40	26.9	47	28.1	-
Czech Republic	15.9	73	16.9	81	16.3	86	17.0	78	15.9	-
Denmark	15.8	89	18.1	94	16.2	86	16.3	88	17.2	-
Finland	23.4	106	24.0	105	24.4	110	26.2	125	27.0	-
France	183.5	94	188.5	94	186.2	90	187.4	99	185.6	-
Germany	267.1	99	264.1	97	267.2	106	280.5	111	279.4	-
Greece	30.8	78	34.1	76	35.7	77	35.7	94	34.4	-
Hungary	20.1	152	18.7	128	17.8	140	21.1	148	18.5	-
Ireland	10.7	63	11.1	60	11.7	60	10.6	58	11.6	-
Italy	134.6	71	138.7	73	135.8	73	133.7	75	132.1	-
Luxembourg	1.0	16	0.9	14	0.9	14	0.9	13	0.8	-
Netherlands	102.3	110	110.2	113	108.3	109	109.4	103	115.7	-
Norway	30.0	131	23.3	84	24.0	98	26.6	118	18.4	-
Poland	30.1	64	31.1	66	30.6	74	33.9	79	34.5	-
Portugal	26.2	76	25.0	73	24.3	68	25.6	77	26.5	-
Slovak Republic	6.6	90	6.1	83	6.2	95	7.0	99	6.5	-
Spain	127.3	82	126.8	79	119.8	72	126.7	81	130.4	-
Sweden	31.1	88	31.5	87	33.8	93	32.0	88	35.2	-
Switzerland	37.5	138	37.8	135	36.3	131	37.1	147	38.0	-
Turkey	54.8	78	55.2	82	55.9	101	55.4	80	51.9	-
United Kingdom	101.6	56	101.4	56	104.1	60	102.2	56	102.3	-
Total	1297.3	83	1311.5	82	1303.5	84	1332.9	87	1328.8	86
Total OECD	3972.2	81	4018.5	80	4007.4	80	4007.7	83	4118.4	83
DAYS OF IEA Net Imports⁷	-	113	-	114	-	114	-	114	-	117

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entrepot stocks where known) they include stocks held by industry to meet IEA, EU and national emergency reserves commitments and are subject to government control in emergencies.

2 Note that days of forward demand represent the stock level divided by the forward quarter average daily demand and is very different from the days of net imports used for the calculation of IEA Emergency Reserves.

3 End June 2005 forward demand figures are IEA Secretariat forecasts.

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

7 Reflects stock levels and prior calendar year's net imports adjusted according to IEA emergency reserve definitions. Net exporting IEA countries are excluded.

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled		Total	Government ¹ controlled	
		Industry	Industry		Days of Fwd. Demand ²	Days of Fwd. Demand ²
		<i>Millions of Barrels</i>			<i>Days of Fwd. Demand²</i>	
2Q2002	3967	1316	2651	83	28	55
3Q2002	3898	1321	2577	79	27	52
4Q2002	3821	1345	2476	77	27	50
1Q2003	3787	1359	2428	80	29	51
2Q2003	3913	1362	2551	81	28	53
3Q2003	3981	1380	2600	80	28	52
4Q2003	3925	1408	2517	78	28	50
1Q2004	3886	1421	2466	81	30	51
2Q2004	3972	1426	2546	81	29	52
3Q2004	4018	1432	2586	80	28	51
4Q2004	4007	1444	2563	80	29	51
1Q2005	4008	1456	2551	83	30	53
2Q2005	4118	1466	2653	83	30	54

1 Includes government-owned stocks and stock holding organisation stocks held for emergency purposes.

2 Days of forward demand calculated using actual demand except in 2Q2005 (when latest forecasts are used).

Table 6
IEA Member Country Destinations of Selected Crude Streams¹
(million barrels per day)

