

10 February 2006

HIGHLIGHTS

- NYMEX crude futures reached \$68.35/bbl at the end of January before falling back to \$62.55/bbl on 8 February. Physical supply disruptions and market concerns over Iran and Nigeria were partly offset by an improving US inventory position. Concerns ahead of refinery maintenance and product specification changes in the US kept gasoline cracks firm in January, while cold weather supported Asian kerosene.
- Global oil supply in January suffered from weather-related and other outages amounting to 450 kb/d. Offsetting increases, however, held world supply at 84.6 mb/d, only 135 kb/d below December. Non-OPEC output is revised up 20-30 kb/d for 2005 and 2006, averaging 50.15 mb/d and 51.45 mb/d respectively. OPEC NGL growth amounts to 0.3 mb/d in 2006.
- OPEC crude supply fell 65 kb/d in January to 29.2 mb/d. Sabotage-prone Iraqi and Nigerian supply averaged 1.5 mb/d and 2.4 mb/d respectively. Effective OPEC spare capacity is only 1.4 mb/d, but net capacity increases of 0.5 mb/d should materialise by mid-year. The 2006 call on OPEC crude and stock change remains at 28.6 mb/d.
- Overall, global oil demand growth has been revised down marginally to 1.78 mb/d for 2006. Unusually cold weather in Europe was largely offset by mild North American weather and weak US petrochemical demand. Pockets of weakness were seen in other areas, but 2006 is expected to see a recovery in Chinese and US demand growth.
- OECD total industry oil stocks fell by 65 mb in December as extremely cold weather pulled down distillate stocks in the Pacific. Total stocks of 2597 mb ended 39 mb higher than a year ago and represented 51 days of forward demand cover. Total oil stocks drew by 45 mb, or 0.5 mb/d over the fourth quarter, close to the five-year average pace.

Next Issue: 14 March 2006



INTERNATIONAL ENERGY AGENCY (IEA)

AGENCE INTERNATIONALE DE L'ENERGIE

RECRUITMENT

The International Energy Agency

The International Energy Agency (IEA) is an intergovernmental body committed to advancing the security of energy supply, economic growth and environmental sustainability through energy policy co-operation. Based in Paris, it operates as an autonomous agency within the Organisation for Economic Co-operation and Development (OECD), a forum where the governments of 30 market democracies work together to address the economic, social and governance challenges of the globalising world economy, as well as to exploit its opportunities.

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
Organisation de coopération et de développement économiques

The International Energy Agency is Seeking to Recruit a Head of its Emergency Planning & Preparations Division

A Three-to-Five Year Fixed-Term Appointment as of 1 August 2006

We are looking for a Head of the Emergency Planning and Preparations Division (EPPD) of the Office of Oil Markets and Emergency Preparedness (OME). Under the supervision of the OME Director, s/he will design and co-ordinate the IEA's emergency response mechanism. The successful applicant will supervise and manage the work of the EPPD and will lead a multidisciplinary team of professional and support staff and consultants, assign tasks and will provide advice and guidance. Other major responsibilities include:

- The supervision, design and improvement of emergency response systems and strategies, responding to market developments and manage their timely and effective implementation in actual oil supply disruptions;
- Plan and organise meetings of the Standing Group on Emergency Questions (SEQ), supervise the drafting of reports and papers and co-ordinate preparations with the Chairmen of the SEQ and the Industry Advisory Board (IAB);
- Co-ordinate the IEA's activities with the IAB and the Industry Supply Advisory Group (ISAG) and represent the Secretariat at their meetings. Make presentations to other bodies outside the OECD, notably national emergency organisations and stockholding agencies;
- Regularly monitor the state of emergency preparedness of Member countries and co-operate with IEA Candidate and non-member countries in emergency response preparations;
- Ensure the timely achievement of the Agency's objectives in the development of all aspects of IEA emergency response to oil supply disruptions and other threats to the IEA's collective energy security (i.e. in gas and electricity supplies) and provide information on and timely analysis of oil/energy and geopolitical situations affecting energy supply security.

The ideal candidate should have a demonstrated ability to direct and co-ordinate work in the above fields as well as:

- An advanced university degree in economics, business studies, political science, information technology or chemical engineering or any other related fields;
- An extensive experience (minimum 15 years) in international oil supply logistics and energy economics and a good understanding of the operation of the international oil/energy market;
- A proven experience in team-building and in planning, co-ordinating and supervising the work of a multidisciplinary team and the ability to establish and maintain professional contacts within and outside the Organisation, in particular with senior staff in administrations, the oil industry and the broader energy community;
- A dynamic and pro-active personality and, above all, the ability to work under pressure, notably in oil supply disruptions;
- An excellent level of oral and written communication skills and excellent drafting ability in English; a working knowledge of French and other languages would be an advantage.

The complete vacancy notice and application form can be found at www.oecd.org/hrm/vacancies. Applications (in English or French) from nationals of OECD Member countries, quoting the reference 001797, should be submitted on-line before midnight Paris time on **Saturday 4 March 2006**.

The International Energy Agency is Seeking a Senior Oil Market Analyst

A Three-to-Five Year Fixed-Term Appointment

The successful applicant will be part of the short- and medium-term forecasting team, with a primary responsibility for examining developments and future prospects in oil demand for the *Oil Market Report*, other IEA publications and Member governments. Major responsibilities include:

- Participate in interdisciplinary teams which monitor, analyse, assess and report on developments and future prospects in international oil markets in terms of supply, consumption, stocks, prices and refining operations;
- Analyse and forecast developments in global oil demand in the short and medium term and monitor developments in the broader oil sector. Develop and implement appropriate computer systems, models and forecasting tools for carrying out this analysis;
- Participate in the overall analytical work of the Division and the Agency;
- Research and draft appropriate sections of the IEA's *Oil Market Report*. Present analysis and findings to meetings of the IEA Governing Board and its Standing Groups as well as represent the Secretariat on subjects related to oil market analysis at international conferences and seminars;
- Develop and maintain contacts in the oil industry, governments and oil consultancies.

The ideal candidate should possess:

- A university degree in economics, business or petroleum-related subject, ideally supplemented by a relevant advanced university degree;
- At least eight to ten years' relevant work experience, particular in energy and economic analysis;
- Strong computer/modelling skills;
- Policy experience with exposure to energy questions in government and/or industry;
- An excellent level of oral and written communication skills and excellent drafting ability in English; a working knowledge of other languages would be an advantage.

Short-listed candidates for this vacancy may be required to undergo a written exercise

The complete vacancy notice and application form can be found at www.oecd.org/hrm/vacancies. Applications (in English or French) from nationals of OECD Member countries, quoting the reference 001844, should be submitted on-line before midnight Paris time on **Sunday 12 March 2006**.

The International Energy Agency is Seeking an Energy Analyst

A Three-to-Five Year Fixed-Term Appointment

We are looking for an Energy Analyst who, under the supervision of the Head of the Non-Member Countries Division for Europe, Middle East and Africa within the IEA, will manage and contribute to the work carried out on energy, economic and geo-political developments in non-member countries in the Middle East and North Africa. Major responsibilities include:

- Monitor and analyse energy, economic and geo-political developments in Middle East and North African countries with particular emphasis on their implications for world energy supply and demand, and hence, energy security;
- Provide insights, analysis and data to other IEA tasks on Middle East and North African countries, including the *Oil Market Report*, IEA studies on the energy outlook or other Agency-wide studies;
- Seek out data and make recommendations to improve and extend IEA energy statistics and other information concerning Middle East and North African countries;
- Develop and maintain appropriate contacts with government, industry and associations in the countries of the region with a view to improving mutual understanding and increasing information exchange;
- Prepare and organise seminars and other appropriate meetings on oil and gas-related topics in the context of the ongoing dialogue between energy-producing and -consuming countries.

The ideal candidate should possess:

- An advanced university degree in economics, energy economics or other relevant discipline;
- A broad experience, including eight to ten years' work experience, in the Middle East/North Africa, preferably in the energy sector and in conducting energy, economic and policy analysis;
- Sound administrative experience, preferably including working with or through committees;
- An excellent knowledge of, and drafting ability in, English; a working knowledge of French;
- A knowledge of Arabic would be a definite asset.

The complete vacancy notice and application form can be found at www.oecd.org/hrm/vacancies. Applications (in English or French) from nationals of OECD Member countries, quoting the reference 001787, should be submitted on-line before midnight Paris time on **Friday 24 February 2006**.

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LOOK BEHIND THE HEADLINES

According to the headlines, Iran and Nigeria (and to a lesser extent Venezuela) would appear to have been the prime driving force behind the moves in crude prices since the beginning of the year. But while political developments make compelling reading, it is often easy to overstate their influence.

Despite the headline-grabbing geopolitical issues in Iran and Nigeria, actual crude supply losses of some 450 kb/d in January were largely focussed elsewhere and were weather-related. Frigid temperatures curbed Russian output by 170 kb/d, closed ports and bolstered demand. Australian output was restricted by Cyclones Clare and Daryl, while poor weather conditions and logistical issues slowed Iraqi exports. It was very mild in the US, but this was only a partial offset to cold weather in Europe and Asia.

In comparison, while the press focussed on problems in Iran and Nigeria compensating factors received little coverage. New production helped offset Nigerian outages, reducing the net supply loss to an estimated 45 kb/d from December levels. There was also an increase in Iranian output. Political instability may have a greater effect on supply in months to come, but for now the impact has been minimal.

The fundamentals, rather than political developments, provide a very clear indication of why prices rose in early January and then dipped in the second half of the month. That is not to say that geopolitical issues are irrelevant, but it must always be remembered that current crude prices are the sum of a multitude of factors, some of which could create further pressures in either direction, others that may become less influential.

A lack of refinery upgrading capacity was a prominent factor in the \$23/bbl rise in oil prices from mid-2003 to October 2004. Although upgrading issues would appear to have been surpassed by supply-side disruptions last year, they remain a key component behind elevated prices heading into 2006.

Reductions in MTBE blending in gasoline and lower-sulphur regulations have been cited for pushing up forward product prices. There are concerns that they could (via refinery yield and logistical considerations) lower supplies of transportation fuels this year. Should the fears prove overstated (as they were in Europe in 2004/5), they could come out of the equation later in the year. Another factor in the balance is projected higher light sweet crude production this year, which could boost gasoline and diesel yields. On balance though, refinery issues seem likely to remain a supportive factor until at least the end of the summer.

Stock issues have the potential to support prices through to the second half of the year. At 51 days of forward cover, relative end-December OECD crude and product inventories are unchanged from a year earlier and not far above the 49-day recorded low. But, while crude stocks are close to five-year highs, product inventories are trending towards the bottom of the range. This is not really surprising given the hurricane damage to US refineries and extreme cold weather in Asia, but it is a concern heading into the refinery maintenance season.

High prices also reflect the market's desire for a cushion of stocks or spare capacity. But this is one area that should show a marginal improvement in 2006. OPEC capacity is projected to rise by 1 mb/d over the year and total capacity growth should outpace demand. This should lead to a rise in either spare capacity or, if OPEC decides to elevate production, a build in stocks.

Medium-term investment issues are likely to retain a firm grip on the long-term oil price, until clear signs emerge that upstream and downstream capacity growth and improvements in energy efficiency are sufficient to offset concerns about strong non-OECD demand, shifting consumption patterns and changing environmental and product specifications.

This list of components underpinning the current oil prices is not exhaustive. There are many other factors to consider – notably the use of strategic stocks in the event of a supply disruption. Output issues in Iraq and Nigeria could shift either way according to political developments. Similarly, the situation in Iran could change, but this is also true of the other ingredients that make up the current oil price.

DEMAND

Summary

- **Weather developments** have driven oil product demand in different regions in recent months. In December and part of January, much of Asia was extremely cold, contributing to substantial increases in oil product demand—particularly for kerosene which is used for heating. Europe, and especially parts of the FSU, went through a period of extraordinarily low temperatures in January that persisted into February. Interruptions to Russian natural gas supplies likely induced switching to oil products in some European countries. This was offset to a certain extent by very warm temperatures in much of North America throughout most of January.

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)	82.3	80.8	81.8	84.0	82.2	84.1	82.0	82.9	84.1	83.3	85.4	83.5	84.7	86.7	85.1
Annual Change (%)	3.0	5.3	3.8	3.2	3.8	2.3	1.5	1.4	0.1	1.3	1.5	1.8	2.1	3.2	2.1
Annual Change (mb/d)	2.4	4.1	3.0	2.6	3.0	1.9	1.2	1.1	0.1	1.1	1.2	1.5	1.8	2.7	1.8
Changes from last month's report (mb/d)	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	-0.4	0.0	0.0	0.0	0.0	-0.2	-0.1

- **Global oil product** demand growth is revised down marginally, from 1.09 mb/d to 1.06 mb/d for 2005 and from 1.83 mb/d to 1.78 mb/d for 2006. The projected 2006 demand recovery is largely predicated upon more robust Chinese demand growth and a rebound in US demand in the second half of 2006 versus a hurricane-affected 2005 baseline.
- **OECD demand** declined by some 440 kb/d year-on-year in the fourth quarter of 2005. Higher product prices eroded oil consumption in all regions and in North America demand for petrochemical feedstocks fell off sharply. OECD Asia demand growth remained positive in the fourth quarter as low December temperatures boosted consumption. On the whole, OECD demand increased by only 160 kb/d in 2005, well below the 840 kb/d growth witnessed in 2004. Note that the weakening in OECD demand in 2005 is due primarily to a year-end drop-off associated with hurricane related market disruptions and mild weather. Over the first half of the year, OECD demand growth averaged a more robust 490 kb/d.

Global Oil Demand by Region

(million barrels per day)

	Demand	Annual Change			Annual Change (%)		
	2005	2004	2005	2006	2004	2005	2006
North America	25.45	0.81	0.11	0.44	3.3	0.5	1.7
Europe	16.29	0.22	-0.04	0.05	1.3	-0.2	0.3
OECD Pacific	8.63	-0.16	0.10	0.08	-1.9	1.2	1.0
China	6.60	0.86	0.16	0.38	15.4	2.5	5.8
Other Asia	8.73	0.51	0.18	0.20	6.3	2.1	2.3
Subtotal Asia	23.96	1.20	0.44	0.67	5.4	1.9	2.8
FSU	3.81	0.17	0.05	0.13	4.7	1.3	3.3
Middle East	5.91	0.34	0.29	0.30	6.5	5.1	5.0
Africa	2.90	0.09	0.09	0.08	3.2	3.2	2.9
Latin America	4.98	0.19	0.12	0.11	4.1	2.5	2.3
World	83.30	3.02	1.06	1.78	3.8	1.3	2.1

- **Chinese government officials** recently announced that demand fell slightly (0.3-0.5%) in 2005, while this Report estimates that apparent demand grew by some 2.5%. The difference may be traced to alternative methods of estimating demand. This Report measures Chinese apparent demand as the sum of domestic refinery output and net product imports (with adjustments for estimates of direct crude burning, smuggling and unreported refinery output) because it allows us to identify trends in the demand for individual products. In contrast, Chinese government agencies appear to focus more generally on the demand for crude. When crude and product inventories remain largely unchanged these two measures generally move together. However, anecdotal reports and crude delivery data suggest that there was some build in crude inventories at the end of 2004, which contributed to a divergence in assessments of demand growth. Until stock data are published, there will continue to be uncertainty in this area (see 'Comparing Apples and Oranges: The Latest Chinese Demand Announcements').

- **Chinese apparent demand** grew by approximately 3.0% in December. After averaging only 1.2% in the first half of 2005, apparent demand growth picked up to about 3.9% in the second half of the year. Although demand for some fuels, such as fuel oil and LPG, will remain relatively weak, apparent demand is expected to grow by 5.8% in 2006 as the economy continues its rapid expansion.

Preliminary Inland Deliveries - December 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
USA ³	9.28	0.7	1.70	3.1	3.09	5.6	1.23	-1.6	1.12	22.1	5.1	-3.1	21.53	1.4
Canada	0.69	-3.1	0.12	2.7	0.43	1.7	0.12	-9.8	0.17	-9.7	0.2	-17.6	1.72	-4.7
Mexico	0.75	4.6	0.06	-5.0	0.33	5.4	0.00	na	0.35	30.1	0.4	-4.4	1.90	6.0
Japan	1.14	2.1	1.12	27.3	0.68	-2.7	0.59	4.0	0.49	14.0	1.7	0.8	5.74	6.3
Korea	0.16	-3.6	0.07	7.4	0.44	-2.2	0.23	8.0	0.32	4.6	1.2	4.4	2.40	3.0
France	0.23	-10.3	0.13	4.3	0.62	-2.8	0.39	-9.1	0.06	-14.9	0.4	8.5	1.85	-3.0
Germany	0.51	-8.5	0.16	2.9	0.54	-4.3	0.51	-22.3	0.11	-8.0	0.5	-11.9	2.29	-11.1
Italy	0.31	-10.3	0.07	7.4	0.51	1.0	0.17	-1.8	0.17	-18.4	0.4	-3.1	1.66	-4.6
Total	13.07	-0.1	3.42	10.0	6.64	1.8	3.25	-5.3	2.79	11.2	9.9	-2.0	39.07	0.8

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

Percentage change is calculated versus last year

¹ excludes refinery fuel and bunkers (except US)

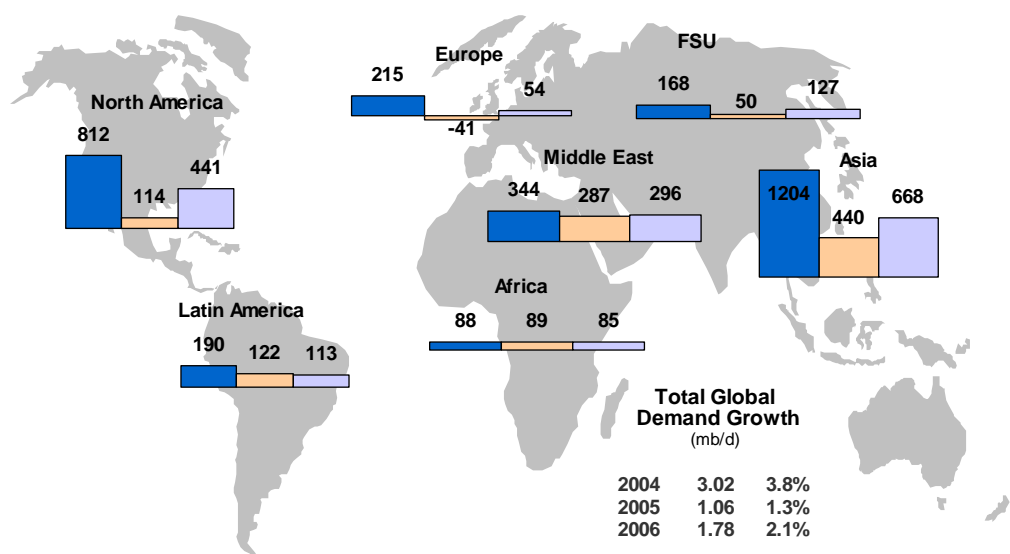
² includes direct use of crude oil

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 the Reports dated 13 July 2005 and 11 August 2005

- **FSU apparent demand** (crude production minus net crude and product exports) has been adjusted upwards for 2004-2005, partly due to improved information on Russian rail exports. On the whole, FSU apparent demand is revised up by some 10 kb/d for 2004 and 110 kb/d in 2005. These adjustments are to some extent carried through to the 2006 projections. In 2006, apparent demand is projected to grow by 130 kb/d, boosted in part by an extraordinarily cold January.

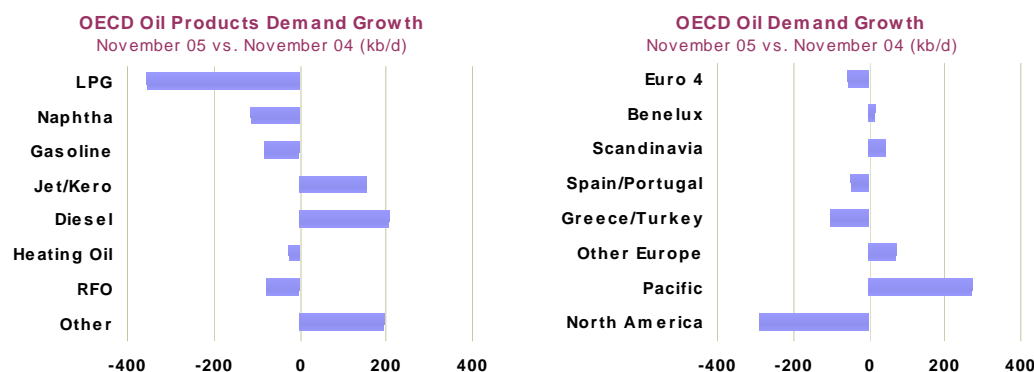
Global Demand Growth 2004/2005/2006

thousand barrels per day



- **Southeast Asian demand** has clearly been affected by the reduction/elimination of product price subsidies and a corresponding increase in retail prices. Thailand's oil product demand was down by an estimated 2.4% in the fourth quarter of 2005 and anecdotal reports suggest that Indonesia's demand also declined. 'Other Asia' demand is estimated to have declined by 50 kb/d year-on-year in the fourth quarter of 2005. Demand growth is projected to recover in 2006 as the region's economies are expected to continue to expand by some 5-6%.

OECD



Total OECD Demand by Product
(million barrels per day)

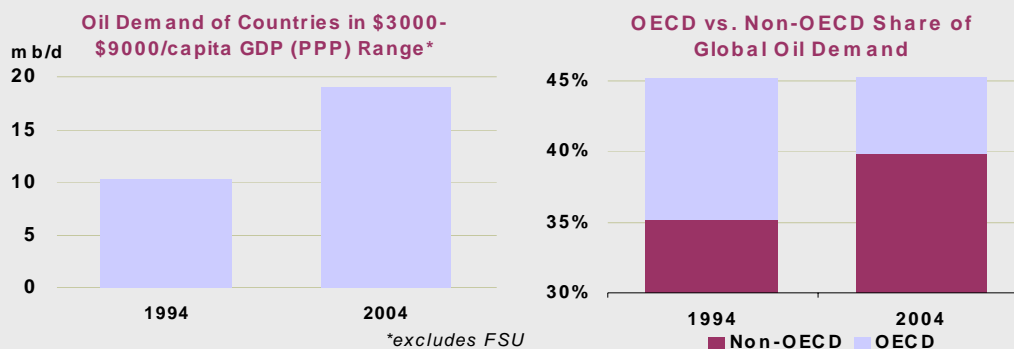
	2004	2005	4Q04	1Q05	2Q05	3Q05	Sep 05	Oct 05	Nov 05	Latest month vs.	
										Oct 05	Nov 04
LPG & Ethane	4.87	4.68	5.05	5.40	4.33	4.35	4.27	4.19	4.65	0.46	-0.35
Naphtha	3.22	3.23	3.33	3.40	3.15	3.25	3.15	2.96	3.16	0.20	-0.11
Motor Gasoline	14.88	14.87	14.89	14.46	15.09	15.17	14.57	14.50	14.68	0.18	-0.08
Jet & Kerosene	4.11	4.23	4.24	4.62	3.91	4.00	4.02	3.94	4.25	0.32	0.16
Gas/Diesel Oil	12.85	13.03	13.40	13.38	12.64	12.72	13.16	12.82	13.60	0.78	0.19
Residual Fuel Oil	4.59	4.58	4.67	4.88	4.36	4.44	4.48	4.38	4.63	0.25	-0.07
Other Products	4.98	5.04	4.89	4.42	5.23	5.36	5.32	5.13	5.19	0.06	0.20
Total Products	49.49	49.65	50.48	50.57	48.70	49.30	48.98	47.92	50.17	2.24	-0.07

Key Issues in Mid-Term Demand: The Growing Impact of Non-OECD Consumption

Perhaps the most important consideration in evaluating the mid-term demand outlook is the rising importance of non-OECD areas. Due to a combination of rapid economic growth and swiftly expanding manufacturing and transport sectors, non-OECD countries are quickly assuming a large share of oil consumption and are expected to dominate future changes in global oil demand. It is critical to understand why this growth is taking place and the key risk factors that could lead to deviations from the baseline demand projection.