	2002	2003	2004	3Q04	4Q04	1Q05	2Q05	Apr 05	May 05	Jun 05	Year Earlier	
											Jun 04	change
Saudi Light & Extra Light												
North America	0.64	0.64	0.55	0.56	0.52	0.45	0.45	0.42	0.54	0.39	0.69	-0.29
Europe	0.92	1.00	1.03	1.04	1.08	0.88	0.84	0.83	0.92	0.78	0.97	-0.19
Pacific	1.22	1.18	1.24	1.23	1.47	1.40	1.22	1.17	1.29	1.20	1.10	0.10
Saudi Medium												
North America	0.70	0.83	0.80	0.86	0.90	0.97	0.89	0.92	0.77	0.97	0.83	0.14
Europe	0.11	0.11	0.11	0.11	0.16	0.12	0.13	0.13	0.13	0.13	0.05	0.07
Pacific	0.16	0.24	0.23	0.18	0.23	0.21	0.24	0.26	0.23	0.21	0.21	0.01
Saudi Heavy												
North America	0.20	0.30	0.22	0.30	0.26	0.18	0.15	0.11	0.20	0.15	0.13	0.02
Europe	0.09	0.19	0.23	0.31	0.20	0.19	0.20	0.18	0.18	0.23	0.34	-0.11
Pacific	0.12	0.16	0.15	0.16	0.18	0.25	0.20	0.19	0.21	0.20	0.11	0.09
Iraqi Basrah Light²												
North America	0.35	0.44	0.71	0.68	0.67	0.56	0.69	0.66	0.87	0.53	0.73	-0.20
Europe	0.08	0.09	0.21	0.21	0.13	0.19	0.19	0.22	0.20	0.16	0.14	0.02
Pacific	0.02	0.03	0.12	0.12	0.15	0.07	0.06	0.13	..	0.07	0.03	0.03
Iraqi Kirkuk												
North America	0.14	0.06	0.02	0.01	0.01	..	..	..	..	..	0.07	..
Europe	0.32	0.12	0.08	0.03	0.16	0.02	0.04	0.02	0.02	0.07	0.08	-0.01
Pacific	0.00	..	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.17	0.19	0.24	0.23	0.27	0.23	0.15	0.22	0.17	0.08	0.24	-0.16
Pacific	0.12	0.17	0.16	0.16	0.16	0.19	0.13	0.10	0.15	0.15	0.11	0.04
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.44	0.59	0.57	0.65	0.54	0.62	0.60	0.64	0.66	0.50	0.72	-0.23
Pacific	0.54	0.69	0.65	0.58	0.63	0.76	0.59	0.67	0.61	0.49	0.62	-0.13
Venezuelan Light & Medium												
North America	0.68	0.69	0.67	0.64	0.63	0.78	0.88	0.88	0.98	0.76	0.81	-0.05
Europe	0.08	0.02	0.01	0.02	0.01	0.02	0.03	0.02	0.01	0.05	0.02	0.03
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.55	0.60	0.88	0.86	0.95	0.83	0.80	0.95	0.76	0.69	0.92	-0.22
Europe	0.05	0.06	0.05	0.06	0.04	0.06	0.06	0.06	0.05	0.06	0.07	-0.01
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.92	1.32	1.36	1.34	1.37	1.30	1.36	1.29	1.41	1.40	1.49	-0.10
Europe	0.17	0.16	0.16	0.20	0.13	0.18	0.17	0.12	0.22	0.17	0.20	-0.03
Pacific	0.00	0.00	0.00	..	..	..	..	..	..	..	..	..
Mexican Isthmus												
North America	0.01	0.00	..	..	..	0.01	0.00	..	..	0.01	..	..
Europe	0.01	0.00	0.01	..	0.02	0.02	0.01	..	..	0.03	..	..
Pacific	0.01	0.00	0.00	..	..	..	..	..	..	..	..	..
Russian Urals												
North America	0.03	0.14	0.12	0.12	0.21	0.14	0.14	0.34	0.03	0.05	0.25	-0.20
Europe	1.32	1.62	1.86	1.78	1.56	1.72	1.91	1.97	2.21	1.53	1.82	-0.29
Pacific	0.01	0.00	0.01	0.01	..	..	0.00	0.00	..	..	..	..
Nigerian Light⁴												
North America	0.38	0.63	0.80	0.78	0.73	0.87	0.87	0.86	1.01	0.76	0.97	-0.22
Europe	0.32	0.41	0.28	0.30	0.30	0.30	0.27	0.24	0.30	0.28	0.32	-0.03
Pacific	0.06	0.08	0.11	0.09	0.13	0.06	0.06	0.06	0.06	0.07	0.03	0.04
Nigerian Medium												
North America	0.16	0.17	0.23	0.22	0.20	0.18	0.22	0.22	0.13	0.31	0.26	0.05
Europe	0.06	0.06	0.04	0.05	0.02	0.07	0.04	0.00	0.06	0.06	0.03	0.03
Pacific	0.01	0.01	0.01	..	..	0.03	0.02	0.03	0.03	..	..	..

¹ Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 8 of the Report.

IEA North America includes United States and Canada.

IEA Europe includes all countries in OECD Europe except Hungary, Poland and the Slovak Republic.

IEA Pacific data includes Australia, New Zealand, Korea and Japan.

² Iraqi Total minus Kirkuk.

³ Iranian Total minus Iranian Light.

⁴ 33 API and lighter (e.g., Bonny Light, Escravos, Qua Iboe and Oso Condensate).