Economic growth is by far the most important driver of oil demand. Because the link between oil consumption and economic output is close, it is not surprising that booming economies in important areas such as developing Asia have posted strong oil demand growth. If, as projected by most economists, underlying economic trends remain strong in these areas, incremental oil demand growth should remain robust.

Structural changes to key developing economies may also point to a period of relatively strong oil demand growth. A variety of research suggests that the income elasticity of oil demand changes at different levels of prosperity. As developing economies reach a stage of growth where a manufacturing sector emerges and purchases of automobiles take-off, the income elasticity tends to increase. When the economy matures and growth in the service sector predominates, growth in oil demand begins to taper off—the income elasticity is lower. Of course, there is not a clearly defined line where this change in elasticity takes place. Some believe that the take-off stage could be around \$3,000/capita using a purchasing power parity (PPP) measure of GDP. Further, growth is sometimes thought to taper off in the region of \$9,000/capita.



Key Issues in Mid-Term Demand: The Growing Impact of Non-OECD Consumption (continued)

In this context, it is important to note that in recent years, several major non-OECD consuming nations, including China, have passed the \$3,000/capita threshold. In 1994, countries in the \$3,000-\$9,000/capita income bracket consumed only 10.4 mb/d, accounting for about 15% of global demand. By 2004 countries in this income group consumed 19.0 mb/d, accounting for 23% of global demand. Having a larger proportion of oil demand fall in this potentially high growth category may help spur global oil demand growth.

Quite simply, the rapidly expanding size of non-OECD consumption implies an increasingly important role in incremental global oil demand growth. For example, in 2004 non-OECD demand grew by a robust 7.1%, or 2.16 mb/d, to 32.72 mb/d. By contrast, if non-OECD demand had grown by 7.1% in 1994 (from a 1993 level of 24.1 mb/d) oil demand would have increased by only 1.74 mb/d, 420 kb/d less than in 2004. Clearly, the growing absolute size and importance of non-OECD demand is affecting how we view global demand growth over the coming five years.

While the prospects for non-OECD growth impacting future oil demand are large, there exist some important caveats, notably oil price and the growing use of natural gas. A continuing shift towards transport fuels, where demand is typically less price sensitive than in other uses, has lent support to demand in the face of high prices. However, a further rise in oil prices—or even maintaining prices at current levels—may continue to erode mid-term demand growth in developing areas.

Here, retail prices are important. The rise in oil prices since 2003 has pushed some countries towards liberalisation of retail prices. Initial attempts to limit the economic impact of increased costs for transportation and heating fuels led to burdensome increases in subsidies in many (particularly Asian) countries. Not only was the cost of the subsidies high, but consumers had no incentive to change usage patterns, leading to an unsustainable situation. The abandonment or reduction of subsidies was eventually forced upon several countries (including Indonesia and Thailand) by a growing fiscal burden, leading to clear evidence of a drop-off in demand growth.

The growing importance of natural gas (both pipeline and liquefied) in non-OECD economies could also help temper the increase in the demand for oil in these countries. This has been witnessed this in India in recent years, and China certainly has ambitious plans to increase natural gas use. However, a rise in international gas prices appears to have somewhat slowed plans for gas imports in these price-sensitive countries.

It is clear that both short- and medium-term forecasts of non-OECD oil demand growth will be affected by the degree to which price movements are passed on to consumers. Structural changes in the economy and the opportunity for substitution are further important variables to consider. But a combination of robust economic prospects, a shift from an agrarian to a manufacturing and consumer-led economy, and a higher absolute level of oil consumption point towards strong medium-term growth in incremental demand for countries outside of the OECD.

This issue will be further developed in this Report's medium-term outlook released in the second quarter of this year. Also, a detailed analysis of the recent trends in income, price and cross price elasticity of oil demand will be included in a special chapter in the 2006 edition of the *World Energy Outlook*, to be published next autumn.

Pacific

As anticipated, OECD Asia posted strong year-on-year demand growth in December, as temperatures fell to abnormally low levels. Japanese inland deliveries increased by some 6.3% versus December 2004, with deliveries of jet fuel/kerosene (used for heating) up by approximately 27.3% year-on-year. Deliveries of residual fuel oil and 'other products,' which includes crude for direct burning in power generation, also rose substantially. Japanese power companies reportedly purchased over 200 kb/d of crude for direct burning in December, nearly double November levels.

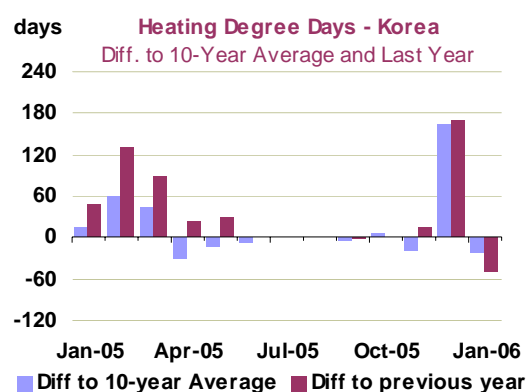
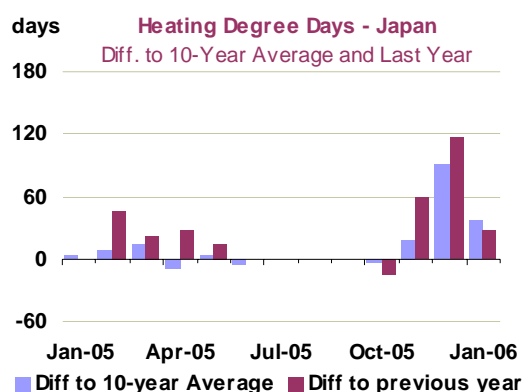
Note that the demand-side impact of Japan's cold snap could extend to coming months as Japanese power companies seek to rebuild inventories of fuel oil and medium/heavy sweet crude for direct burning. Tokyo Electric Power Company's (TEPCO) crude oil consumption reportedly more than trebled in December versus a year ago, while its crude purchases increased by only about one third. Currently, there are anecdotal reports that power companies are rebuilding inventories, which would be measured as an increase in oil demand.

OECD Pacific Demand by Product

(million barrels per day)

	2004	2005	4Q04	1Q05	2Q05	3Q05	Sep 05	Oct 05	Nov 05	Latest month vs.	
										Oct 05	Nov 04
LPG & Ethane	0.88	0.90	0.88	1.00	0.87	0.83	0.87	0.81	0.91	0.10	0.03
Naphtha	1.57	1.62	1.63	1.69	1.54	1.62	1.67	1.49	1.66	0.17	0.03
Motor Gasoline	1.60	1.61	1.63	1.59	1.59	1.65	1.59	1.51	1.60	0.10	0.02
Jet & Kerosene	1.02	1.06	1.12	1.54	0.77	0.72	0.75	0.78	1.08	0.30	0.13
Gas/Diesel Oil	1.89	1.88	1.95	1.99	1.85	1.76	1.79	1.74	1.95	0.21	0.04
Residual Fuel Oil	1.05	1.05	1.05	1.17	0.98	0.98	0.98	0.98	1.06	0.08	0.00
Other Products	0.52	0.53	0.52	0.52	0.50	0.54	0.57	0.46	0.53	0.07	0.01
Total Products	8.53	8.63	8.77	9.49	8.10	8.10	8.21	7.77	8.79	1.03	0.27

Korean demand is projected to grow by 1.7% in 2006, exceeding the 0.9% growth witnessed in 2005. This is in large part due to an October 2005 anomaly where demand declined by 9.9% year-on-year. Temperatures were unusually warm and product price spikes associated with the US hurricanes contributed to the fall in demand. Demand is expected to return to trend levels in October 2006, implying a 10.7% year-on-year growth rate for the month. Excluding these October outliers presents a more realistic picture of Korea's tepid demand trend, with 1.9% average growth over the other 11 months of 2005 and 1.1% growth over the same period in 2006.



Europe

Preliminary indications are that European year-on-year demand growth contracted in December (-2.3%), but strengthened considerably in January (3.8%) with unusually low temperatures. Projections of January demand for OECD Europe have been adjusted upwards by some 330 kb/d, but there could be some upside to these estimates as the full impact of disruptions to deliveries of oil products and natural gas becomes more evident.

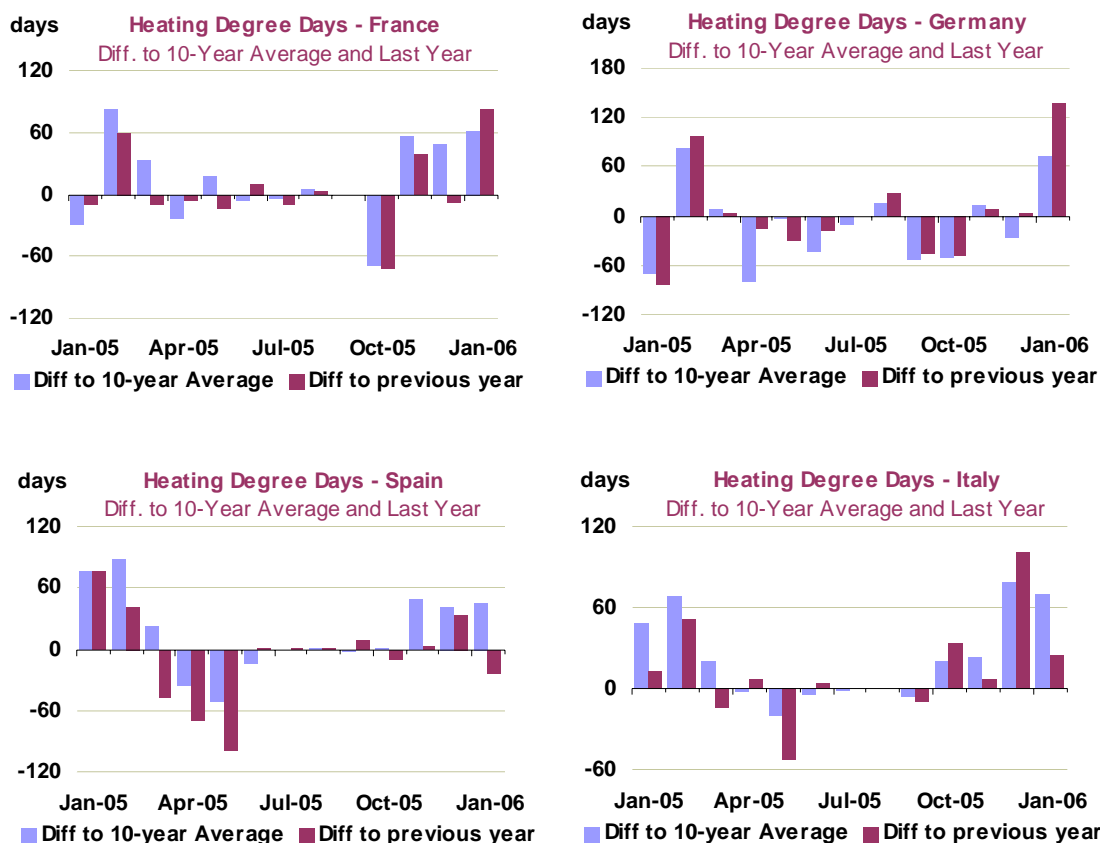
In spite of low temperatures, German deliveries of heating oil were reportedly weak in the first part of January. There may have been a drawdown in consumer inventories because barge deliveries were disrupted throughout the month due to low water levels and ice. As a consequence, January deliveries could be weaker than the low temperatures suggest, followed by a rebound in February. There were also reports of interruptions to barge traffic to parts of the Czech Republic, France, Poland and Switzerland which would similarly imply that some deliveries may shift to February. In part for this reason, OECD Europe demand is adjusted upwards by 140 kb/d in February.

OECD Europe Demand by Product

(million barrels per day)

	2004	2005	4Q04	1Q05	2Q05	3Q05	Sep 05	Oct 05	Nov 05	Latest month vs.	
										Oct 05	Nov 04
LPG & Ethane	1.03	1.00	1.05	1.13	0.91	0.93	1.00	0.93	1.01	0.09	-0.04
Naphtha	1.15	1.17	1.15	1.21	1.15	1.14	1.17	1.22	1.23	0.01	0.10
Motor Gasoline	2.78	2.65	2.72	2.52	2.76	2.75	2.66	2.54	2.54	0.00	-0.16
Jet & Kerosene	1.18	1.24	1.17	1.15	1.24	1.35	1.38	1.24	1.21	-0.03	0.05
Gas/Diesel Oil	5.98	6.09	6.37	6.17	5.79	6.05	6.31	6.04	6.60	0.56	0.14
Residual Fuel Oil	2.02	1.94	2.08	2.12	1.90	1.84	1.86	1.81	1.93	0.12	-0.11
Other Products	1.48	1.48	1.48	1.26	1.55	1.64	1.71	1.53	1.52	-0.01	-0.02
Total Products	15.62	15.57	16.02	15.56	15.30	15.71	16.10	15.31	16.04	0.72	-0.06

Russia's extremely cold winter has also had an impact on OECD Europe oil product demand, as in January Russia cut its natural gas exports to countries such as Austria, Hungary and Italy. At this point the extent to which these countries turned to natural gas storage and/or substituted oil products is unclear. Some reports indicate that Italy drew upon gas storage to satisfy the bulk of the supply shortfall. However, it is certainly likely that oil consumption increased at the margin throughout the region, which is captured in our upward adjustment to January demand. The demand-side impact of these disruptions could also linger into coming months as consumers rebuild inventories.



It should be noted that the sharp decline in December deliveries indicated by the preliminary data was unanticipated, resulting in a 170 kb/d downward revision to fourth quarter 2005 demand. Temperatures were typically cooler or roughly similar to a year ago, but German heating oil deliveries did not reflect this, declining by some 22.3%. Gasoline demand also remained very weak across key consuming economies. This may in part be attributed to fewer working days in December 2005 than in December 2004, but the decline still exceeded initial expectations.

North America

After a fairly cold December, this January was among the warmest the United States has ever seen, suppressing demand for heating oil, natural gas, fuel oil and electricity. As a consequence, oil product demand is expected to decline by 0.8% year-on-year in January versus a 1.4% increase in December. Gasoline demand grew by some 0.8-0.9% over December and January in the face of rising average monthly prices. It appears that demand for both diesel and jet fuel is recovering following some post-hurricane weakness. Fuel oil demand has weakened somewhat in recent weeks alongside warmer temperatures and lower natural gas prices, reducing the incentive for interfuel substitution.

US petrochemical sector demand for oil products as feedstock was extraordinarily weak through the end of 2005. There were certainly other factors at work, including high natural gas prices encouraging producers to leave natural gas liquids in the gas stream, but a substantial portion of the 14.4% year-on-year decline in LPG/ethane demand in the fourth quarter of 2005 may be attributed to the petrochemical sector. Naphtha demand was also down by some 45.4% year-on-year in the fourth quarter.

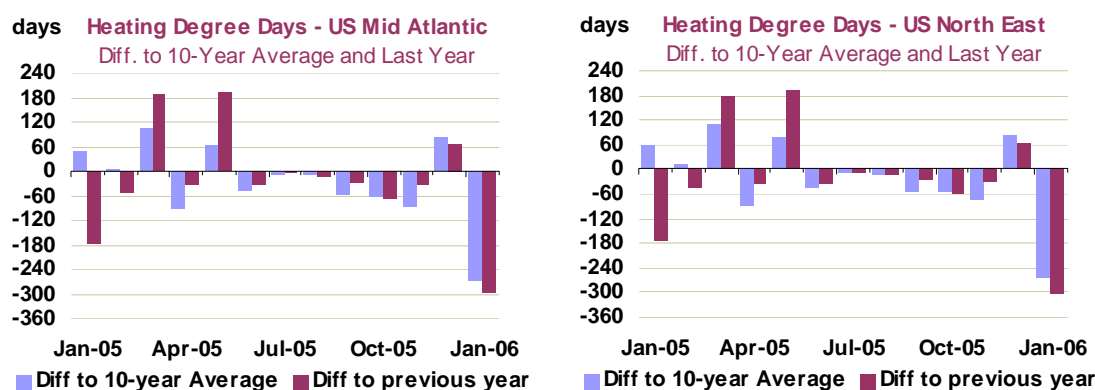
OECD North America Demand by Product

(million barrels per day)

	2004	2005	4Q04	1Q05	2Q05	3Q05	Sep 05	Oct 05	Nov 05	Latest month vs.	
										Oct 05	Nov 04
LPG & Ethane	2.95	2.79	3.12	3.27	2.54	2.59	2.39	2.46	2.73	0.28	-0.34
Naphtha	0.50	0.44	0.56	0.50	0.47	0.49	0.31	0.25	0.27	0.02	-0.24
Motor Gasoline	10.50	10.61	10.55	10.35	10.74	10.77	10.32	10.45	10.53	0.08	0.07
Jet & Kerosene	1.91	1.93	1.96	1.94	1.89	1.93	1.89	1.91	1.96	0.05	-0.02
Gas/Diesel Oil	4.98	5.07	5.08	5.22	5.00	4.91	5.06	5.04	5.05	0.01	0.01
Residual Fuel Oil	1.51	1.59	1.54	1.60	1.47	1.62	1.65	1.60	1.65	0.05	0.03
Other Products	2.98	3.03	2.89	2.65	3.18	3.18	3.04	3.14	3.15	0.00	0.21
Total Products	25.34	25.45	25.69	25.53	25.30	25.48	24.66	24.84	25.34	0.49	-0.28

For the most part, the decline in deliveries of petrochemical feedstocks should be temporary. Hurricane-related petrochemical plant closures, pipeline damage and product supply outages are largely responsible for the decline. And in fact, there are indications that demand began to pick up in December. However, some market observers believe that domestic petrochemical product demand could remain weak as buyers that sought out overseas supply options in the wake of Hurricanes Katrina and Rita could choose to remain with these suppliers.

Naphtha demand was weaker than expected in November and December, resulting in a 100 kb/d downward revision to fourth quarter 2005 naphtha demand. This Report has also adopted a more conservative outlook for a 2006 recovery in demand for LPG and naphtha, contributing to a 30 kb/d downward revision to the overall US demand outlook for 2006.



US demand is expected to grow by 1.7% year-on-year in 2006 versus only 0.2% in 2005. Most of the difference may be attributed to a rebound from the temporary impacts of the hurricanes, which affected baseline demand in the third and fourth quarters of 2005. Economic growth is also expected to rebound in the first quarter of 2006 which should support oil product demand growth. Retail sales were reportedly very strong in January.

Canadian demand contracted in the third and fourth quarters of 2005 versus a strong 2004 baseline. On the whole, preliminary indications are that oil product demand declined by some 0.7% in 2005. As in the US, January temperatures were unusually high. Year-on-year demand growth is projected to remain weak through the first half of 2006 before recovering in the latter part of the year as LPG/ethane, naphtha and gasoline rebound. In contrast, Mexican demand has remained strong and demand is projected to grow by 3.4% in 2006.

Non-OECD

China

Preliminary indications are that Chinese apparent demand grew by a lower than expected 3.0% in December. Fuel oil demand rebounded from an extraordinarily weak November, when year-on-year demand fell by 33.8%, but it still declined by some 4.9% year-on-year in December. Overall, with the exception of 'other products' and LPG, preliminary reports of Chinese oil product demand growth came in below expectations. This may be in part attributed to relatively strong baseline December 2004 apparent demand, but it is still somewhat surprising as December 2005 was unusually cold. While China depends in large part on coal for heating, we had expected a larger boost to middle distillate demand at the margin.

China Crude & Product Trade

(thousand barrels per day)

	2004	2005	1Q2005	2Q2005	3Q2005	4Q2005	Oct 05	Nov 05	Dec 05	Latest month vs. Nov 05 Dec 04	
Net Imports/(Exports) of:											
Crude Oil	2346	2387	2305	2541	2294	2407	2575	2290	2353	63	-312
Products & Feedstocks	661	485	501	375	445	617	608	588	654	66	107
Gasoil/Diesel	43	-19	-6	-27	-40	-3	-4	8	-12	-20	-130
Gasoline	-125	-130	-151	-161	-155	-55	-43	-57	-66	-9	70
Heavy Fuel Oil	506	418	480	395	397	402	380	371	454	83	-12
LPG	201	194	200	179	216	182	179	196	171	-25	23
Naphtha	-33	-35	-49	-67	-25	1	0	-20	24	44	83
Jet & Kerosene	16	11	6	5	2	31	41	26	27	2	29
Other	52	45	22	51	49	59	56	64	56	-8	44
Total	3008	2872	2807	2916	2739	3024	3183	2878	3007	129	-204

Sources: China Oil, Gas and Petrochemicals plus IEA estimates.

For 2005 as a whole, apparent demand grew by some 2.5%, which is far below the 15.4% growth recorded in 2004. This decline in growth is driven in part by temporary factors that boosted 2004 demand, including a rebound from the SARS crisis and increased demand for oil in power generation in the face of severe power shortages. Fuel oil demand declined by a preliminary 9.5% in 2005, as coal-fired power generation increased and hydropower generation, which was up by some 19.5% year-on-year, helped to fill the demand/supply gap. Note that excluding fuel oil, apparent demand for petroleum products increased by some 4.3% in 2005.

Because the Chinese economy continues its rapid expansion and baseline 2005 demand growth was relatively weak, oil product demand growth is projected to rebound to 5.8% in 2006. With the addition of new power generation capacity that is fuelled by less expensive alternatives, fuel oil demand should continue to decline by some 3.9%. In contrast, demand for transport fuels is expected to post growth of 7-8%. Automobile sales remain strong, growing by 38.3% year-on-year in December and 21.4% for 2005 overall.

China Demand by Product

(thousand barrels per day)

	Demand			Annual Change		Annual Change (%)	
	2004	2005	2006	2005	2006	2005	2006
LPG & Ethane	633	636	658	3	22	0.4	3.4
Naphtha	684	742	814	58	72	8.5	9.7
Motor Gasoline	1069	1092	1182	23	90	2.2	8.2
Jet & Kerosene	239	245	263	6	17	2.6	7.1
Gas/Diesel Oil	2150	2264	2430	114	166	5.3	7.3
Residual Fuel Oil	829	750	721	-79	-29	-9.5	-3.9
Other Products	828	866	913	37	47	4.5	5.4
Total Products	6433	6597	6981	163	385	2.5	5.8

Although China's oil product demand growth is expected to rebound in 2006, there are certainly reasons to be wary. It appears that the same conditions that contributed to product shortages that repressed apparent demand in the third quarter last year are re-emerging. The Chinese government has reinstated tax rebates on exports of gasoline and naphtha. At the same time, the government has not adjusted administered retail prices to match the recent increase in international market prices, thereby enhancing the incentive to export petroleum products. While the government recently cut 2006 oil product export quotas by 25% and has said that it will closely monitor product exports, early reports indicate that first quarter 2006 gasoline exports (which typically accounts for some 25-50% of total product exports) will exceed the fourth quarter of last year.

There were reports of growing shortages of LPG prior to the lunar New Year holiday as the government reportedly ordered suppliers not to raise prices. In contrast to other products, such as gasoline and diesel, the government had previously allowed LPG prices to fluctuate with the market. However, officials are said to have become increasingly concerned about the impact of higher prices on consumers. Retailers are said to be limiting sales, and it seems that some consumers are substituting coal briquettes in place of cleaner burning LPG.

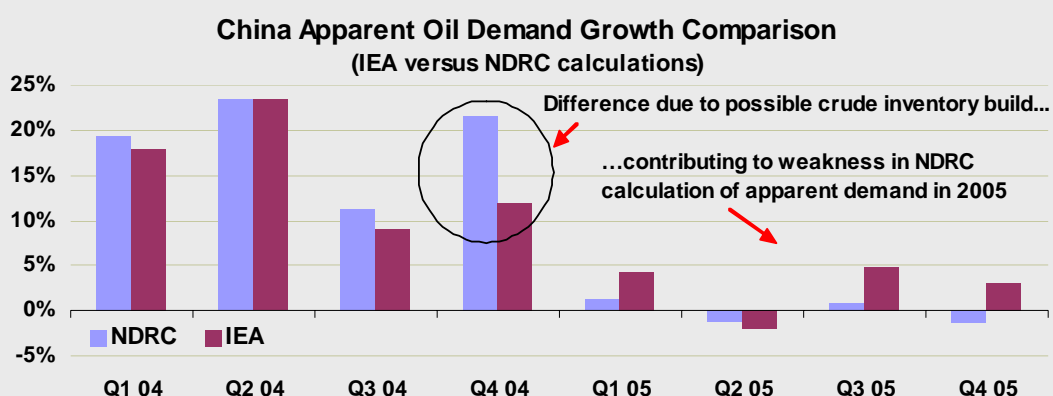
Comparing Apples and Oranges: The Latest Chinese Demand Announcements

China's National Development and Reform Commission (NDRC) and the National Bureau of Statistics (NBS) recently announced that Chinese oil demand fell slightly (0.3-0.5%) in 2005. Officials pointed to the decline as evidence that higher oil prices had an impact on demand and China has made "great strides" towards promoting energy efficiency. The pronouncement came as a surprise, as this Report estimates that Chinese apparent demand actually grew by 2.5% in 2005, albeit well below the 15.4% growth witnessed in 2004. It also, understandably, sparked another round of debate as to the direction and strength of Chinese demand or credibility of Chinese numbers.

Although information accompanying the recent government statements was sparse, it appears that the difference may be attributed to different methods of tallying apparent demand. This Report focuses on China's final oil *product* demand, defining apparent oil product demand as the sum of domestic refinery output and net product imports, with adjustments for estimates of direct crude burning, smuggling and unreported refinery output. Among the advantages of this method is that in addition to following movements in overall crude demand, it allows us to closely track movements in demand for individual products. In contrast, reports in the *People's Daily* and from China's official Xinhua News Agency indicate that the NDRC and the NBS calculate demand as the sum of domestic crude production, net crude imports and net product imports. When crude and product inventory levels remain largely unchanged, these two methods of estimating apparent demand should yield a similar picture. However, if inventories change significantly, estimates of demand growth may diverge, as appears to be the case here.

Although Chinese inventory data are not publicly released, crude production and crude import data (as well as anecdotal reports) suggest that crude inventories increased substantially in the fourth quarter of 2004. Crude output increased by 3.0% and net crude imports were 45.2% higher than the same period in 2003. On the whole, crude deliveries increased by some 17.1%. At the same time, refinery throughput increased by only about 8.7%, implying a fourth quarter 2004 crude stock build.

Following the 2004 year-end stock build, crude demand appears to have stagnated. Given the crude-focused accounting method favoured by the NDRC, it is not particularly surprising that the NDRC's measurement of 2004 apparent demand growth would be stronger than this Report's. At the same time, the NDRC's methodology would yield weaker apparent demand growth in 2005, as shown in the figure below.



Looking forward, estimates of apparent demand growth will continue to vary if different accounting methods are used. Consequently, the growth estimates of this Report and the NDRC may diverge again. Until stock data are published, there will continue to be uncertainty. Clearly it is becoming increasingly important to account for changes to Chinese oil inventories in a timely manner, especially as China begins to fill its strategic government storage.

Other Non-OECD

FSU apparent demand (crude production minus net crude and product exports) has been adjusted upwards for 2004-2005, partly to correct for double counting of some Russian rail exports. The impact of the adjustment to historical data was most pronounced in the latter half of 2005. On the whole, FSU apparent demand is revised up by some 10 kb/d for 2004 and 110 kb/d in 2005. These adjustments are in part extended through the 2006 projections.

Most parts of the FSU experienced a period of extraordinarily cold weather in January and early February that disrupted crude output and both crude and product exports. Low temperatures contributed to a widespread spike in the consumption of oil products, which was exacerbated by natural gas shortages that further boosted the demand for substitute oil products. Demand for natural gas and electricity was reported to be about 40% higher than normal in the Moscow area, increasing the demand for fuel oil in power generation. There were also reports that additional volumes of diesel were being used in power generation. It appears that January exports will not be affected by the weather induced demand increase, but February (and possibly March) exports will be affected. Lukoil reportedly cut product exports to redirect supplies to the domestic market, and other refiners are expected to act in similar fashion.

India's oil demand remains very weak in contrast to its thriving economy. Demand contracted by a preliminary 0.8% year-on-year in December. This was partly due to continued substitution of natural gas for naphtha in industrial use and fertilizer production, a trend which began about 18 months ago. The demand for fuel oil and 'other products' also declined in December.

India Crude & Product Trade

(thousand barrels per day)

	2003	2004	4Q2004	1Q2005	2Q2005	3Q2005	Sep 05	Oct 05	Nov 05*	Latest month vs. Oct 05 Nov 04	
Net Imports/(Exports) of:											
Crude Oil	1863	1945	1742	1969	1894	1965	2070	1846	1894	48	223
(by Public Oil Cos)	1243	1158	1000	1133	1116	1112	1273	1275	1211	-64	323
Products & Feedstocks	-152	-176	-222	-82	-92	-116	-134	-197	-198	0	119
Gasoil/Diesel	-119	-139	-162	-89	-108	-135	-193	-223	-210	13	-27
Gasoline	-72	-75	-80	-53	-39	-35	-19	-4	-21	-16	60
Heavy Fuel Oil	5	-6	-20	-4	10	7	-7	-33	-17	16	38
LPG	55	86	128	95	74	98	125	138	139	1	1
Naphtha	-1	-7	-25	-15	-39	-28	2	-9	-28	-19	14
Jet & Kerosene	-22	-47	-74	-34	-5	-33	-53	-74	-78	-4	24
Other	1	12	12	17	15	10	11	8	18	10	8
Total	1712	1769	1520	1887	1801	1849	1936	1649	1696	47	341

* Preliminary

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

Overall, Indian demand expanded by only approximately 0.7% in 2005, versus economic growth of some 7.5%. The slow demand growth may be attributed in part to a relatively high 2004 baseline, where oil demand expanded by 5.6%, and also to increases in retail prices. Demand growth is projected to rebound to 1.9% in 2006, still relatively low in contrast to projected GDP growth of some 8.1%. Demand for naphtha and fuel oil is expected to remain weak. Also, economic growth is weighted towards the service sector, which should help hold down growth in the demand for oil.

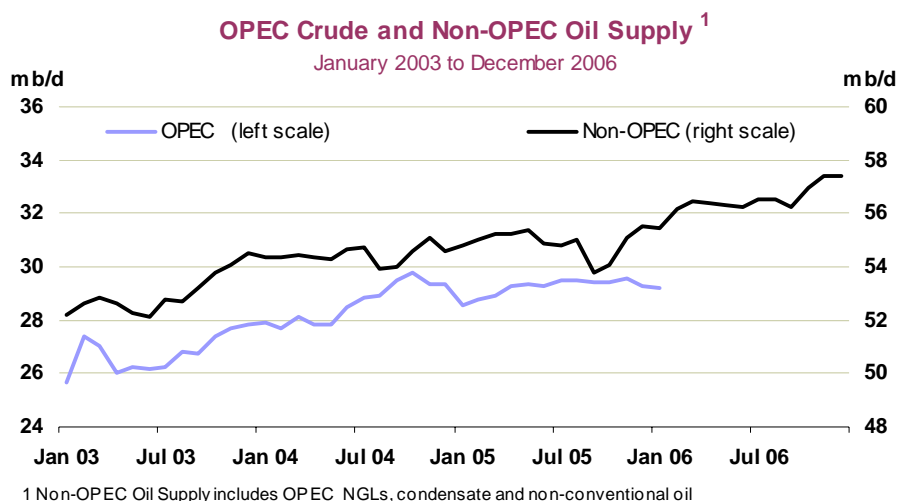
It is clear that the substantial reduction/elimination of product price subsidies and a corresponding increase in retail prices had an impact on oil product demand in many areas of Southeast Asia. In **Thailand**, demand for key petroleum products decreased by some 4.7% in December and anecdotal reports suggest that **Indonesian** demand was down as well.

Iraqi demand has been revised down by some 10 kb/d for 2005 and 30 kb/d for 2006. Domestic refinery output has fallen and measures have been taken to curb consumption growth and limit imports, including raising prices and imposing alternate days for car travel. These measures are expected to contain demand growth in the near term.

SUPPLY

Summary

- **World oil supply** fell by 135 kb/d in January compared to a downward-revised December and averaged 84.6 mb/d. Weather related disruptions to FSU, North Sea and Australian production, as well as ongoing interruptions to supply from Nigeria and Iraq, cut supplies by 450 kb/d. However, these were offset in part by increases from North and Latin America, Asia and Africa.
- A **year-on-year comparison** shows global supply in January a healthy 1.25 mb/d above January 2005 levels. However, January 2005 saw a sharp drop in OPEC and Russian production, which distorts the picture somewhat. Nonetheless, the trend towards stronger growth in non-OPEC supply in 2006 is expected to persist.
- **Shut-in production around the US Gulf of Mexico** following last year's Hurricanes Katrina and Rita was an estimated 570 kb/d in January, and shut-ins for September-December were revised down modestly. Outages affecting Louisiana state production and NGL are running below earlier assessments. However, with shut-in production in the Federal waters of the Gulf still at 375 kb/d on 25 January, this Report revises up expected total outages through mid-year 2006. These are now assumed at 415 kb/d in February and an average 260 kb/d for the period through June.
- **Non-OPEC supply** for 2005 is revised up by 30 kb/d while 2006 production is revised up by 20 kb/d. Annual averages now amount to 50.15 mb/d and 51.45 mb/d respectively. Growth in 2006 comes mainly from the FSU, Africa and North and Latin America. In addition to non-OPEC growth, OPEC NGL and non-conventional supply also rises from 4.75 mb/d in 2005 to 5.05 mb/d in 2006.
- **OPEC crude supply** averaged 29.2 mb/d in January, down 65 kb/d from December. Supply from the UAE fell by 80 kb/d due to gas plant maintenance. Net Iraqi supply fell by 40 kb/d to 1.5 mb/d with disrupted southern exports and absent tanker liftings from Ceyhan. Nigerian supply also fell by 45 kb/d amidst ethnic unrest. Peak production losses from the offshore EA and the Forcados system reached 220 kb/d but were offset by other offshore increases. An 80 kb/d rise in conventional crude in Venezuela countered falling syncrude production due to plant maintenance.
- **OPEC spare production capacity** was a nominal 2.7 mb/d for January, but 1.4 mb/d on an effective basis excluding Indonesia, Iraq, Nigeria and Venezuela. As noted last month, OPEC sustainable capacity should rise by 1.0 mb/d during 2006, with up to 0.5 mb/d due by mid-year.
- **The 'call on OPEC crude and stock change'** for fourth quarter 2005 is revised down by 0.4 mb/d to 29.2 mb/d, on signs of weaker demand from OECD Europe, China and Asia. The first quarter 2006 call is revised up by 0.2 mb/d to 29.4 mb/d due to lower non-OPEC supply. Overall, 2006's projected call remains unchanged at 28.6 mb/d, up by 200 kb/d versus 2005. A 700 kb/d miscellaneous to balance item however implies potential future upward revisions to the call.



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

OPEC crude supply is estimated at 29.2 mb/d in January, a drop of 65 kb/d from December. Supply from the UAE fell by 80 kb/d with gas plant maintenance affecting the Murban stream. This however is expected to be reversed in February. Net Iraqi supply fell by 40 kb/d to 1.5 mb/d amidst disrupted southern exports, an ongoing absence of tanker liftings from Ceyhan and continued disruption to refinery operations. Nigerian output also fell by 45 kb/d, as production from the offshore EA field and the Forcados system was curtailed by ethnic unrest. However, as in December, the net loss in Nigerian supply was lessened by rising deepwater output. An 80 kb/d rise in conventional crude supply in Venezuela countered an associated fall in synthetic crude production due to plant maintenance. Saudi output remained steady at 9.5 mb/d, with Iran estimated up 30 kb/d, at 3.9 mb/d.

A thin margin of OPEC spare capacity continues to reinforce bullish market sentiment, with a notional level of 2.7 mb/d estimated for January, but a more marginal 1.4 mb/d on an effective basis if Indonesia, Iraq, Nigeria and Venezuela are excluded (all of which could struggle to boost supply rapidly). Sustainable capacity is however expected to increase by 1.0 mb/d during 2006, reaching around 32.8 mb/d on a net basis by end-year. New supplies (albeit not entirely incremental on a net basis) in the next few months will come from:

- Saudi Arabia, with peak 300 kb/d of Arab Light crude from phase three of the Haradh project;
- Nigeria, with 50-70 kb/d from the Bonga field and up to 150 kb/d from Erha from March;
- Abu Dhabi, where expansion at onshore fields boosts Murban supply by 100 kb/d in 1Q;
- Iran, with an incremental 15-20 kb/d from the offshore Doroud field;
- Libya, as pipeline completion boosts Elephant field and block NC-186 supply by 80 kb/d;
- Algeria whose Bir Berkine complex could add 25 kb/d from April

Allowing for mature field decline, and phased build up from some of the new projects, up to 0.5 mb/d of new capacity should be available on a net basis before mid-year, much of this being relatively light, sweet crude compared to baseload OPEC supply.

OPEC Crude Production

(million barrels per day)

	1 July 2005 Target	January 2006 Production	Sustainable Production Capacity ¹	Spare Capacity vs January 2006 Production	Production vs. Target
Algeria	0.89	1.36	1.37	0.01	0.47
Indonesia	1.45	0.92	0.98	0.07	-0.54
Iran	4.11	3.92	4.00	0.08	-0.19
Kuwait ²	2.25	2.52	2.60	0.08	0.27
Libya	1.50	1.65	1.65	0.00	0.15
Nigeria	2.31	2.42	2.60	0.19	0.11
Qatar	0.73	0.83	0.83	0.00	0.10
Saudi Arabia ²	9.10	9.50	10.50	1.00	0.40
UAE	2.44	2.48	2.65	0.18	0.03
Venezuela ³	3.22	2.13	2.20	0.07	-1.09
Subtotal	28.00	27.71	29.38	1.67	-0.29
Iraq		1.50	2.50	1.00	
Total		29.21	31.88	2.67	
<i>(excluding Iraq, Nigeria, Venezuela, Indonesia</i>				<i>1.35)</i>	

¹ Capacity levels can be reached within 30 days and sustained for 90 days

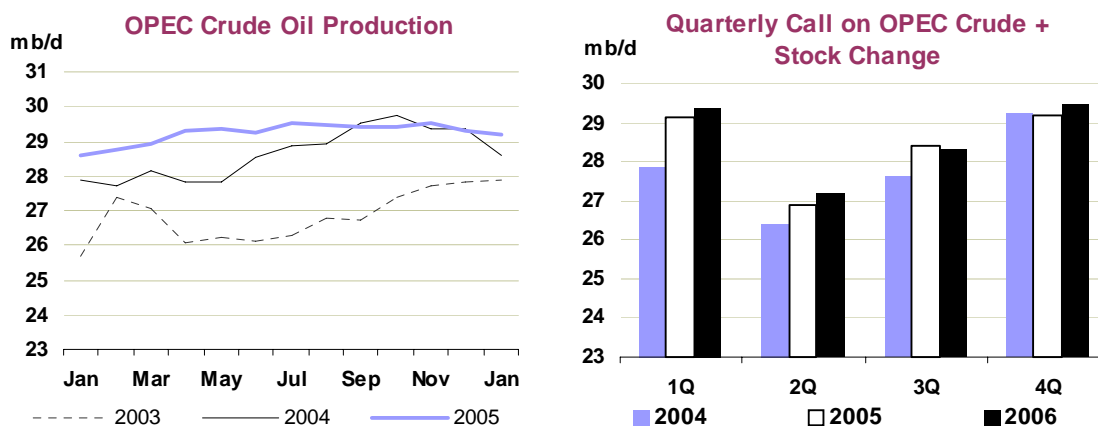
² Includes half of Neutral Zone Production

³ Excludes upgraded Orinoco extra-heavy oil which averaged 480 kb/d in January

OPEC's 31 January meeting in Vienna resulted in no change to the 28.0 mb/d production target for the OPEC-10 (excluding Iraq), which has been in place since July 2005. This Report assesses January OPEC-10 output to have been 27.7 mb/d. The post-conference communiqué noted what were seen as comfortable commercial stock levels in the OECD and an apparently resilient global economy. The continuing rise in prices was attributed to refining bottlenecks and other non-fundamental factors, which may in part have been a reference to concerns over future supply from Iran and Nigeria. Perhaps more importantly, the tendency in recent years for declining second quarter oil products demand to mask a higher underlying requirement for OPEC crude was noted.

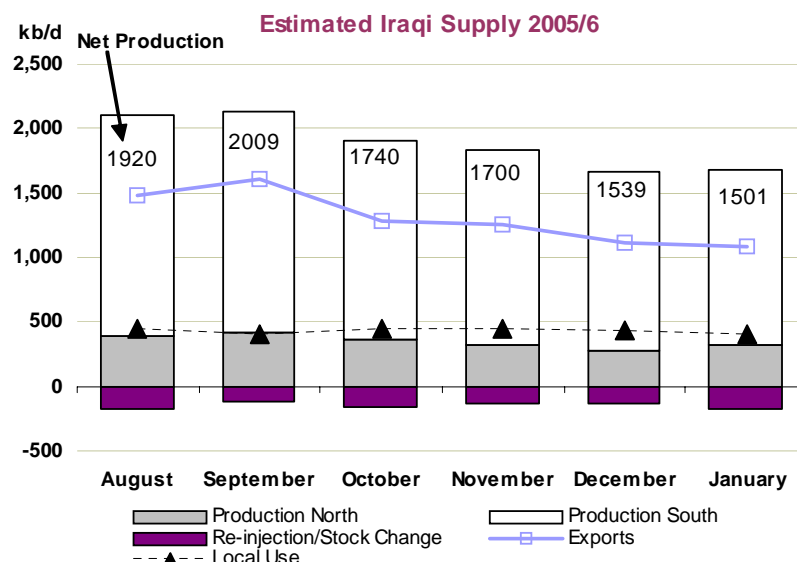
The decision to maintain output levels came as no surprise, given that prices for light sweet benchmark crude in the week preceding the meeting averaged around \$65/bbl. With continued question marks over potential disruptions to supplies from Nigeria and Iran, ongoing shortfalls in non-OPEC supply, and a drop in observed OPEC output of some 350 kb/d since November (not least due to Iraq), any further official cut in supply might have been seen to be overly bullish by an already volatile market. Post-meeting comments suggested the decision to leave production unchanged was unanimous, in contrast to pre-meeting statements in favour of curbing output from Iran and Venezuela. Some divergence in tone surrounding likely action at the next (ordinary) meeting on 8 March materialised however. Suggestions by Iran, Venezuela and Libya that a curb on production limits might again be up for consideration contrasted with those from the OPEC President and from the Saudi Oil Minister that production levels could remain unchanged for the second quarter, or indeed for 2006 as a whole.

Some analysts have also noted an apparent upward shift in Saudi Arabia's thinking regarding price targets. Pre-meeting comments by the Saudi Oil Minister suggested that WTI in a \$50-\$60/bbl range would be satisfactory to both producers and consumers. More recently he cited investment costs for exploration and production as \$45-\$50/bbl in the current environment (which seems high, except possibly for frontier areas and some non-conventional supply).



Net Iraqi supply, measured in terms of exports and domestic crude use, levelled off close to 1.5 mb/d in January. The drop of 40 kb/d from December levels represented a slowing of the rate of decline evident since September, when net output last breached 2.0 mb/d. Exports comprised 1.08 mb/d via the southern ports, minor volumes around 10 kb/d cross-border into Syria and, for the third month running, zero from Ceyhan in Turkey. Domestic use is assessed at 410 kb/d, with 340 kb/d run in the refineries and 70 kb/d used for direct burn in power generation. February refinery operations could increase, as December/January levels were depressed by outages (un-scheduled and scheduled respectively) at Baiji and Basrah.

Northern area crude production of over 300 kb/d was reported briefly to have shut down after a 2 February attack on a storage facility near Kirkuk. Crude is normally held in storage before being sent north in batches by pipeline to Ceyhan in Turkey. However, attacks on pipelines and pumping facilities from 25 January onwards had already cut off shipments to Ceyhan. Deliveries earlier in January (averaging 60 kb/d over the month), took storage at the Turkish port to some 3 mb. These volumes are not counted in this Report's net January supply figure, but will be counted as exports whenever tanker or pipeline shipments from Ceyhan are made. In the past, Iraq has tended to wait until at least 5 mb is held in storage at Ceyhan before offering crude for sale.



In the south of Iraq during January weather related loading delays and a shortage of tug boats severely restricted tanker liftings at the beginning and end of the month. Just over 33 mb of exports were loaded in January, or 1.08 mb/d. This is compared to scheduled term exports for Basrah Light crude in the first half of 2006 of 1.57 mb/d.

Iranian Oil Supply Concerns Remain Hypothetical For Now

The International Atomic Energy Agency (IAEA) voted on 4 February to refer Iran to the UN Security Council on concerns over possible military application of its nuclear facilities. Iran has insisted that its nuclear programme is aimed solely at electricity generation. However, the country's President responded to the IAEA vote by ordering a halt to short notice inspections by the IAEA of Iran's nuclear installations. Discussion of the issue within the Security Council will be deferred until a detailed report is delivered by the IAEA in March. Furthermore, any move towards sanctions against Iran could be further delayed, as two out of five permanent members of the Security Council, Russia and China, presently oppose such action. Russia has offered to cooperate with Iran in producing enriched uranium for the latter's power generation programme within Russia, while ensuring none is diverted to weapons related-uses. Iran has so far reacted cautiously to the proposal.