Table 7
Regional OECD Imports^{1,2}
(thousand barrels per day)

	2002	2003	2004	3Q2004	4Q2004	1Q2005	2Q2005	Apr-05	May-05	Jun-05	Year Earlier	
											Jun-04	% change
Crude Oil												
North America	7584	8069	8394	8547	8442	8577	8543	8616	8180	8845	8574	3%
Europe	8734	9096	9477	9701	9543	9695	9791	9396	10201	9763	9595	2%
Pacific	6422	6711	6659	6457	6998	7166	6434	6297	6645	6353	5809	9%
Total OECD	22740	23876	24531	24706	24984	25438	24768	24309	25026	24961	23977	4%
LPG												
North America	39	27	24	20	45	23	3	7	0	2	36	-2200%
Europe	225	193	225	207	264	293	169	183	154	169	173	-2%
Pacific	553	541	541	469	561	532	591	619	604	549	596	-9%
Total OECD	817	760	790	697	870	848	762	809	758	719	805	-12%
Naphtha												
North America	42	67	86	96	144	124	89	81	96	91	87	5%
Europe	298	305	283	237	254	279	280	209	255	376	304	19%
Pacific	705	770	769	787	748	772	759	791	741	746	859	-15%
Total OECD	1045	1142	1138	1120	1146	1175	1128	1081	1092	1214	1249	-3%
Gasoline³												
North America	643	669	765	806	744	849	1001	946	983	1074	869	19%
Europe	152	150	140	118	146	172	171	133	144	239	154	35%
Pacific	58	70	105	90	106	95	129	109	141	137	103	25%
Total OECD	853	888	1010	1014	997	1115	1301	1188	1267	1449	1127	22%
Jet & Kerosene												
North America	97	97	88	88	116	67	40	35	47	39	111	-188%
Europe	253	271	292	356	335	274	362	357	332	397	299	25%
Pacific	97	102	77	52	103	97	72	77	80	57	60	-5%
Total OECD	448	470	456	496	554	438	474	470	458	493	470	5%
Gasoi/Diesel												
North America	102	126	122	108	91	110	94	77	117	87	107	-23%
Europe	656	652	751	770	875	930	700	758	606	739	776	-5%
Pacific	53	73	74	79	66	60	94	95	102	83	93	-12%
Total OECD	811	850	946	957	1033	1101	887	931	824	908	976	-7%
Heavy Fuel Oil												
North America	237	326	388	346	524	489	437	432	401	479	354	26%
Europe	470	398	408	441	404	415	579	639	526	572	551	4%
Pacific	89	88	76	87	64	83	80	83	95	61	48	21%
Total OECD	796	812	872	874	993	988	1095	1154	1022	1112	953	14%
Other Products												
North America	689	680	824	951	774	735	1047	845	1039	1258	718	43%
Europe	735	690	679	716	662	734	874	859	756	1009	850	16%
Pacific	256	235	256	261	252	254	248	309	208	228	285	-25%
Total OECD	1681	1605	1759	1927	1688	1724	2169	2013	2003	2495	1853	26%
Total Products												
North America	1849	1991	2297	2416	2439	2399	2711	2423	2682	3029	2282	25%
Europe	2790	2657	2777	2845	2941	3098	3134	3139	2773	3501	3108	11%
Pacific	1811	1879	1898	1825	1901	1894	1972	2084	1970	1861	2044	-10%
Total OECD	6451	6527	6973	7085	7281	7391	7817	7647	7425	8391	7434	11%
Total Oil												
North America	9434	10061	10691	10963	10881	10976	11254	11040	10862	11874	10855	9%
Europe	11524	11753	12255	12546	12484	12793	12925	12534	12974	13264	12703	4%
Pacific	8233	8590	8558	8282	8899	9059	8406	8382	8615	8214	7853	4%
Total OECD	29190	30403	31503	31791	32264	32829	32585	31955	32451	33352	31411	6%

1 Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes and converted to barrels.

2 Excludes intra-regional trade

3 Includes additives

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OIL MARKET REPORT CONTACTS

Editor/Prices

Lawrence Eagles
(+33) 0*1 40 57 65 90
e-mail: lawrence.eagles@iea.org

Demand

Jeff Brown
(+33) 0*1 40 57 65 93
e-mail: jeff.brown@iea.org

Supply

David Fyfe
(+33) 0*1 40 57 65 94
e-mail: david.fyfe@iea.org

OECD Stocks/Refinery Activity

Harry Tchilinguirian
(+33) 0*1 40 57 65 22
e-mail: harry.tchilinguirian@iea.org

OECD Stocks/Trade

Toril Ekeland Bosoni
(+33) 0*1 40 57 66 36
e-mail: toril.bosoni@iea.org

Statistics/Freight/End-User Prices

James Ryder
(+33) 0*1 40 57 66 18
e-mail: james.ryder@iea.org

Administrative Support

Anne Mayne
(+33) 0*1 40 57 65 96
e-mail: anne.mayne@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09

* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France

Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 59

E-mail: sandra.coleman@iea.org

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Readers are referred to the User's Guide, published in conjunction with the Annual Statistical Supplement (current issue dated 11 August 2005), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to US\$ per barrel according to the Platt's specification of products (©2005 Platt's - a division of McGraw-Hill Inc.).

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