Immediately after the OPEC Vienna meeting, the Iranian Oil Minister played down the prospect of Iran unilaterally curbing oil production or exports in the event of a worsening political situation surrounding the nuclear issue. The main recipients of Iranian crude exports totalling 2.5 mb/d include some 650 kb/d sold into southern Europe, 500 kb/d to Japan, 270 kb/d to China, and 200 kb/d each to Korea and India. Medium gravity, high sulphur Iran Heavy and Iran Light grades account for 80% of Iranian exports. As such they are similar in quality to other Middle Eastern grades, giving other OPEC producers the potential to offset any hypothetical future disruption in Iranian exports. However, the OPEC President indicated that such action would be a decision for individual OPEC producers, rather than OPEC itself. The IEA has also reiterated that strategic stocks remain another option, if necessary, for covering potential future supply disruptions.

Subsequent reports in the Iranian and Arab press cite political calls within Iran for shipping in the Persian Gulf to be impeded in the event of UN sanctions against Iran. There is no indication that these calls carry any Iranian government stamp of approval. Nonetheless, the Straits of Hormuz between Oman and Iran handle 17 mb/d of crude tanker traffic. With the navigable shipping lanes involved being only 10 km across, the Straits represent the most significant choke point for world oil supplies in the event of any disruption. Alternative routes to market for Arab Gulf oil denied access to the Straits involve pipeline shipment across Saudi Arabia to the Red Sea or via Iraq to the Mediterranean but would provide nothing like a full offset. As noted above however, both UN sanctions and disrupted Iranian supply can be viewed as a hypothetical, rather than an imminent, prospect.

Iranian supply came into focus in January and February, although more on speculation over the months to come than actual physical developments in January. For the fourth month in succession, crude supply was assessed near to 3.9 mb/d, comprising 2.5 mb/d of exports and 1.4 mb/d of local consumption. Estimated production remains below capacity of 4.0 mb/d. This is in part due to a combination of technical problems at the offshore Nowruz field and marketing constraints for crude from Nowruz and Soroush, which is heavy/sour and high in impurities. There are reports that some 15 mb of Soroush and Nowruz crude has been stored in tankers offshore due to a lack of buyers. If so, Iranian wellhead production could be running correspondingly ahead of this Report's assessment of supply, which derives from the sum of exports and local refinery use.

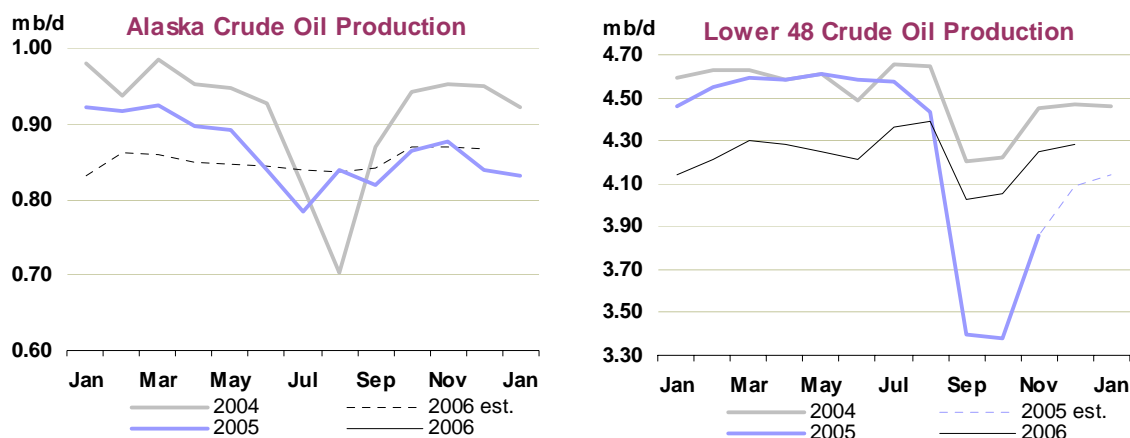
Concerns over **Nigerian** supply vied for market prominence with those over Iran in January and early February. This Report noted last month how an early-January resumption of Bonny Light supply was followed at mid month by shut-ins affecting EA and Forcados crude. Security and technical problems at the former and pipeline sabotage affecting the latter led, at peak, to outages amounting to some 220 kb/d. However, on a net basis Nigerian production for January was down by a lesser 45 kb/d and averaged just over 2.4 mb/d. Rising supply from the deepwater Bonga field, and resumed supply from 27 January onwards at EA, helped to offset Forcados supplies which were still under *force majeure* during the first week of February. Delays in pipeline repairs have kept 106 kb/d of Forcados production shut-in.

Despite the release on 30 January of service personnel taken hostage earlier in the month, ongoing security concerns have caused international companies to evacuate non-essential staff. Violent clashes have escalated and there were unconfirmed reports of attacks during January also on Total, Agip and Chevron facilities. The Movement for the Emancipation of the Niger Delta, which claims responsibility for January's kidnappings, has said that it aims to cut February Nigerian exports by 30%, which would amount to some 700 kb/d at recent levels. Many analysts foresee an escalation of attacks on producing and export facilities around the Niger Delta (which accounts for 75% of Nigeria's 2.6 mb/d production capacity) in the run up to elections in 2007.

OECD

North America

US – January Alaska actual, others estimated: Monthly data for November and provisional weekly indicators for December and January point to slightly higher than expected US supply overall. Fourth quarter US crude supply is revised up by 30 kb/d to 4.64 mb/d and NGL supply by some 20 kb/d to 1.62 mb/d. Although there is a lag before state-specific data become available, it would appear that production is running higher in a number of areas, including Louisiana, California and other Lower 48 states, than anticipated previously in this Report. In part, this reflects a response at the margin to high prices and also a less extreme impact from the Hurricane season than had been assumed for onshore and state offshore production in Louisiana. Upward revisions of a combined 45 kb/d for these areas are carried through the 2006 forecast.



Partly offsetting these upward revisions are the continued outages affecting the Federal offshore Gulf of Mexico (GOM). In all, GOM supply is revised down by 25 kb/d for 2006, to just under 1.3 mb/d. Data from the Minerals Management Service through 25 January suggest average monthly outages of some 390 kb/d, compared to this Reports earlier assumption of 350 kb/d. Some 375 kb/d of oil

production (25% of pre-storm levels) and 1.6 bcfd of natural gas (17% of pre-storm levels) remained shuttered on 25 January. Assumed total outages for first-half 2006 resulting from Hurricanes Katrina and Rita have been adjusted in line with the most recent data for GOM, Louisiana and NGL supply. From December's 660 kb/d, outages fall to 570 kb/d for January, 420 kb/d in February with a tail of disruption of some 260 kb/d running through June. Heavier damage to still-shuttered facilities and re-start deferrals are seen slowing progress in reactivating output before the onset of the next hurricane season.

Alaskan supply for 2006 is revised up slightly to 850 kb/d. Production from ConocoPhillips' Alpine field is averaging 130 kb/d, higher than anticipated for early-2006 in this Report. Satellite field developments will potentially add a further 10-20 kb/d in late-2006 and 2007. Total US oil supply is now seen averaging 7.31 mb/d in 2006 compared to 7.29 mb/d in 2005 and 7.66 mb/d in 2004. Conservative assumptions have been employed regarding GOM supply recovery and likely storm outages in 2006, so that some upside potential is possible. In contrast, a heavier than average hurricane season again in 2006 would present the major downside risk to the forecast.

Canada – Newfoundland December actual, others November actual: Canadian oil supply in November averaged 3.3 mb/d, comprising 1.9 mb/d of conventional crude, 0.7 mb/d of synthetic crude and 0.7 mb/d of NGL. The total was 100 kb/d higher than this Report's earlier estimate, largely due to higher syncrude supply. Adjustments for 2006 also focus on synthetic crude output, revised up by 20 kb/d from last month. Canadian oil supply, after stalling at 3.05 mb/d in 2005, is now expected to resume growth to reach nearly 3.3 mb/d in 2006.

Suncor and Shell synthetic crude production levels have been revised up in this Report, based on fourth quarter production and latest plans for 2006. Shell announced an eight week outage for the Scotford upgrader and Muskeg River mine for the second quarter. This Report earlier assumed a 4Q 2006 outage, so late-2006 output now looks stronger at the expense of 2Q supply.

There were renewed indications of cost increases, partly due to rising natural gas costs, accruing to oilsands operations from company fourth quarter results. Although far from uniform, increases of up to 30% versus year ago were recorded. Despite this, unit operating costs appeared to remain well below \$25/bbl. Moreover, operators also reported sharply increased profits due to higher prices.

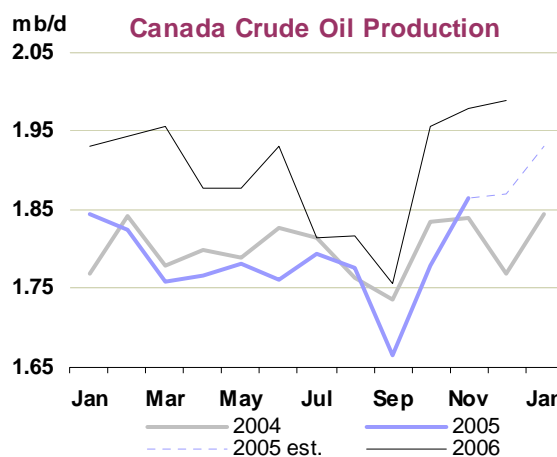
Interest in oilsands development has escalated in the light of higher perceived future price trends. The Canadian Association of Petroleum Producers (CAPP) sees active projects boosting west Canadian oil output by 1.4 mb/d in the next ten years and to this end there has been a spate of proposals for pipeline expansions and reversals to feed this output to the US Gulf and Canadian Pacific coasts.

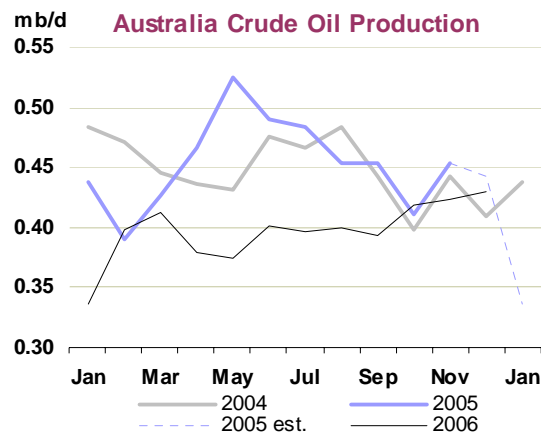
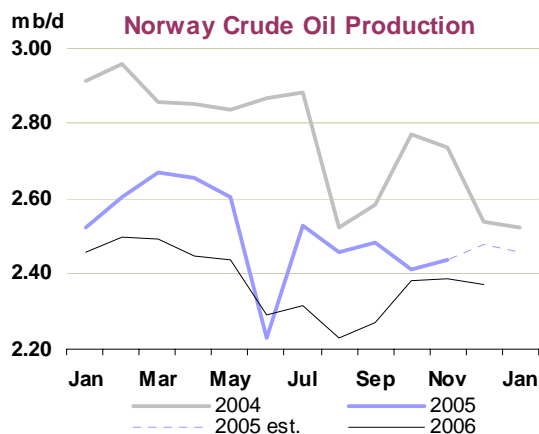
North Sea

Norway – November actual, December provisional: Total November oil production increased by 120 kb/d from October, although crude output remained broadly level at 2.45 mb/d, while NGL and condensate increased by 95 kb/d to a combined 500 kb/d. Provisional output data for December show a modest rise in crude but an offsetting dip in gas liquids supply. Loading schedules and reported field outages suggest that total oil supply may have remained around 2.9 mb/d in January, although a recovery closer to 3.0 mb/d is expected for February. January's unscheduled downtime included:

- a fire at the Asgaard B gas platform, which impeded condensate supply from the Mikkel and Kristin fields (recently producing around 25 kb/d combined) for 5 days from mid-month;
- adverse weather conditions which cut production by some 50% at the 100 kb/d Norne field;
- a gas leak at the 35 kb/d Visund field which will shut in production until April.

These outages, allied to now-lower government forecasts for 2006 Norwegian oil supply, have caused a 40 kb/d downward adjustment to this Report's estimate of production. This now averages 2.91 mb/d in 2006 versus 2.96 mb/d in 2005 (with crude comprising 2.4 mb/d and 2.5 mb/d of the 2006 and 2005 totals respectively).





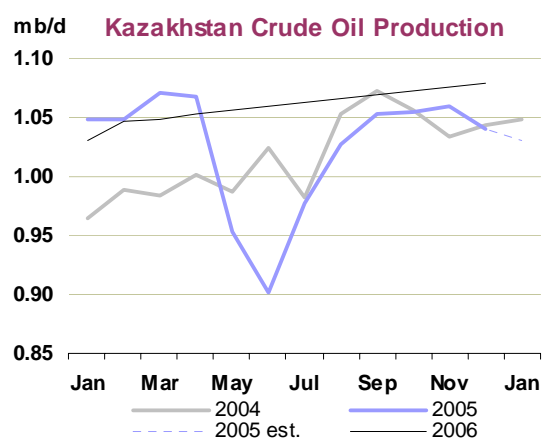
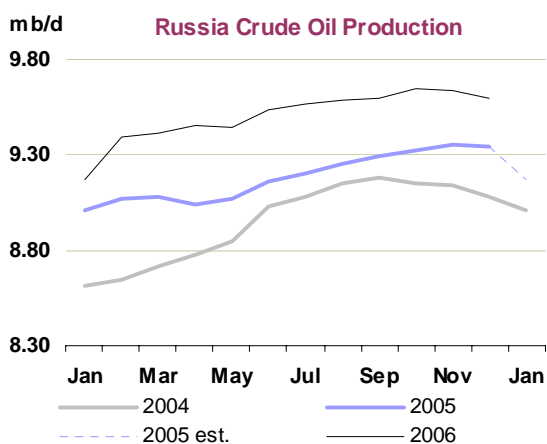
Pacific

Australia – November actual: Contrasting developments affecting the offshore west coast Carnarvon Basin underpin changes in fourth quarter 2005 and first quarter 2006 Australian production. November/December supply is now assessed some 30 kb/d higher than previously estimated with indications of higher production from the Cossack field. However, shut-in production due to cyclones Clare and Daryl in January averaged 110 kb/d for the month as a whole, notably affecting the Mutineer and Cossack fields. It was subsequently reported that Cossack will remain offline until mid-February while storm damage is repaired. In addition, operator Santos has now downgraded expected 2006 production from Mutineer to 60 kb/d from an earlier estimate of 85 kb/d. Production reached the original plateau level around mid-2005 but subsequently fell, with water encroachment reported as one potential cause.

Australian production is revised down by 15 kb/d for 2006 as a whole, suggesting a modest annual dip in crude and NGL production from 545 kb/d in 2005 to 510 kb/d this year. Crude oil's decline (from 455 kb/d in 2005 to 395 kb/d in 2006) is moderated by new field starts. These include Enfield in the Carnarvon Basin and elsewhere at Baskar Manta, Puffin and Cliff Head.

Former Soviet Union (FSU)

Russia – December actual, January provisional: December production is revised down by 30 kb/d compared to provisional estimates, due to a sharper than expected seasonal drop in output from the Sakhalin 2 project. January wellhead production was further hampered by record low temperatures affecting operations, notably in western Siberia. Power outages and shut-in production at fields with high water cut saw total Russian oil output drop to 9.47 mb/d, 170 kb/d below December. Early-February production data and a modest rise in temperatures suggest a potential rise in February production. The impact of January's drop therefore has a minimal impact upon 2006 supply overall.



In comparison with published company production plans for 2006, this Report continues to err on the side of caution. Nonetheless, Russian output (crude and condensate) in 2006 is seen averaging 9.8 mb/d after 9.5 mb/d in 2005. Growth of 3.5% represents a modest acceleration from the sluggish 2.7% seen in 2005. One third of projected growth derives from the Sakhalin 1 project, which entered operation in October 2005 and should attain output of 200 kb/d by late-2006. As noted previously, there are signs that output from assets constituting the former Yukos and those of Sibneft, which acted as the main drag on late-2004 and 2005 production levels, are now staging a recovery. Indeed, Yukos stated in January that it aims to hold production flat in 2006. Until several months of actual Yukos production data become available, this Report assumes decline continuing at a similar monthly pace as seen during 2005. This could clearly prove overly pessimistic, notably as output flattened off in the final few months of 2005 after earlier steep decline. Further back tax claims against Yukos announced in December may stifle field investment in the short term. Conversely however, a possible forced buy-out of Yukos' remaining assets might eventually result in stronger upstream performance for 2006 as a whole than this Report's current assumption, which is based more on 2005 outturn.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2004	2005	1Q2005	2Q2005	3Q2005	4Q2005	Oct-05	Nov-05	Dec-05	Latest month vs. Nov-05 Dec-04	
Crude											
Black Sea	2.20	2.27	2.22	2.38	2.30	2.23	2.24	2.25	2.18	-0.07	-0.10
Baltic	1.51	1.59	1.64	1.61	1.57	1.55	1.53	1.52	1.60	0.08	0.15
Arctic/FarEast	0.25	0.19	0.19	0.19	0.22	0.17	0.21	0.15	0.15	0.00	-0.13
Crude Seaborne	3.96	4.05	4.04	4.18	4.08	3.95	3.98	3.92	3.94	0.02	-0.07
Druzba Pipeline	1.10	1.15	1.13	1.10	1.14	1.23	1.17	1.25	1.26	0.01	0.12
Other Routes	0.23	0.25	0.24	0.26	0.24	0.26	0.24	0.27	0.28	0.01	0.08
Total Crude Exports	5.29	5.45	5.41	5.54	5.46	5.44	5.39	5.45	5.48	0.04	0.13
Of Which: Transneft	3.76	4.20	4.01	4.26	4.26	4.32	4.19	4.37	4.41	0.04	0.64
Products											
Fuel oil	0.90	0.93	0.78	0.91	1.02	1.04	0.97	1.04	1.11	0.08	0.17
Gasoil	0.84	0.87	0.89	0.80	0.85	0.95	0.93	0.87	1.05	0.18	0.21
Other Products	0.46	0.58	0.58	0.56	0.58	0.60	0.64	0.57	0.58	0.01	0.15
Total Product	2.19	2.38	2.25	2.27	2.45	2.58	2.53	2.47	2.74	0.27	0.53
Total Exports	7.48	7.83	7.66	7.81	7.91	8.02	7.92	7.92	8.22	0.31	0.66
Imports	0.01	0.02	0.01	0.01	0.02	0.02	0.02	0.03	0.02	-0.02	0.00
Net Exports	7.47	7.81	7.64	7.80	7.89	8.00	7.91	7.88	8.21	0.32	0.66

Sources: Petro-Logistics, IEA estimates

FSU net exports have been adjusted downwards for 2004-2005 to reflect improved information on Russian rail exports. On the whole, FSU crude exports are revised down minimally (<5 kb/d) for 2004 and by 70 kb/d on average for 2005. December FSU net exports increased by over 300 kb/d versus November, with gasoil and to a lesser extent residual fuel oil leading the increase. Again, a rise in products exports at the expense of crude reaffirmed recent trends as regards the relative attractiveness of products vis a vis crude from an export duty standpoint. Tanker loading and transit delays affecting Black Sea ports, the Turkish Straits and the CPC pipeline, plus surging domestic power consumption due to plunging temperatures, are likely to have choked back on January exports. Overall January crude and product export levels are estimated to have run some 200-300 kb/d below December. Crude export schedules from Transneft for seaborne liftings in February show no increase from January levels.

Kazakhstan – December actual: Full year oil production data for 2004 and 2005 released in January result in upward revisions of 5 kb/d and 35 kb/d respectively. Modest upward adjustments are made to Tengiz field output but the main adjustments come from smaller producers. These adjustments also feed through to boost absolute production levels for 2006 by 25 kb/d. The upward adjustment for 2006 could have been higher if not for cold January weather. This, in addition to earlier processing unit problems, curbed liquids output at the Karachaganak field (not shown in the chart above) by at least 30 kb/d from already-low December levels.

Total liquids production is seen edging higher by some 60 kb/d in 2006 to 1.33 mb/d (similar growth to 2005). More substantial growth from Kazakhstan will be dependent on key decisions on export capacity expansion, notably the doubling of present 560 kb/d capacity at the CPC pipeline. This is currently stalled due to disagreements on terms between Russia and other pipeline shareholders.

Other Non-OPEC

Revisions to Other Non-OPEC Estimates

Weaker than anticipated 2005 performance from **Mexico** and latest indications on likely 2006 outturn from the Cantarell field prompt a 35 kb/d downward adjustment to this year's supply. Oil production is now seen edging lower to 3.74 mb/d in 2006. Production from **Turkmenistan** is revised up by 20 kb/d for 2006 based on both government and foreign operator plans. Higher baseline NGL supply from **Argentina** of 15-20 kb/d for 2004 and 2005 is extended into a 30 kb/d upward revision for 2006. This is offset elsewhere in Latin America by downward adjustments to forecast production for **Brazil** and **Ecuador**. Delayed start-up from Blocks 3 and 7 in **Sudan** knock 10 kb/d and 30 kb/d off estimated 2005 and 2006 supply respectively.

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	14.07	14.30	0.23	14.09	14.32	0.22	0.02	0.02	0.00
Europe	5.66	5.40	-0.26	5.64	5.36	-0.28	-0.02	-0.03	-0.02
Pacific	0.58	0.56	-0.02	0.59	0.55	-0.04	0.00	-0.02	-0.02
Total OECD	20.31	20.26	-0.05	20.32	20.23	-0.09	0.01	-0.03	-0.04
Former USSR	11.60	12.13	0.53	11.64	12.21	0.57	0.04	0.07	0.03
Europe	0.16	0.15	-0.01	0.16	0.15	-0.01	0.00	0.00	0.00
China	3.63	3.62	-0.01	3.62	3.62	0.00	-0.01	0.00	0.01
Other Asia	2.73	2.81	0.08	2.73	2.82	0.09	0.00	0.01	0.02
Latin America	4.27	4.49	0.22	4.28	4.48	0.21	0.01	0.00	-0.01
Middle East	1.87	1.81	-0.05	1.86	1.81	-0.05	-0.01	-0.01	0.00
Africa	3.70	4.25	0.55	3.69	4.22	0.53	-0.01	-0.03	-0.02
Total Non-OECD	27.96	29.27	1.31	27.97	29.32	1.35	0.02	0.05	0.03
Processing Gains	1.86	1.90	0.04	1.86	1.90	0.04	0.00	0.00	0.00
Total Non-OPEC	50.12	51.43	1.30	50.15	51.45	1.29	0.03	0.02	-0.01

OMR = Oil Market Report

OECD STOCKS

Summary

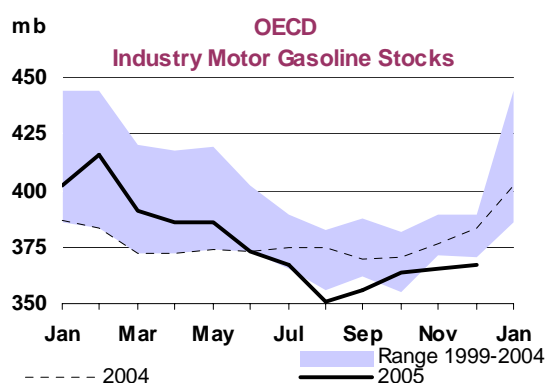
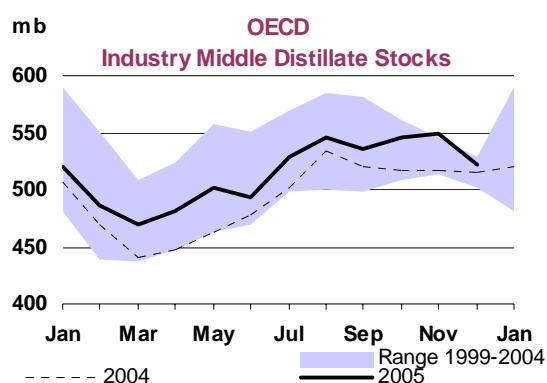
- OECD total industry oil inventories** declined by a preliminary 65 mb in December led by draws in Pacific crude and distillates. Extremely cold weather boosted crude demand in the Pacific as refiners ramped up throughputs and drew stocks to keep pace with increases in distillate demand. The volatile 'other products' category in the US and distillates in Europe also saw declines, leaving total stocks at 2597 mb or 39 mb above year-ago levels. Forward demand cover fell to 51 days in December, one day lower than in November and on par with 2004. The total fourth quarter stock draw came to 45 mb, or 0.5 mb/d, close to the five-year average.

Preliminary Industry Stock Change in December 2005 and Fourth Quarter 2005

	December (preliminary)				Fourth Quarter 2005			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	-0.05	0.02	-0.32	-0.34	0.14	-0.11	-0.13	-0.11
Gasoline	0.07	0.04	-0.07	0.04	0.06	0.06	-0.01	0.12
Distillates	0.01	-0.24	-0.65	-0.89	0.13	-0.06	-0.21	-0.14
Residual Fuel Oil	-0.02	-0.07	-0.07	-0.16	0.05	-0.01	-0.03	0.01
Other Products	-0.46	0.02	0.03	-0.41	-0.26	0.01	-0.01	-0.26
Total Products	-0.40	-0.25	-0.77	-1.42	-0.02	0.00	-0.26	-0.27
Other Oils ¹	-0.14	-0.03	-0.16	-0.32	-0.04	-0.03	-0.03	-0.10
Total Oil	-0.58	-0.26	-1.24	-2.08	0.08	-0.14	-0.42	-0.49

1 Other oils includes NGLs, feedstocks, and other hydrocarbons

- OECD industry crude oil stocks** fell by a preliminary 11 mb in December, largely in the Pacific. Crude inventories fell in both Japan and Korea, where extreme cold prompted refiners to run at close to record rates. In Europe and North America, crude stocks were relatively unchanged in comparison. US crude output lost in December due to hurricane damage was largely balanced by a similar year-on-year drop in refinery throughputs. At 926 mb, total crude inventories closed December 34 mb above year-earlier levels.
- OECD industry distillate stocks** declined by 28 mb in December to close the month at 522 mb, or 7 mb above the end-2004 position. The bulk of the decline was centred in the Pacific, where extremely cold weather led to a surge in heating fuel demand and declines in kerosene and low-sulphur fuel oil stocks. European distillates also fell, despite preliminary indications of weak inland deliveries in key consuming countries. In contrast, US distillates built by 7 mb in January following unseasonably mild temperatures.
- OECD industry gasoline stocks** trended sideways in December at 17 mb below year-earlier levels. In January, however, weekly data show that US gasoline inventories built by a larger-than-expected 19 mb. In terms of forward supplies, US total gasoline stocks have rebounded to their five-year average, but finished gasoline stocks remain low. With expected heavy first-quarter maintenance, the phasing-in of new blending and sulphur regulations and robust US demand, supplies might still prove tight in the coming months.



OECD Industry Stock Changes in December 2005

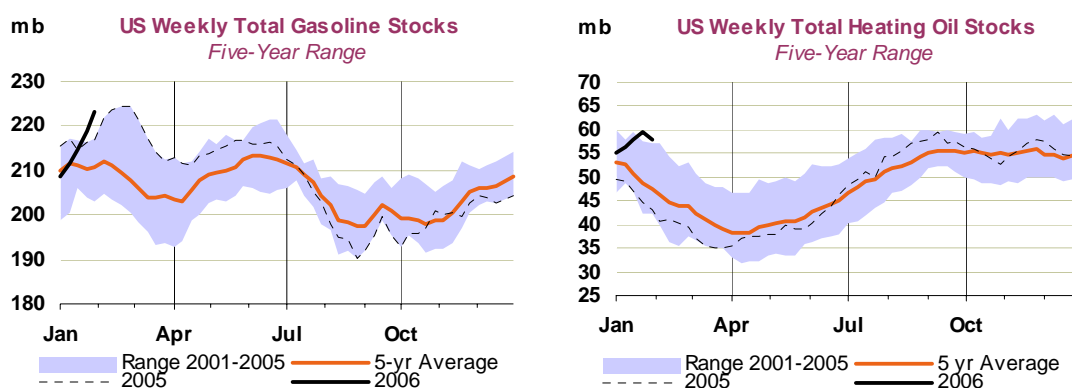
OECD North America

Crude inventories in North America held relatively flat in December, as a 2 mb draw in Mexico was partly offset by a small increase in the US. Although offline crude and NGL production in the US Gulf of Mexico is slowly returning, a substantial portion of capacity remained shut in December and January. Lost crude output in December was however largely offset by refinery capacity still affected by the September hurricanes. However, some of this throughput loss was partly mitigated by increases elsewhere in the US.

US-50 crude stocks continued to trend sideways in January as a dip in refinery throughputs was offset by a reduction in imports. Total crude imports fell from an average 10.2 mb/d in December to just under 9.7 mb/d in January on lower spot arbitrage shipments and reduced demand ahead of seasonal maintenance. Stocks at Cushing, the delivery point for the NYMEX WTI contract, remained close to the highest level seen in almost two years and are reportedly close to capacity. This is raising marginal storage costs and so supporting a strong contango in forward prices.

North American product inventories fell by a total of 13 mb in December, the volatile 'other products' category in the US accounting for most of the change. This fall coincides with sharply reduced ethane and LPG demand, underscoring the view that temporary supply restrictions are constraining use by the petrochemical sector. Offsetting moves were seen for gasoline in the US and in Mexico, with US gasoline stocks building in line with seasonal norms. In January, US gasoline stocks rose at a faster than normal pace, lifting them back to year-ago levels.

In terms of days of forward supply, cover has rebounded to its five-year average for total gasoline. Finished gasoline stocks however (excluding blending components) remain low at 16 days. Low inventories had raised concerns of a supply crunch in the run-up to the US summer driving season. In light of reduced MTBE blending, new sulphur specifications and an anticipated heavy first half 2006 maintenance season, future supplies of gasoline and diesel remain a concern of market participants.



US distillate stocks posted contra-seasonal builds in December and January, as warmer-than-normal weather, particularly in the main consuming area in the Northeast, led to a sharp drop in seasonal heating oil demand. Imports of middle distillates continued apace, averaging 520 kb/d in January, the highest volume seen since March 2004. At the end of January, total US distillate stocks closed 10% above last year with the bulk of the surplus stemming from heating oil as opposed to diesel.

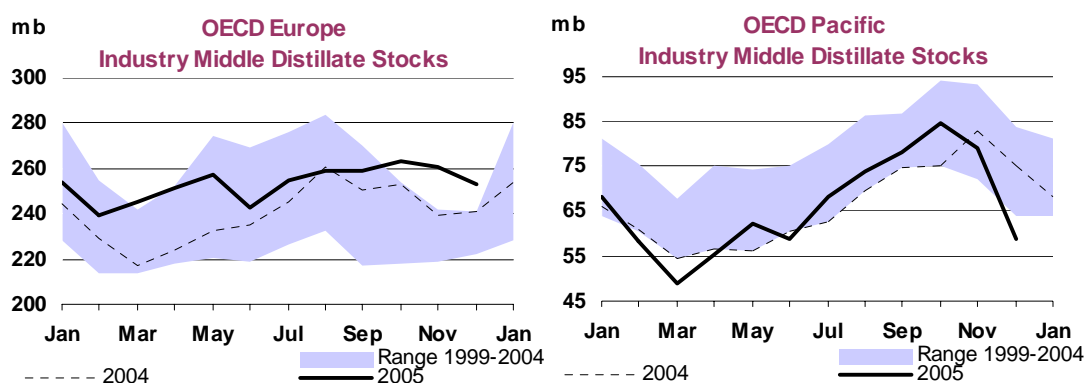
OECD Europe

Total European crude inventories were largely unchanged in December. The Netherlands saw increases in their crude holdings as refinery runs were reduced due to falling margins. In France and the UK, crude stocks fell as refinery throughputs continued at firm levels. In January, a spate of weather-related outages in the North Sea and Russia reduced regional supplies although this was offset by lower arbitrage shipments to the US.

European middle distillate inventories fell by 8 mb in December, despite preliminary indications of weak inland deliveries in key consuming countries. The draw came mainly from the Netherlands where refinery throughputs were running 5% lower than in November and exports to the US continued apace. The stock draw in the Netherlands can also be attributed, in part, to cyclical

refreshing of gasoil inventories by the strategic stock holding agency, COVA. These operations caused government distillate stocks in the Netherlands to draw in November, balanced by a build in industry stocks in that month. When government stock data for December become available next month, government stocks should post a build as the supplies are replaced. Until the refreshment operations are finished in the second half of 2006, government and a portion of industry stocks will show some volatility, which should not be confused with further draws or replenishment of strategic stocks.

Distillate stocks also fell in Germany and France. The fall seemed unusual, coinciding with a period of strong throughputs and preliminary indications of weak demand. However, inland deliveries were to an extent hampered by low water levels on the Rhine. Deliveries to inland markets were further disrupted in January as smaller rivers and canals feeding the Rhine and the Danube froze with the arrival of extremely cold weather. A fall in European fuel oil inventories was offset by a build in gasoline, leaving total product stocks at 542 mb at the end of 2005, 8 mb above December 2004.



OECD Pacific

Pacific crude oil stocks fell by 10 mb in December, with draws observed in Japan and Korea. In both of these countries, refinery throughputs have been running at high levels in order to supply heating fuels for an unusually cold winter. Weekly data from the Petroleum Association of Japan show Japan's commercial onshore crude inventories falling to 88 mb in the first week of February, the lowest level seen in more than 30 years. At 156 mb, total Pacific crude oil inventories finished the year 15 mb below their end-2004 position.

Despite the increase in refinery runs, regional middle distillate inventories fell seasonally in December. In Japan, sales of kerosene, the main heating fuel there, shot to record highs in December as the country experienced its coldest winter month for more than a decade. Similarly, in Korea middle distillate stocks fell on strong weather-related demand. In January, weekly data from the Petroleum Association of Japan show that kerosene stocks continued to fall, although at a slower pace with the return of more normal weather. Kerosene stocks in Japan remain in line with historical norms.

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

OECD industry total oil inventories closed 2005 at 2597 mb, 39 mb above the end-2004 position, keeping pace with the growth in demand. Only the Pacific fell below the previous year by 37 mb and Europe and North America posted year-on-year surpluses of 17 mb and 59 mb respectively. Month-on-month changes came to 65 mb from November, with draws stemming from both crude and products. Days of forward demand cover fell to 51 days for the OECD as a whole, one day lower than in November and on par with the previous year. On a regional basis, forward cover came to 49 days for North America, 60 days for Europe and 41 days for the Pacific.

Year-on-Year OECD Industry Stock Comparisons for December 2005

	(million barrels)				(Days of Forward Demand)				
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total	
Crude Oil	41.6	7.9	-15.4	34.1	Total Oil	2.2	0.6	-4.1	0.5
Total Products	6.4	7.5	-19.5	-5.6	<i>Versus 2003</i>	3.2	1.4	-5.6	0.9
Other Oils ¹	10.8	1.5	-1.9	10.4	<i>Versus 2002</i>	1.2	2.3	-0.8	1.2
Total Oil	58.8	16.9	-36.8	38.9	Total Products	0.2	0.2	-2.2	-0.2
<i>Versus 2003</i>	98.6	22.4	-41.3	79.7	<i>Versus 2003</i>	0.5	0.2	-2.1	-0.1
<i>Versus 2002</i>	85.5	49.2	-14.1	120.6	<i>Versus 2002</i>	-0.8	0.0	-0.4	-0.5

¹ includes feedstocks, NGLs and other hydrocarbons

November preliminary data were revised down by a total of 17 mb, accruing from both crude and products. The bulk of the revisions came from OECD Europe, where crude and all products bar gasoline were revised downwards. Within Europe, Germany, Italy, the UK and other EU countries all had their stock positions revised downwards. Only the Netherlands, and to a lesser extent, France saw upward revisions. Total oil inventories in North America were also revised downwards, with an upwards revision to crude inventories in Canada and the US partly offsetting the move. In the Pacific, changes were small in comparison. October data were revised down by a total of 6 mb, again, Europe accounting for most of the change.

Revisions versus 17 January 2006 Oil Market Report

	(million barrels)							
	North America		Europe		Pacific		OECD	
	Oct 05	Nov 05	Oct 05	Nov 05	Oct 05	Nov 05	Oct 05	Nov 05
Crude Oil	-1.4	3.2	-1.0	-7.5	0.0	0.4	-2.4	-3.9
Gasoline	0.0	-0.5	0.3	2.3	0.0	-0.3	0.3	1.5
Distillates	0.0	-1.1	-1.1	-1.8	0.0	0.1	-1.1	-2.8
Residual Fuel Oil	0.0	-1.0	-0.5	-3.9	0.0	-0.1	-0.5	-5.0
Other Products	0.0	-0.1	-0.1	-2.3	0.0	0.0	-0.1	-2.4
Total Products	0.0	-2.7	-1.3	-5.7	0.0	-0.3	-1.4	-8.7
Other Oils ¹	-0.6	-3.5	-1.9	-0.3	0.0	-0.3	-2.5	-4.2
Total Oil	-2.0	-3.0	-4.2	-13.6	0.0	-0.2	-6.2	-16.8

¹ Other oils includes NGLs, feedstocks, and other hydrocarbons

Recent Developments in ARA Independent Storage

Stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area built for all main products in January, the strongest gains occurring in jet/kerosene, which increased by almost 70% from end-December levels. European refiners have been maximising jet fuel production which combined with high demand in the Pacific led to Middle Eastern supplies being diverted away from Europe and towards Asia.

Gasoil inventories also posted gains in January on high volumes arriving from Asia and the Baltic. Preliminary indications of Baltic gasoil exports are that these reached another record high in January despite reductions in crude and fuel oil exports due to weather-related disruptions and increased domestic demand. Material continued to arrive in ARA from Asia as the US arbitrage was largely closed.

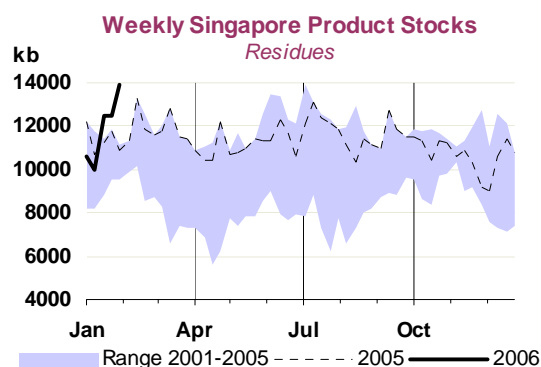
In other products, gasoline inventories saw gains of about 20% since the end of December as spot exports to the US became less attractive. Fuel oil stocks trended sideways with LSFO and HSFO seeing diverging trends. Demand for LSFO picked up in the south of Europe as colder weather and interruptions to Russian gas supplies led to higher utility demand. HSFO inventories built as high freight rates and ample supplies in Singapore shut the arbitrage window to Asia.

Recent Developments in Singapore Stocks

Singapore inventories, as surveyed by International Enterprise, saw diverging trends in January. While light distillates and residues rose, middle distillates fell sharply on increased demand for heating fuels in the region.

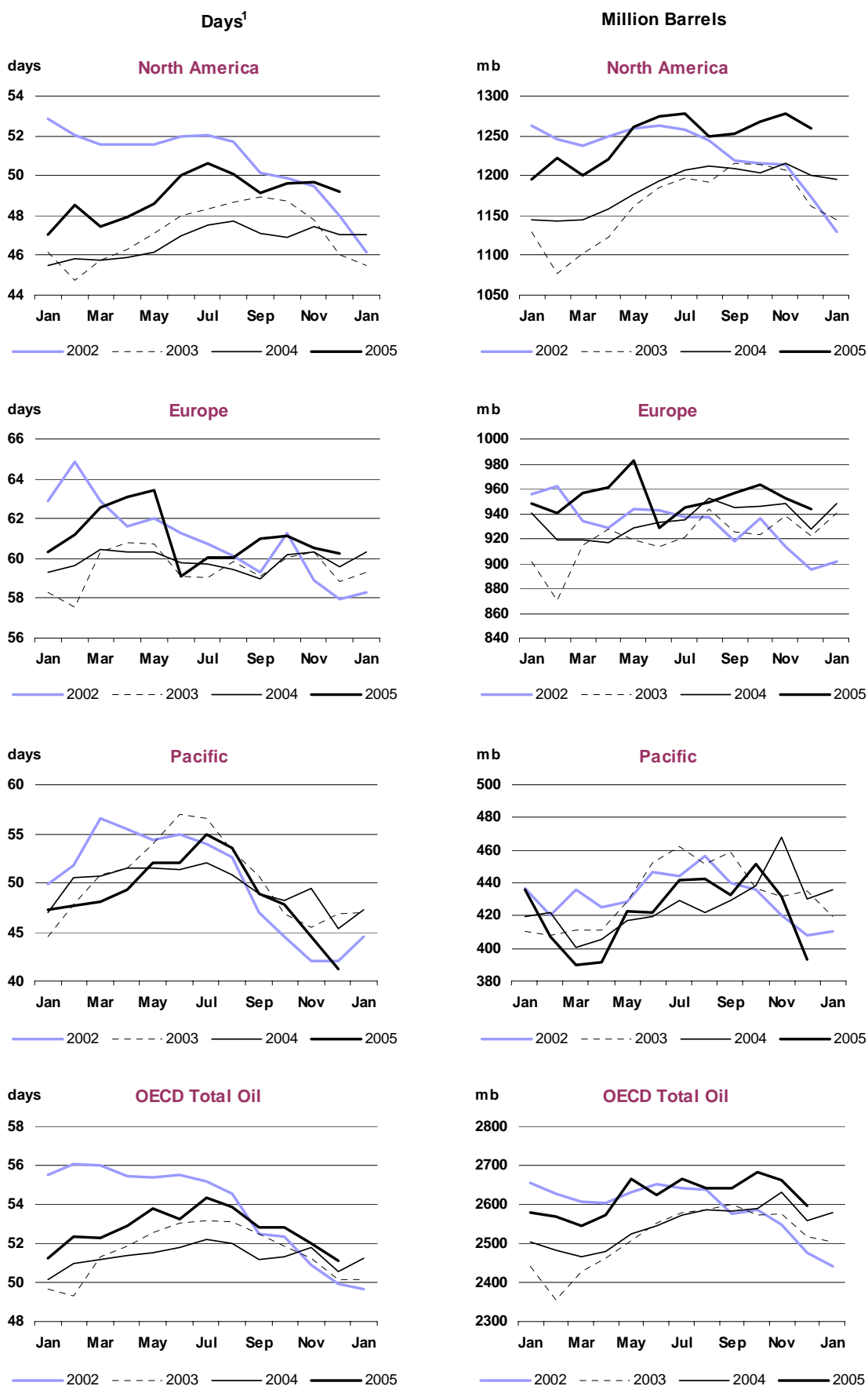
The biggest changes to stocks came in residues, which have built by almost 30% since the end of December. The build came as the highest volumes of western fuel oil since October 2004 arrived in January. Large volumes of Russian fuel oil were shipped to Asia ahead of the introduction of a higher fuel export tax and in the anticipation of strong demand ahead of the Lunar New Year. Since the new fuel export taxes took effect in November, Russian supplies have been reduced.

Middle distillate stocks fell back in January as regional demand for heating oils remained strong with continued cold weather. Light distillates, including naphtha and gasoline, built on a combination of lower regional demand and higher exports from China. Demand from Indonesia failed to pick up. The closure of two regional naphtha crackers, however short-lived, also reduced demand, adding to storage.



Regional OECD End-of-Month Industry Stocks

(in days of forward demand and millions barrels of total oil)



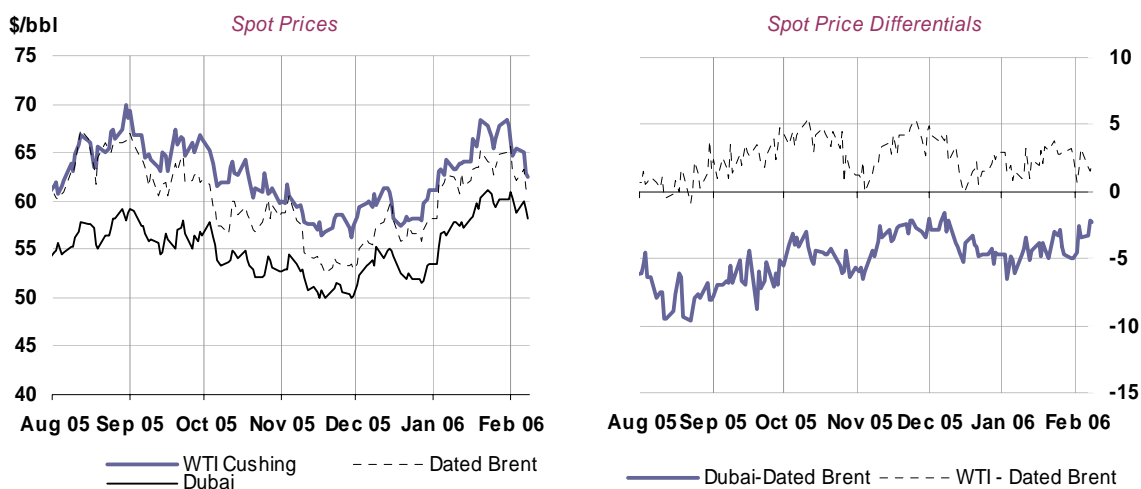
1 Days of forward demand are based on average demand over the next three months

PRICES

Summary

- **Crude futures** rose in January, driven higher by market concerns both over real and potential supply disruptions. NYMEX WTI averaged \$65.54/bbl in January, up 9.3%, while IPE Brent futures averaged \$63.86/bbl, rising 9.8%. A number of actual weather-related supply disruptions lent varying degrees of support to prices. These were compounded by tensions over Iran's nuclear programme despite official statements that nuclear and oil issues would remain separate. NYMEX WTI hit a high of \$68.35/bbl at close on 30 January. Prices swayed between headline news and improving inventory data. The front month WTI contract closed down to \$62.55/bbl on 8 February after the release of US weekly statistics. Crude futures held in contango (prompt month below future months) as forward delivery months continued to strengthen along the curve.
- **Physical crude** prices saw WTI firm relative to Dated Brent in the second half of January. The widening premium came alongside a dip in freight rates on transatlantic routes, opening on paper arbitrage for Brent-related grades. Medium sour Dubai crude weakened against Dated Brent and the differential between Dubai swaps and Brent quoted in Asia widened to \$5.13/bbl on average in January. This limited potential for swing sales east of Western barrels loading in March and April.
- **Light product** prices continued to see a strong performance from gasoline with US prices leading European values higher. Distillate trends were dependent on weather patterns. Kerosene used as a heating fuel saw its average price in January rise strongly in Singapore on extremely cold temperatures in Northeast Asia. Heating oil in the US was broadly stable over the month as demand was depressed by mild weather and inventories posted counter-seasonal gains. European gasoil prices increased with colder temperatures, though gains were less pronounced than in Asia. High European crude runs, imports and regional inventories ensured adequate supplies.
- **Product futures** on the NYMEX and IPE generally deepened their contango during January in the near-traded months while the back end of the forward curves shifted higher. The NYMEX heating oil futures curve at the end of January held in contango 12 months forward in contrast to a seasonal backwardation in summer delivery months. This appeared to reflect in part concerns over product specification changes in the US in June. Despite the end of winter season in sight and comfortable stocks, speculators on the heating oil contract lengthened their net buying position.
- **Fuel oil prices** saw contrasting trends between low and high-sulphur material. HSFO generally weakened relative to crude, weighing on refinery margins. LSFO saw its value firm in those regions where temperatures were colder as incremental utility demand supported prices. LSWR in Singapore in particular posted an average gain of \$5.81/bbl over the month.

Benchmark Crude Oil Prices



Oil Futures Prices in January

Crude futures posted strong increases in January with NYMEX WTI and IPE Brent up on average by over \$6/bbl. WTI averaged \$65.54/bbl and Brent averaged \$63.86 over the month. On a daily basis, WTI closed at a high of \$68.35/bbl on 30 January, just under \$1/bbl shy of the post hurricane record reached at the end of August last year. Both contracts gained as a market focus on actual and potential disruptions to crude oil supplies propelled prices higher. With still a sizeable amount of production offline in the Gulf of Mexico, outages in supply came in Nigeria, the North Sea and Australia. Russian and Kazakh supplies fell due to frigid temperatures affecting logistics and Iraqi exports remained weak. Against this backdrop, concerns over Iranian nuclear issues came to the fore more prominently in headline news.

Crude supply concerns in January outweighed an easing set of fundamental data. Recent US weekly data saw gains in crude, gasoline and heating oil inventories while stocks of crude and distillate in Europe were within seasonal averages. However, improving US oil stocks was not necessarily mirrored at the global level. Japanese weekly statistics showed a tighter picture of falling crude stocks following high runs and lower kerosene stocks on strong heating demand. Gains in front month futures prices were accompanied by a rise in the prices of delivery months further along the forward curve. While the contango in the actively traded months deepened into early February, longer dated prices also saw strong increases.

OPEC's decision to leave its production ceiling unchanged at its 31 January meeting was discounted by the market as was easing US crude demand with the beginning of a heavy refinery maintenance period. Trade remained volatile in January and the beginning of February. Prices were swayed between headline news and improving US oil inventories. NYMEX WTI closed down to \$62.55/bbl on 8 February. The decision on 4 February by the International Atomic Energy Agency to refer Iran to the U.N. Security Council will keep the market in a 'wait and see' mode until the Agency issues a full report later in March.

Prompt Month Oil Futures Prices

(monthly and weekly averages, \$/bbl)

	Nov	Dec	Jan	Jan-Dec	%	Week Commencing:				
						02 Jan	09 Jan	16 Jan	23 Jan	30 Jan
NYMEX										
Light Sweet Crude Oil	58.34	59.45	65.54	6.09	9.3	63.39	63.73	66.81	67.01	66.58
Unleaded Gasoline	63.14	66.79	73.79	7.00	9.5	74.94	72.98	75.49	72.43	72.05
No.2 Heating Oil	72.60	73.35	75.06	1.71	2.3	75.63	72.74	75.72	75.88	75.70
No.2 Heating Oil (\$/mmbtu)	12.46	12.59	12.89	0.29	2.3	12.98	12.49	13.00	13.03	13.00
Henry Hub Natural Gas (\$/mmbtu)	11.70	13.43	9.14	-4.29	-46.9	9.99	9.13	9.01	8.47	8.88
IPE										
Brent	56.23	57.63	63.86	6.23	9.8	61.72	62.20	64.74	65.38	64.78
Gasoil	71.56	70.69	74.44	3.76	5.0	73.42	71.60	75.37	76.23	75.80
Prompt Month Differentials										
NY MEX WTI - IPE Brent	2.12	1.82	1.68	-0.14		1.67	1.54	2.07	1.63	1.80
NY MEX No.2 Heating Oil - WTI	14.25	13.90	9.52	-4.38		12.24	9.00	8.91	8.88	9.13
NY MEX Unleaded Gasoline - WTI	4.80	7.34	8.25	0.91		11.55	9.24	8.69	5.43	5.47
NY MEX 3-2-1 Crack	7.95	9.53	8.68	-0.85		11.78	9.16	8.76	6.58	6.69
NY MEX No.2 - Natural Gas (\$/mmbtu)	0.77	-0.83	3.75	4.58		3.00	3.35	3.99	4.56	4.12
IPE Gasoil - IPE Brent	15.33	13.05	10.59	-2.47		11.70	9.41	10.63	10.86	11.03

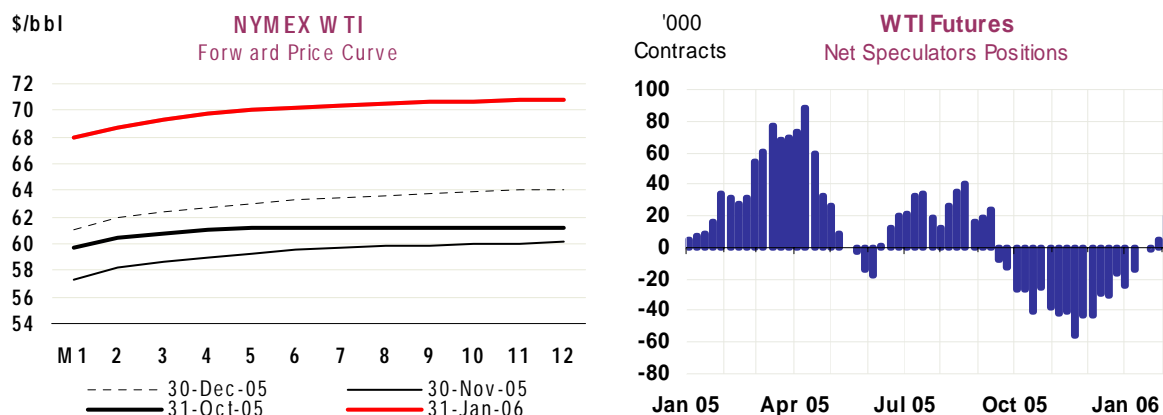
Product futures were in contango in January. Supplies depressed prompt prices for heating oil while in gasoline, concerns over second quarter availabilities combined with the need to rebuild inventories seasonally lifted forward prices. NYMEX heating oil posted a modest average gain in January. Weather in the US was mild, depressing heating demand. Imports in January were at record highs, supporting counter seasonal increases in stocks and limiting price increases.

Average gains in gasoline futures outpaced those for WTI on the NYMEX though inventory builds at the end of January put downward pressure on gasoline cracks. However, forward demand cover by finished gasoline in the US was relatively low, and as such, the market priced a premium for July delivery (the beginning of the summer driving season). This year marks the transition in the US towards MTBE free gasoline. The removal of the additive comes with potential volumes losses for the gasoline pool. As such, this raises the need for higher imports and prices to attract them against a backdrop of heavy maintenance this quarter. The forward curve appeared to respond accordingly by shifting higher.

Crude Futures

Crude futures saw strength in the prompt months accompanied by near parallel rises in delivery months further along the curve. While the prompt month WTI moved up on average in January by \$6.09/bbl, the twelfth month rose by \$5.53/bbl and long-term five-year contract increased by \$5.31/bbl.

A number of reasons help explain higher long-dated prices. Forecast oil demand growth remains strong given little indication of a material weakening of the global economy. Spare production capacity, while recovering, will remain on the low side, and the usual uncertainties concerning non OPEC supply growth abound. At the same time, refinery capacity constraints in relation to demand growth will likely persist, reducing forward selling. Alongside capacity constraints, rising costs of storage and the demand for higher inventory cover have supported rising longer dated prices.



Another supportive factor in the stretching forward of the contango into deferred delivery months may be attributable to shifting institutional investor positioning along the curve. A firmly entrenched backwardation in crude futures in 2003 attracted more 'passive' investment into energy-heavy indices in the near-traded months, allowing to maintain or 'roll-over' a position forward with a positive return.

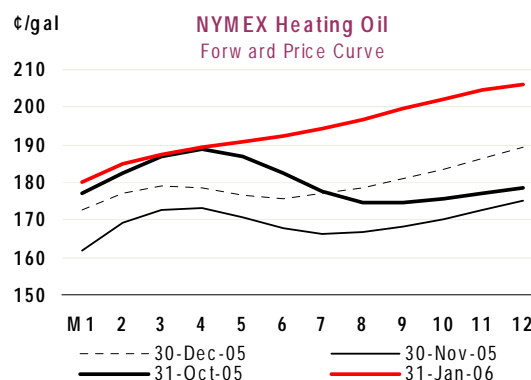
The establishment of what appears to be a sustainable contango in 2005 in the near traded months has made this strategy unprofitable, prompting investment further along the curves where prices were backwardated. Around this time last year, the forward curve bent into backwardation after the third forward delivery month, and the occurrence of this turning point has been shifting further out into less liquid months. On 30 January, backwardation was only established after the thirteenth month out.

Product Futures

A striking feature of product futures at the end of January has been an uncharacteristic shape of the forward curve for heating oil futures on the NYMEX. The curve settled in a contango 12 months forward in contrast to a seasonally expected backwardated structure in the summer months. This year's change to lower sulphur diesel in June appears to be generating concerns. While some 85% of US refiners were reported capable of producing the new specification last December, logistics and pipeline contamination issues are surfacing, raising questions whether the infrastructure can deliver a finished product that meets specifications after it leaves the refinery gate.

Front month gasoline futures outperformed crude on average in January, though end-month values did retreat in the face of rising inventories, weakening crack spreads. Concern over the phasing out of the additive MTBE from the gasoline pool was a supportive factor, in particular in light of a heavy turnaround season and relatively low in forward demand cover by stocks.

Net speculative buying lengthened in gasoline, possibly on the anticipation of greater volatility should unplanned outages occur in a period where inventories need to be replenished ahead of the driving season.



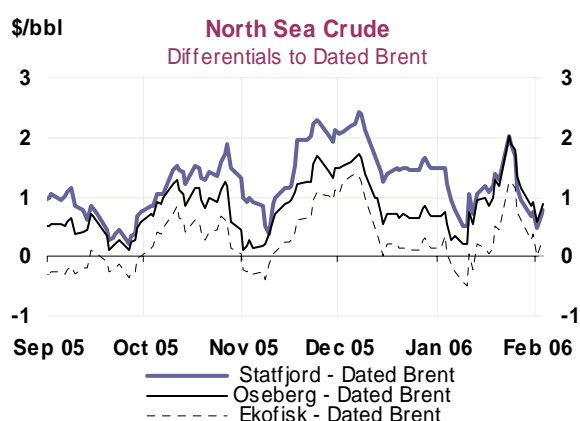
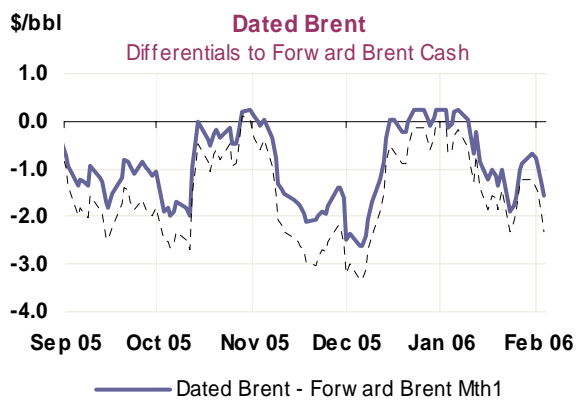
Crude Oil Prices in January

Benchmark Crudes

In physical markets, WTI firmed against Dated Brent in the second half of January, opening arbitrage possibilities for Brent-linked crudes as freight rates on transatlantic routes dipped. However, the average spread for January held relatively stable from December at around \$2.42/bbl. US demand for foreign crudes eased ahead of scheduled refinery maintenance, while domestic crude production recovered modestly and stocks closed at comfortable levels. The Brent-Dubai spread widened, medium sour Dubai losing ground at the end of the month. Interest for Dubai and comparable Oman loading end-February and in March lessened as high-sulphur fuel oil cracks weakened and peak winter demand drew to a close.

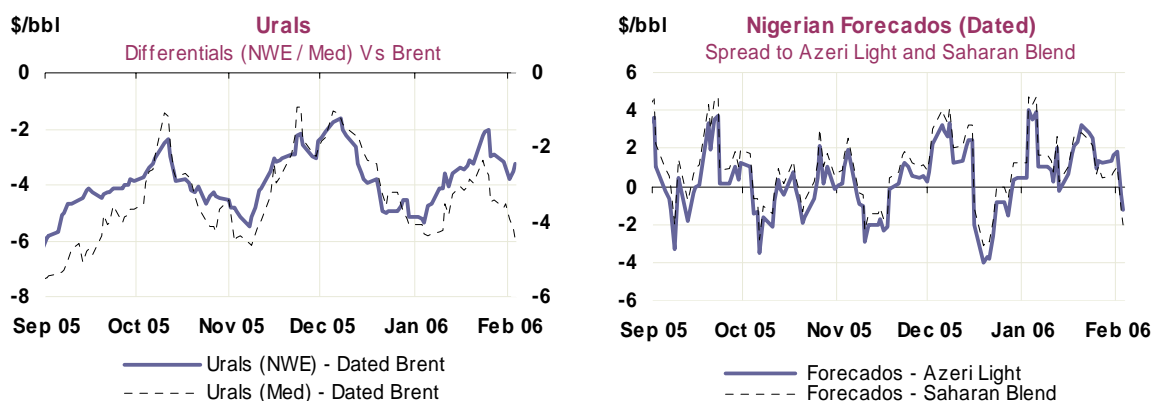
Europe and West Africa

Premiums for North Sea grades strengthened through most of January before falling back. European refinery buying was reported strong in early January, motivated by a need to replenish supplies after keeping runs high in December. Interest for North Sea barrels was also partly motivated by buyers seeking alternatives to Nigerian grades in light of supply disruptions. Supply availability, however, appeared to remain high, the contango in the physical forward Brent market widening throughout January. In the very short-term, Brent contract for differences (swap prices) for early February against the March forward contract had fallen back into a discount after a material narrowing in December.



Medium sour Urals crude strengthened through most of January, before levelling off respectively at around \$61 and \$62 in Northwest Europe and in the Mediterranean. Buying interest was high, supported by relatively firm cracking margins when compared to light sweet Brent. Urals prices also firmed because of lower availability of comparable Iraqi crude. Iraqi exports from southern ports in the recent three months have been running at around 1.2 mb/d on average as compared to exports of 1.6 mb/d in September. Russian production at the same time was reduced due to frigid weather conditions impacting production logistics.

Arbitrage opportunities to the US likewise supported Urals prices. Fixtures were reported from the Baltics as well as the Black Sea, facilitated by lower freight costs. As such, Urals saw its discounts relative to Dated Brent narrow significantly for most of January but weaker refining margins at end-month reversed this trend. Firming Urals values in the Mediterranean were also linked to reduced availabilities due to loading delays on the Black Sea and transit delays through the Turkish Straits. This pushed buyers to seek Baltic supplies, pushing the price of Urals in Northwest Europe to a premium over the Mediterranean.



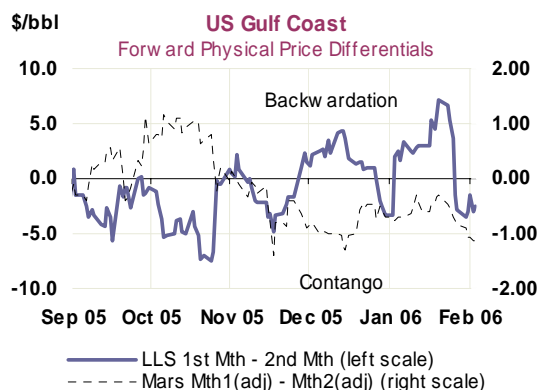
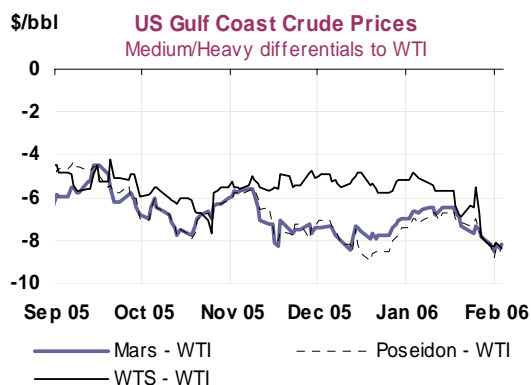
Asian interest for West African crude, prompted by favourable price spreads at the end of December and in early January, pulled an estimated 1.6 mb/d of February loading crude east. The bulk of shipments was reportedly to China and India. This helped to put premiums firmly back into positive territory for Nigerian Bonny Light and Qua Iboe relative to Dated Brent. The increase was likely also supported by buyers seeking alternatives following disruptions to Nigerian Forcados and EA crudes and quality issues surrounding the new Bonga stream.

Heavier Angolan Cabinda was also bid up by Chinese demand, prompted by a narrow price spread against markers Oman and Dubai in early January. Uncertainties surrounding Nigerian supplies also appeared to impact Mediterranean crudes as buyers sought light sweet Azeri and Algerian Saharan blend. Rising interest for February barrels in these crude saw their discount relative to Bonny Light and Forcados fall.

The Americas

The magnitude of the scheduled maintenance this year, combined with comfortable inventories and recovering production in the Gulf of Mexico led US refiner demand for foreign crude to ease in January. Crude imports have declined steadily since December and some firming in the price spread of domestic grades relative to WTI gave way to a widening of discounts in the second half of January. Sour grades such as Mars, WTS or Poseidon traded at more than an \$8/bbl discount to WTI by the end of January. In contrast heavier Mexican Maya crude saw its discount holding steady, albeit at depressed levels, and somewhat narrowing at the end of the month.

With spring refinery maintenance expected to peak in March, it is likely that differentials relative to WTI will be tightening around that time in order to attract deliveries for April to meet higher refinery throughputs. In the meantime, prompt crude availability on the Gulf Coast in relation to easing crude demand, was reflected in forward prices on physical markets. These continued to see near month delivery prices for Mars remain in contango. Light sweet Gulf marker, LLS, over the same period saw its prices in the near-traded months move into contango in January.

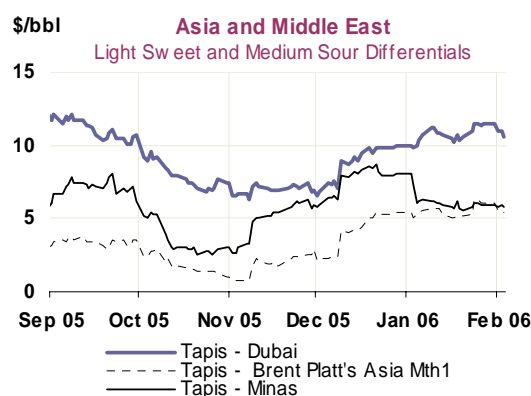
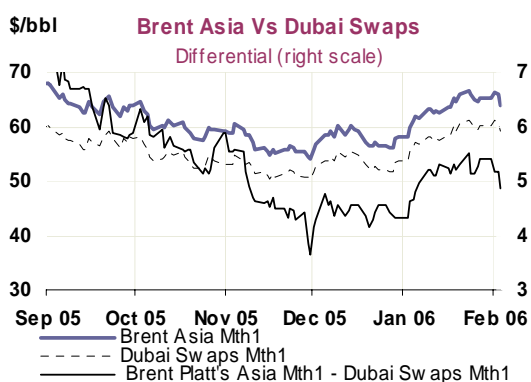


Middle East and Asia

Medium sour Oman and Dubai saw a weaker performance when compared to Atlantic Basin light sweet crudes in January, with Dubai gaining an average of \$5.24/bbl relative to a \$6.14 increase for Dated Brent. Demand for medium and heavier sour crudes eased through the month due to their large cut of high-sulphur fuel oil, which saw its crack value weaken materially in Asia. In contrast, lower sulphur Asian medium sweet grades were supported by stronger low-sulphur fuel prices. These firmed with higher utility demand due to cold temperatures in Northeast Asia.

Extremely cold weather in Northeast Asia also supported February barrels of Abu Dhabi distillate-rich grades due to their high yield of heating kerosene. However, as trade in March cargoes began, interest diminished ahead of seasonally weaker heating demand at the end of the first quarter. Higher distillate and light product prices in Singapore buttressed Malaysian light sweet Tapis crude, the grade also receiving support from a weather-related reduction in Australian supplies.

With trade in Middle East and Asian crudes switching to the end of the first quarter, Asian crude demand is likely to ease as throughputs begin to moderate ahead of seasonal turnarounds. At the same time, spot crude demand could weaken faster on discretionary run cuts in view of deteriorating regional refining margins and hikes in official selling prices (OSP) for Middle East crude. Abu Dhabi and Oman raised their retroactive OSPs for January barrels while Saudi Arabia raised March formula pricing to Asian destinations.



Delivered Crude Prices in November

IEA countries paid \$3.23/bbl less, on average, for crude delivered in November. The decline from October followed in line with a softening in crude prices and weaker freight costs, notably on crude sourced from the Arabian Gulf. Compared to November 2005, delivered crude costs were up on average by \$12.50/bbl. On a regional basis, North American IEA countries saw the largest decline in price, around \$4/bbl lower than October followed by Pacific IEA countries with \$3.10/bbl. European IEA countries saw a more modest decline of \$2.64/bbl.

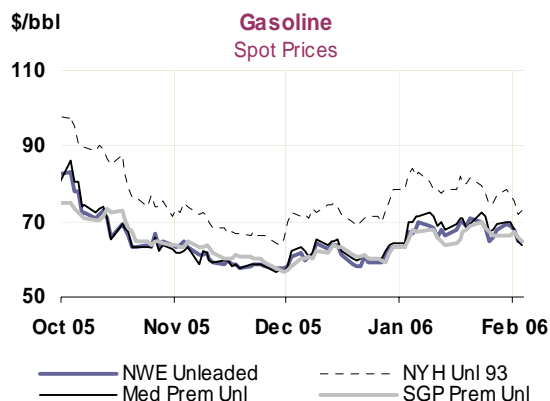
Product Prices in January

Spot Product Prices

Light product prices rose on average in January against December in line with gains in crude prices, particularly in the first half of the month. Regional differences emerged in distillates and fuel oil, mainly linked to diverging weather patterns and relative availability of supply, either through inventories or refinery output.

Gasoline rose on average in all markets, generally leading price gains across the product complex. In the Europe, prices were up by around 11.5% while those in New York Harbour and Singapore rose at a slightly weaker pace of about 9.5%. In contrast, heating oil and low-sulphur fuel oil used in power generation saw mixed fortunes, their price trend dependent on diverging regional weather patterns.

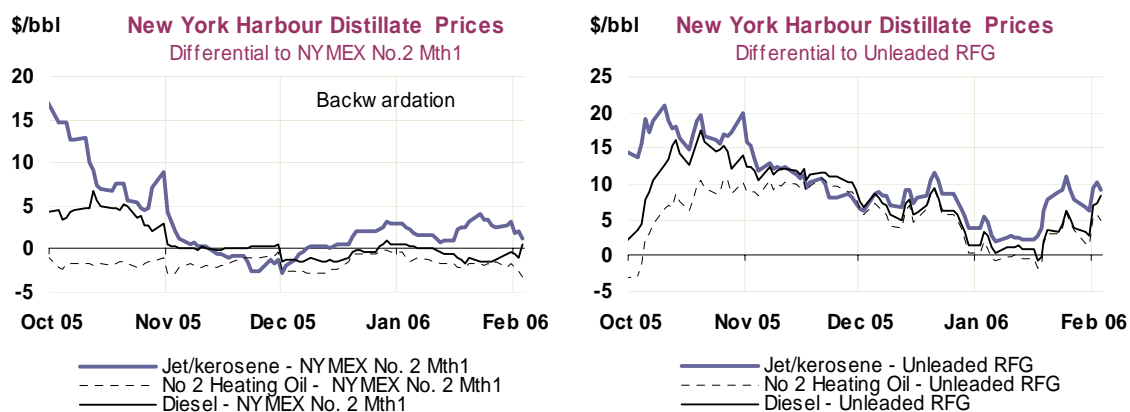
Heating kerosene in Asia was lifted by strong demand and rapidly drawing stocks as temperatures fell well below seasonal norms. In contrast to other markets, this put the average price gain on dollar per barrel basis for jet/kerosene in Singapore above that of gasoline. A cold snap in Europe also pushed gasoil prices higher, however regional supply availabilities capped price gains. With very mild temperatures in the US in January, increases in the price of heating oil were limited in comparison. Low-sulphur fuel oil saw its price path mirror to some extent trends in heating fuels. As such, utility demand drove up prices in Asia and supported values in the Mediterranean. In stark contrast, prices in New York Harbour fell on average in January. The decline, in addition to weather related factors, was also supported by reduced switching into oil by utilities as prices of natural gas came down.



The Americas

Gasoline prices were up on average in January, supported by low, albeit it rising, forward demand cover by finished gasoline stocks. Cover was only partially improved when RBOB with alcohol (the MTBE free blendstock) was included in the cover ratio. US deliveries saw firm growth, the latest four-week average showed deliveries at nearly 9 mb/d, up 1.2% from the previous year. However, the average price increase masks trends during the month. Prices in New York Harbour and on the Gulf Coast had shifted higher by the end of December and began to drift lower during January as heavy imports boosted supplies and added to inventories. This allowed distillate prices in turn to recapture their seasonal premium relative to gasoline in the second half of the month. Gasoline prices on the West Coast bucked this trend, with prices in Los Angeles rising through most of January. The increase reflected the West Coast's greater sensitivity to periods of refinery maintenance. Niche product specifications for finished gasoline limit the availability of alternative supplies to those produced regionally.

A supportive factor in the US gasoline market this year is the phase-out of additive MTBE. The removal of MTBE in favour of an ethanol replacement comes with a volumes loss in the summer gasoline pool that will need to be offset. In light of a relatively heavy turnaround season, prices could respond rapidly to any unplanned outages at a time when inventories need to be rebuilt. In this context, the move towards MTBE-free gasoline may require higher domestic prices to attract additional foreign product and increase the pool of blending components that US refiners use to produce finished gasoline.



Heating oil prices saw modest gains as mild January weather depressed demand and slowed refinery deliveries. Prices posted on average a \$2/bbl gain for New York Harbour and the Gulf Coast despite counter-seasonal increases in stocks. Prices held about even at end-month from their December level. Diesel followed much the same path as heating oil and physical prices were likewise discounted relative to the front month NYMEX heating oil futures contract.

Jet/kerosene performed better on average in January than other distillates, decoupling from trends in gasoil and diesel. Prices rose through the month and jet/kerosene moved to a premium to gasoil futures in the second half of January. The price increase was supported by tightening supplies as imports retrenched from the highs seen in the previous two months. As with heating oil and diesel, the West Coast market saw larger gains. In addition to refinery turnaround considerations, it is likely that the West Coast saw lower arrivals of material from Asia, where prices for kerosene were strong.

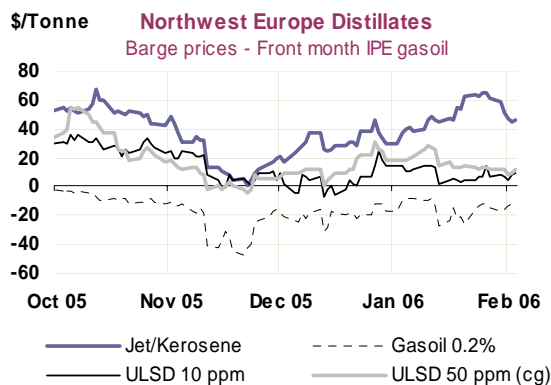
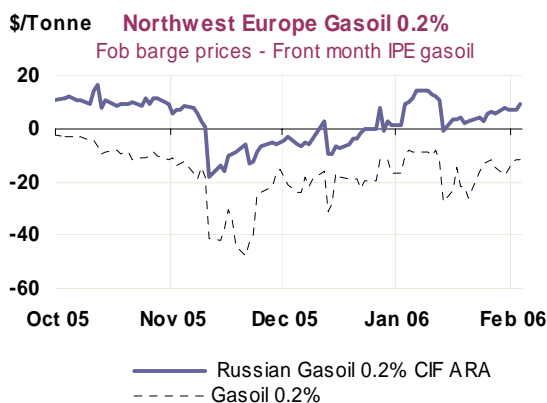
Low-sulphur fuel oil prices, in contrast to Asia, declined on average over January in New York Harbour, prices dipping mainly in the first half of the month. Milder weather in January depressed incremental utility demand for fuel oil. At the time, further downward pressure on prices came from substantially weaker natural gas prices. This eased utility demand substitution into oil. The weakening of prices in New York Harbour opened on paper the possibility for arbitrage sales to Europe, particularly to the Mediterranean where utility demand rose on colder temperatures.

Europe

Despite relatively weak domestic demand and high refinery runs, gasoline prices in Europe were up in January with rising US prices. Prices shifted higher in the early part of the month with exports of gasoline to the US and West Africa. Transatlantic arbitrage opportunities began to slow down by the end of January as the seasonal build in US inventories gathered pace, limiting room for further price gains. In the Mediterranean, gasoline prices also found support with increased demand to deliver

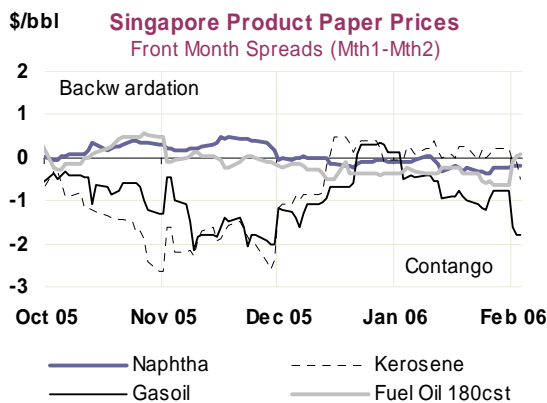
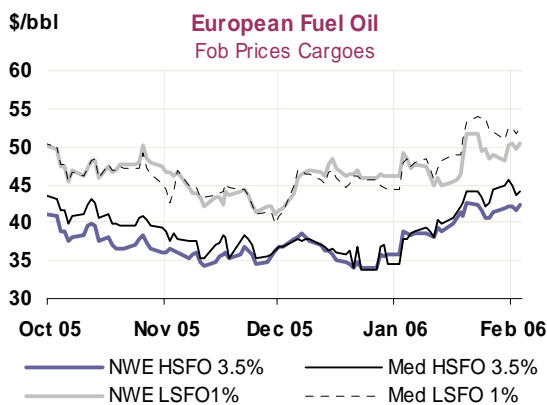
gasoline to Iran. Further limits to upward moves in prices came with improving prompt availability. Swap price differentials for gasoline barges in Northwest Europe between February and March delivery saw their contango structure widen in the second half of the month.

Gasoil prices in Europe rose with the arrival of colder temperatures in January but gains were below those for gasoline. Prices in Northwest Europe and in the Mediterranean tracked each other, but a sharp increase in prices was mitigated by supply availability. European refinery runs remained firm while imports rose. Russian gasoil supply from the Baltics increased as arbitrage trade to the US closed and the arrival of Asian material also added to supplies. Price support through demand for ARA material was reported more regularly from France and Spain rather than Germany, albeit barge traffic on the Rhine was hampered by icy weather conditions. Preliminary indications suggest relative weakness in German gasoil deliveries, indicating demand was either met by domestic refineries and/or a continued reliance on consumer stocks. Reflecting prompt supply availability, gasoil swaps in Northwest Europe held in strong contango. Also, physical 0.2% gasoil prices were discounted beyond \$20/tonne in the middle of January, while Russian CIF cargoes saw early month strength fall.



Jet/kerosene prices fared better than gasoil on a differential basis with physical prices posting a growing premium over IPE's gasoil contract in January. The increase came despite preliminary indications of jet fuel stocks reaching highs in independent storage in ARA. Part of the price increase came with the anticipation of lower arrivals of Middle Eastern material for February. Bidding for these supplies met with competition from a strong Asian market where jet/kerosene values were boosted by extremely cold weather. Swaps in Northwest Europe continued to price forward deliveries in contango, reflecting the rising costs of storage as well as the structurally short position for jet fuel in Europe.

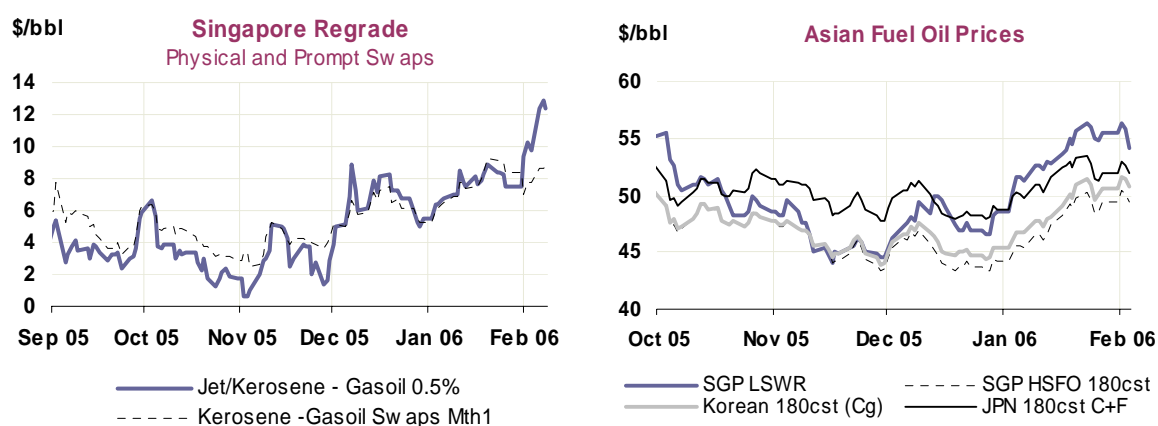
Fuel oil prices rose rapidly in both Northwest Europe and in the Mediterranean in January with increases in low- and high-sulphur material. High-sulphur fuel oil saw, on average, higher gains over the month. This appeared to follow increases in crude prices rather than fundamentally tighter supplies. However, stronger bunker demand was reported as a supportive factor alongside shipments of HSFO from Baltics to the US Gulf Coast, moderating inflows into Northwest Europe. But on a spread basis, cracks generally worsened relative to crude. In low-sulphur material, prices gained momentum in the second half of January, mainly in the Mediterranean, on increased utility demand, notably in Italy.



Singapore

Price changes for jet/kerosene outpaced those in other products in Singapore during January. In contrast to other markets, gains outpaced increases in gasoline. Jet/kerosene prices rose \$6.65/bbl compared to \$5.77/bbl for premium unleaded gasoline. In mid-January, Asia took over as the world's strongest kerosene market, attracting Middle Eastern cargoes away from Europe. The regrade (the premium of jet/kerosene over gasoil), a measure indicative of the relative incentive to maximise yield of jet over gasoil, rose strongly in January. The spread peaked at close to \$9/bbl by mid-month, reaching \$10/bbl in early February, though the second peak appears more connected with gasoil weakness rather than kerosene strength.

The rise in jet/kerosene prices came with extremely cold temperatures in Northeast Asia where kerosene is used as a heating fuel. Jet/kerosene on cargo markets was bid up as Japanese spot demand rose due to strong domestic demand and falling inventories. Spot distillates prices did retrench in the latter part of January on high regional output and anticipation of seasonally falling kerosene demand at the end of the first quarter. Japan saw its refiners ease off from purchases seen in December and begin to increase exports in January. Kerosene swap prices in Singapore for the near months were roughly balanced but gasoil saw a deepening contango.



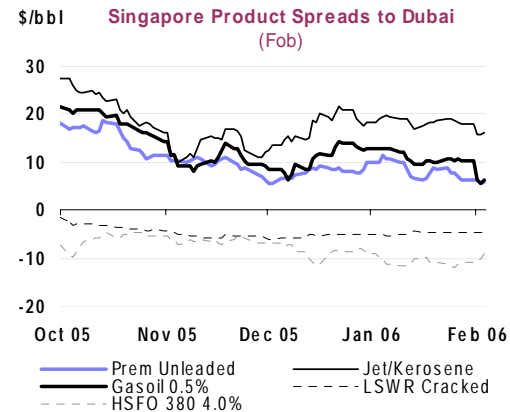
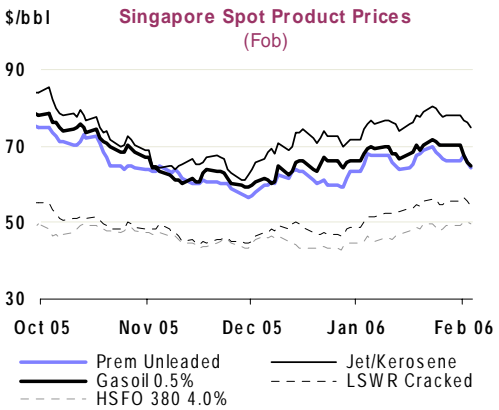
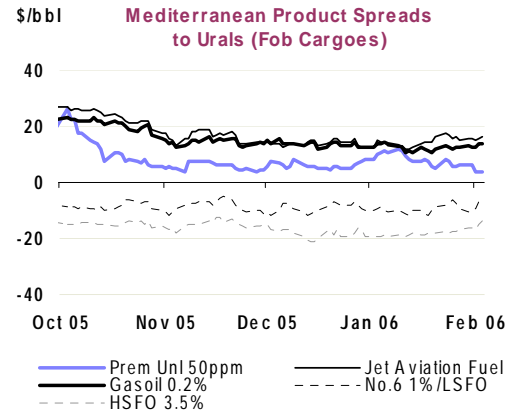
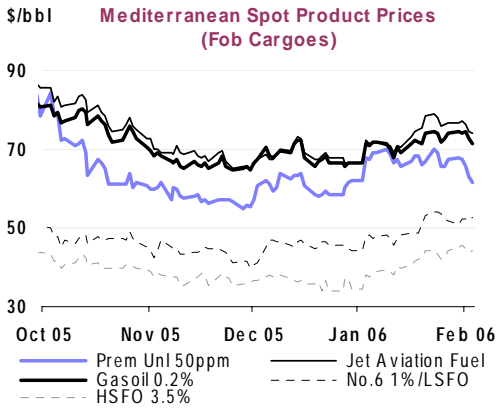
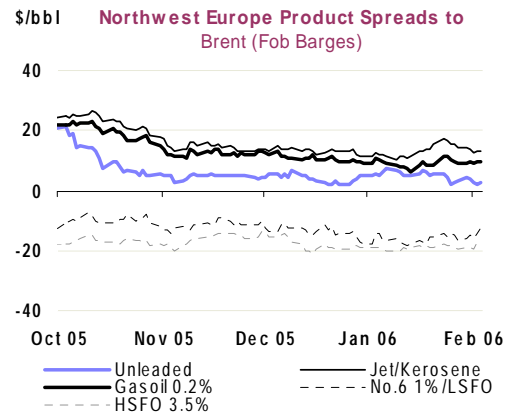
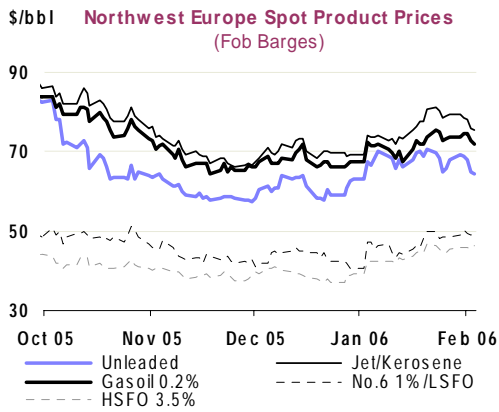
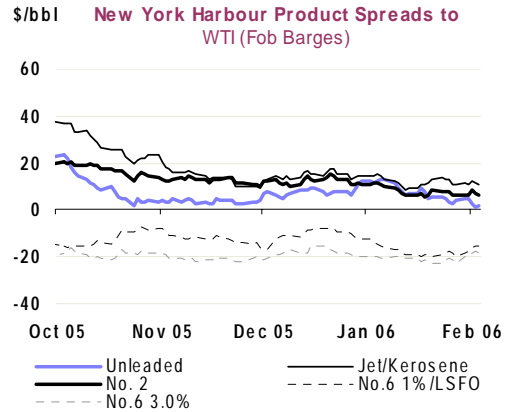
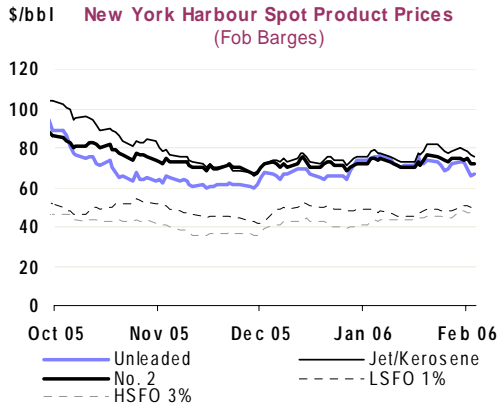
Colder weather, in addition to increasing demand for crude used in direct burn, lifted demand by Asian utilities for low-sulphur fuel oil. Low-sulphur waxy residue (LSWR) prices in Singapore posted the second largest gain among products on average in January. LSWR rose \$5.81/bbl, the increases also buoyed by reportedly lower LSFO exports from Korea. In contrast, high-sulphur material saw more modest gains. Incoming Western supplies in combination with thin Chinese interest for Singapore material limited price increases. Crack spreads on 180cst and 380cst material fell, reflecting weak demand and ample supplies in the region. Arbitrage material totalled around 2.8 million tonnes in January (a 15-month high), and expectations for February, though lower at about 2.5 million tonnes, were above average volumes seen last year (between 1.7 to 1.8 million tonnes). Distressed cargoes were reported in January outside Singapore, storage of residual fuel oil was high and swaps prices were in contango.

While perhaps not yet a factor in the Singapore HSFO market, reportedly shifting Chinese buying patterns for fuel oil may come to the fore in the mid term. Various market reports seem to suggest that Chinese interest is growing for long haul material, purchased directly from producers (Middle East and Venezuela in addition to Korean and Japanese supplies) rather than traders in Singapore. The shift is said to stem from the desire for better quality material while enjoying lower freight with economies of scale for bulk shipments. When and if this trend is confirmed, it will be interesting to see if Singapore, notably its bunker market, continues to act as a sink and absorbs excess Western fuel oil.

End-User Product Prices in January

Average end-user prices for products rose across consuming countries surveyed in January. End-user gasoline prices rose significantly in Europe, where French consumers paid nearly 11% more in January than in December (in US dollar terms, excluding tax). Canadian gasoline cost 8.5% more in January, while US drivers experienced a 7.2% increase before tax. Diesel prices in Europe generally rose at a shallower rate and were almost flat in North America. Japanese ex-tax US dollar-based heating oil prices rose by 11% in January following extreme winter temperatures. Low-sulphur fuel costs were up in January, notably in the UK (up 95% on the previous year).

Product Prices and Differentials to Benchmark Crude Oil Prices



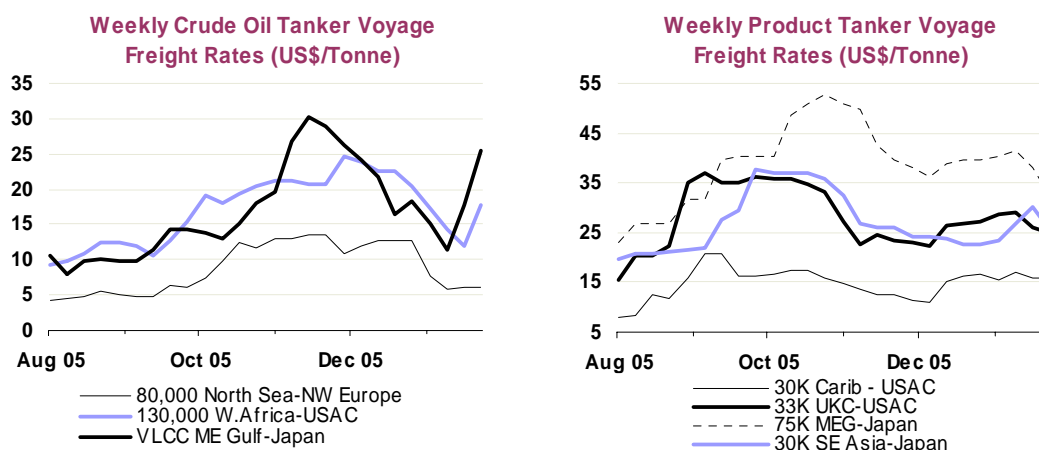
Freight

A surge in Asian crude buying in the second half of January contributed to a large rebound in dirty shipping costs. Arabian Gulf routes led the post-New Year increases as charter rates returned towards seasonal peak levels.

January dirty freight rates for Asian destinations from the Arab Gulf (for delivery over the course of February) by and large reflected a seasonal increase in crude demand, with February often a period where runs are at their peak. During December and January, inventories of heating fuels in Northeast Asia declined rapidly, notably in kerosene due to extreme temperatures. This prompted Asian refiners to cover shipping requirements as runs were held high to meet regional demand.

As windows for booking February transportation opened, competition for VLCCs bound for Japan, China, Singapore and India pushed up spot shipping costs from the Arabian Gulf. Average round-trip spot fixture rates for a VLCC carrying a 260,000 tonne cargo from the Gulf to Japan rose from a trough of under \$12/tonne on January 13th to a peak of almost \$26/tonne on 25 January. This upsurge reversed a previous decline in chartering activity, also observed in other dirty sectors. Preliminary indications at the beginning of February (for March lifting) suggest that chartering eased over the Chinese New-Year holidays and beyond. This may have been partly motivated by anticipation of subsiding winter demand by the end of the first quarter, freeing up vessels.

Transportation costs from the Arabian Gulf to North America also rebounded mid-month, supported by the booking of seven VLCCs by Vela, the chartering arm of Saudi Aramco, in the third week of January. However, comfortable US crude inventories ahead of scheduled maintenance limited the need for stock replenishment. As result, this likely eased the pressure on the global pool of VLCCs.



Eastbound VLCC rates from West Africa rose from under \$20/tonne to \$27/tonne in the last ten days of January. Average charter rates for a typical Suezmax cargo (130,000 tonnes) from West Africa to the US Gulf rose from \$18/tonne to \$27/tonne over the same ten-day period, as vessel interest spilled over from the VLCC sector. Charterers sought to exploit cheaper Suezmax costs as the attractiveness of West African grades appeared to improve following three weeks of limited Atlantic Basin vessel demand.

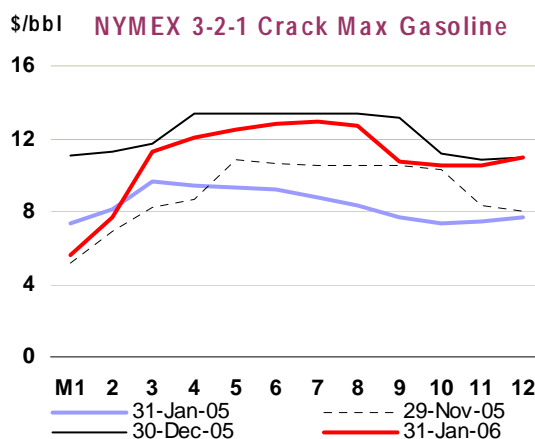
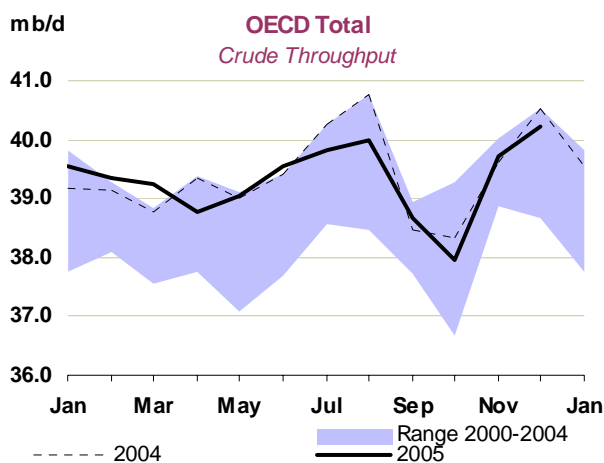
Clean tanker rates fell steadily from late December highs as more clean product vessels became available. Spot arbitrage trade along transatlantic routes weakened by the end of the month with growing product inventories in the US. Shipping costs for clean 25,000 tonne cargoes travelling from North West Europe to the US dropped from over \$32/tonne on 12 January to under \$26/tonne on 2 February. Asian refiners, however, did continue to supplement high throughput levels with product imports in order to assuage strong domestic demand. Cold European temperatures lent some support to shipping costs within the region for smaller clean product vessels.

Dirty and clean transportation costs in the Mediterranean were sporadically supported by ongoing delays in Bosphorus transits and weather-induced port closures in the Black Sea. Loading delays also plagued shippers at Al Basra terminal in Iraq.

REFINERY ACTIVITY

Summary

- **Full cost refining margins** were stronger in the Mediterranean and on the US West Coast in January, but weaker in Asia and the rest of the Atlantic basin. Weaker distillate and fuel oil demand in North America, due to warm weather, undermined product cracks there and had knock-on effects in Europe. Gasoline supply concerns, ahead of US specification changes and a heavy first quarter refinery maintenance programme, boosted gasoline cracks, despite rising US, ARA and Singapore inventories.
- **US refining margins** weakened on the Gulf Coast as warm weather undermined distillate and fuel oil cracks while gasoline prices, after early January strength, tended to lag the gains in crude. Average cracking margins on Mars and LLS fell by \$0.89/bbl and \$1.30/bbl respectively. West Coast margins de-coupled from other regions, posting healthy gains. Rising West Coast gasoline and distillate cracks highlight the difficulty non-regional refiners have in meeting product quality standards. Distillate supply tightness was exacerbated by a strong Asian kerosene market.
- **European refining margins** improved in the Mediterranean, where cold weather, stronger gasoline prices and limited gains in crude prices all boosted margins. In Northwest Europe margins fell, as lower distillate and fuel oil cracks outweighed the impact of stronger gasoline prices. A tight sour crude market, due to lower Russian exports, pushed up Urals prices relative to light sweet crudes and depressed sour margins. Hydroskimming margins remain negative in Europe, with the deterioration in Northwest Europe's margins offset by gains in the Mediterranean.
- **Asian refining margins** were weaker on the whole in January, despite extremely cold weather in the region. Further strength in light sweet crude prices continued to undermine their respective margins, as refiners sought to maximise kerosene production for heating-related demand in Japan and elsewhere in the region. Only Dubai cracking margins were positive on average, falling by only \$0.30/bbl in Singapore and \$0.16/bbl in China from December levels as gains in Dubai crude prices trailed those for sweet crudes.
- **OECD throughputs** reached 40.2 mb/d in December, an increase of 0.5 mb/d from November's upwardly revised levels, but 0.32 mb/d below December 2004. Near-record throughputs in the Pacific and Europe continued to mitigate the loss of 0.8 mb/d of US capacity which was offline during the month.
- **The front month 3-2-1 NYMEX crack spread** retained its overall structure, continuing to price the summer months at around \$12/bbl. However weakness in the front months reflected the weak prompt demand for distillate and strong crude prices in the US. Front month values had fallen to below \$6/bbl by early February from the previously stable level of \$10/bbl.



Refining Margins

Refining margins started the year in a positive fashion in Europe due to cold weather and the temporary reduction of imported Russian natural gas supplies. In the US and Asia, however, gains in product prices were broadly outpaced by those for crude, most notably for Tapis. Margins progressively weakened over the month, with Asia particularly hard hit. Warm weather in the US weighed on distillate and fuel oil differentials to crude on the US Gulf Coast and in Northwest Europe. This reduced the effect of rising gasoline prices, which increased in absolute terms and relative to crude in almost every region covered in this Report.

Typically distillate markets are the main driver of refinery margins at this time of year. However, concerns in the US over the impact of specification changes and market expectations for a relatively heavy first quarter refinery maintenance season lent support to gasoline values. The US West Coast saw the biggest gain in gasoline prices for the regions surveyed in this Report, with gasoline cracks increasing by around \$10/bbl in January. However, it is likely that around half of this increase was specific to Los Angeles prices, ahead of the seasonal changeover to lower RVP specification material which limited supplies. Despite the weaker refining margin environment seen during January for most of the regions covered, the futures market continues to suggest that refiners should maximise crude throughputs ahead of the summer months. NYMEX 3-2-1 crack spreads continue to price summer months at around \$12/bbl, significantly above prompt levels.

Selected Refining Margins in Major Refining Centres

		Monthly Average			Change	Week Ending:				
		Nov 05	Dec 05	Jan 06	Jan 06-Dec 05	06 Jan	13 Jan	20 Jan	27 Jan	03 Feb
NW Europe	Brent (Cracking)	3.06	2.21	2.16	-0.05	2.93	1.45	2.59	0.96	1.36
	Urals (Cracking)	5.75	4.69	4.35	-0.34	6.09	3.59	4.21	2.43	3.28
	Brent (Hydroskimming)	-0.45	-1.32	-2.32	-1.00	-1.96	-3.26	-1.69	-3.23	-1.95
	Urals (Hydroskimming)	-0.04	-1.50	-2.42	-0.92	-1.42	-3.03	-2.48	-3.91	-2.14
Mediterranean	Es Sider (Cracking)	2.23	1.83	3.68	1.85	4.74	3.16	2.94	2.09	3.26
	Urals (Cracking)	4.19	3.10	4.36	1.25	5.29	3.53	3.41	3.49	4.03
	Es Sider (Hydroskimming)	-1.54	-2.11	-0.95	1.17	-0.43	-1.30	-0.97	-2.34	0.32
	Urals (Hydroskimming)	-1.87	-3.78	-3.03	0.75	-2.97	-3.54	-3.35	-3.22	-1.49
US Gulf Coast	Brent (Cracking)	-1.93	-1.42	-1.70	-0.28	-0.58	-2.33	-1.00	-2.42	-2.73
	LLS (Cracking)	0.40	2.22	0.92	-1.30	3.30	-0.35	0.50	-0.21	-0.76
	Mars (Cracking)	-0.78	1.72	0.83	-0.89	1.86	-0.66	0.76	0.63	1.05
	Mars (Coking)	5.27	7.58	6.13	-1.45	8.22	4.62	5.92	5.42	5.25
	Maya (Coking)	9.69	11.84	11.94	0.10	14.84	11.39	11.87	10.63	8.22
US West Coast	ANS (Cracking)	0.06	-0.64	2.88	3.51	3.79	1.09	2.42	2.67	1.54
	Kern (Cracking)	2.08	2.41	4.32	1.91	5.88	3.10	4.05	5.75	4.52
	Oman (Cracking)	-1.69	-2.19	1.89	4.08	3.62	0.60	2.56	2.45	0.46
	Kern (Coking)	6.76	5.60	14.21	8.61	16.29	10.95	16.24	16.42	13.20
Singapore	Dubai (Hydroskimming)	-2.11	-2.20	-2.98	-0.78	-1.93	-2.89	-3.36	-4.22	-4.52
	Tapis (Hydroskimming)	-4.90	-6.66	-8.39	-1.74	-7.05	-9.22	-8.58	-9.77	-10.38
	Dubai (Hydrocracking)	0.74	1.13	0.83	-0.30	2.41	0.50	0.32	-0.73	-1.73
	Tapis (Hydrocracking)	-2.73	-4.35	-6.13	-1.78	-4.39	-7.22	-6.44	-7.79	-8.62
China	Cabinda (Hydroskimming)	-4.86	-3.56	-4.09	-0.54	-4.44	-4.10	-4.98	-6.12	-5.72
	Daqing (Hydroskimming)	-4.00	-3.08	-5.64	-2.55	-5.17	-5.91	-6.03	-6.40	-6.59
	Dubai (Hydroskimming)	-3.00	-2.87	-3.52	-0.65	-2.32	-3.16	-3.91	-5.10	-5.35
	Daqing (Hydrocracking)	-0.22	0.87	-1.57	-2.44	-0.54	-2.43	-1.86	-2.64	-2.75
	Dubai (Hydrocracking)	-0.23	0.43	0.27	-0.16	2.00	0.11	-0.22	-1.56	-2.55

For the purposes of this Report, refining margins are calculated for various complexity configurations, each optimized 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.

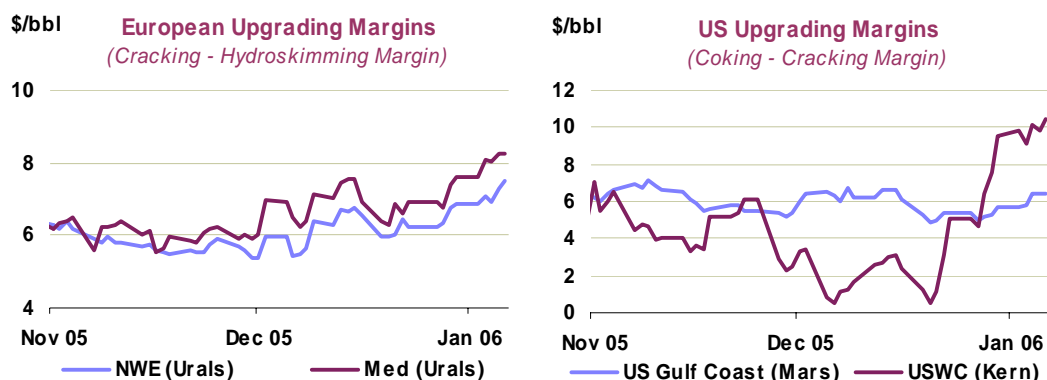
*The China refinery margin calculation represents a model based on spot product import/export parity, and does not reflect internal pricing regulations.

Sources: IEA, Purvin & Gertz Inc.

US Gulf Coast margins on domestic sweet and medium sour crude grades weakened during January from the peak seen in late December. Warm weather reduced heating-related demand and limited price increases compared to strengthening crude values. Distillate crack values were significantly

weaker as a result, as were gasoline cracks to a lesser extent. Similarly, low-sulphur fuel oil cracks fell by over \$7/bbl as demand from utilities declined, with warm weather and significantly lower natural gas prices, forcing surplus cargoes to discount sufficiently to move out of the region. Mars average cracking margins fell by \$0.89/bbl, compared to the \$1.30/bbl decline for LLS, due to its lower distillate yield and high-sulphur fuel oil yield. The continued relative weakness of sweet versus sour cracking margins has reduced the differential between them to nine cents per barrel, its lowest level since January 2005, having peaked at over \$6/bbl last September. While Mars coking margins were \$1.45/bbl weaker for the month, Maya coking margins were \$0.10/bbl higher, as the price for Maya crude lagged the price gains of domestic sour grades.

US West Coast margins de-coupled from the weakness seen in other regions, driven by higher gasoline values and stronger distillate cracks. In addition to the location-specific issues already highlighted, the tighter Pacific markets for kerosene and distillate will have reduced the availability and increased costs for imports of these grades. Although there is little scheduled maintenance expected in the coming months, alternative supplies for the region remain difficult given the stringent product specifications and limited refining capacity nearby. Average coking margins for Kern increased by over \$8/bbl in January from December. Cracking margins for Kern and ANS also increased, but weaker fuel oil cracks limited overall gains to a more modest average increase of \$2-3.5/bbl.

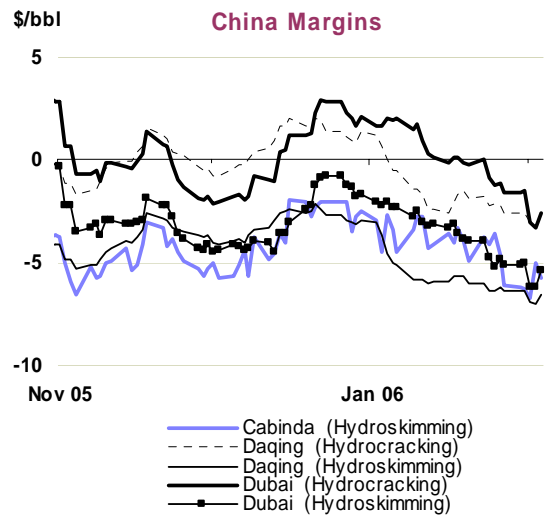
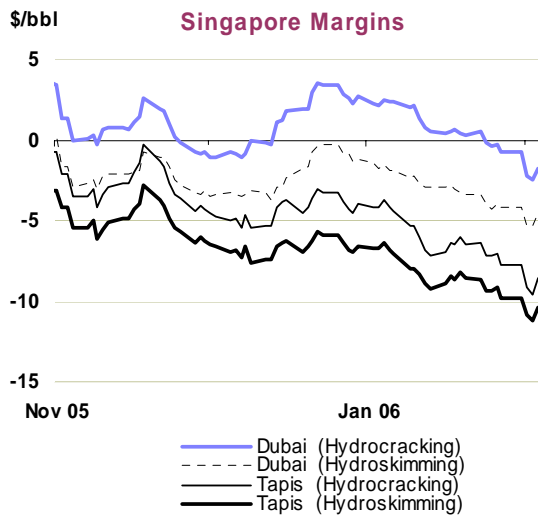
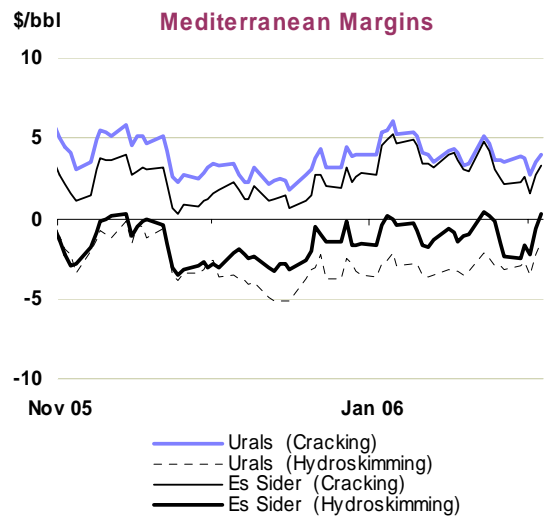
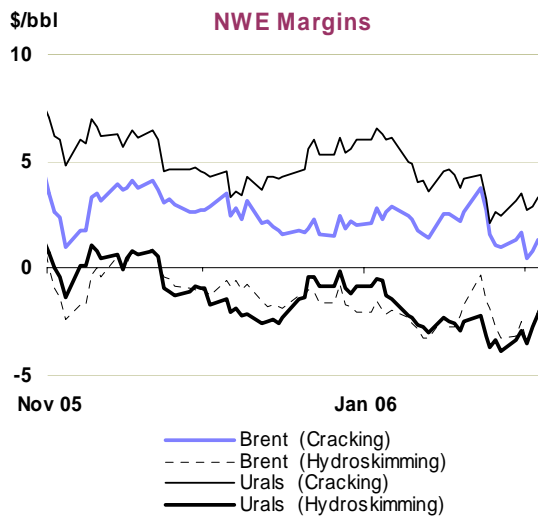
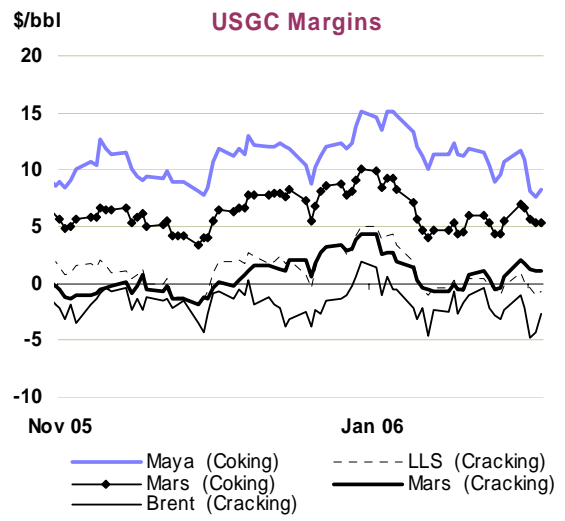
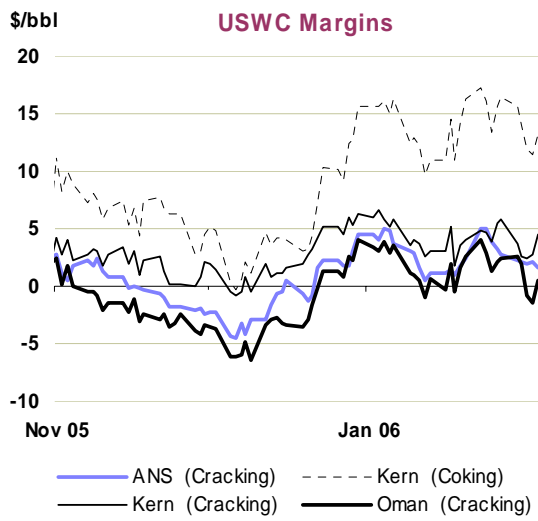


European margins were weaker in Northwest Europe, but stronger in the Mediterranean on average in January. In Northwest Europe the cold weather proved insufficient to support gasoil cracks against rising crude prices, while the gains in gasoline and jet values were insufficient to offset the losses on diesel and fuel oil. In the Mediterranean the cold weather and temporary reduction in natural gas supplies from Russia helped to boost LSFO demand as Italian electricity utilities tried to offset lower natural gas supplies. Indications are that this additional demand will continue over the coming months, probably until the second quarter. Urals cracking margins averaged \$4.35/bbl in Northwest Europe and \$4.36/bbl in the Mediterranean. This is the first time that cracking margins in the Med have been more profitable than in Northwest Europe since June 2003. Hydroskimming margins in Northwest Europe moved further into negative territory in January, while those in the Mediterranean improved, particularly for light sweet crudes, mainly due to stronger jet and gasoline cracks and smaller declines in gasoil and LSFO.

Pacific average margins were weaker across-the-board. Hydroskimming margins were particularly weak, with the decline associated with processing light sweet crudes exceeding those seen for medium sour crudes for the second month running. This was largely the result of supply disruptions, strengthening prices for light sweet crude grades in Asia. Ample availability of medium sour grades kept margins for Dubai hydrocracking positive in January. However, margins for cracking light sweet crude such as Tapis and Daqing, decreased for a second month, from the poor, and in some cases negative, levels seen in December. Upgrading margins for Dubai outperformed sweet crudes helped by the relative weakness in high-sulphur fuel oil prices and strength of low-sulphur waxy residue. HSFO prices remained relatively depressed on large volumes of imports from the Europe.

This Report's methodology (as outlined in the annual statistical supplement) for estimating margins does not capture the seasonal swing in product yields and consequently it may understate the benefit refiners are seeing from strong kerosene values. Nevertheless, some Pacific refiners are reported to be considering cutting runs in the face of poor economics, which is in line with the weak margins seen in this Report for the region.

Regional Full-Cost Refining Margins



In early February, margins in Asia saw renewed weakness with the arrival of warmer weather and continued strong crude prices. European hydroskimming margins were stronger, briefly turning positive in the Mediterranean on sweet crudes, as LSFO and gasoil prices lagged the weakness in regional crude prices. US Gulf Coast and West Coast margins weakened as rising inventory levels in the US pressured prompt product prices. The exception was Mars cracking margins, where competition from Canadian medium sour crudes increased Mars' discount to WTI and allowed margins to rebound slightly.

Refinery Throughput

OECD refinery throughputs increased by 487 kb/d in December from November's level, averaging 40.2 mb/d. This represents the fourth highest monthly average since 1990, but still 316 kb/d below December 2004 levels. The increase from November reflects a further increase in crude runs in North America of 202 kb/d and in Asia of 381 kb/d, while European throughputs fell by 96 kb/d. North American refinery runs in December were 18.25 mb/d or 487 kb/d lower year-on-year while European runs fell 42 kb/d year-on-year to 14.24 mb/d. In the Pacific, throughputs increased as refiners sought to replenish kerosene stocks following the cold weather. Crude runs averaged 7.72 mb/d, an increase of 213 kb/d from December 2004 and the highest level in nearly three years.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day						Change from Dec 04		Utilisation rate ²	
	Jul 05	Aug 05	Sep 05	Oct 05	Nov 05	Dec 05	mb/d	%	Dec 05	Dec 04
OECD North America										
US ³	15.91	15.62	13.97	13.65	15.02	15.14	-0.61	-3.9	88.78	93.06
Canada	1.79	1.83	1.89	1.75	1.84	1.80	0.11	6.2	89.26	85.29
Mexico	1.23	1.28	1.28	1.18	1.18	1.31	0.02	1.8	78.00	71.96
Total	18.93	18.73	17.14	16.58	18.05	18.25	-0.49	-2.6	87.95	90.97
OECD Europe										
France	1.76	1.78	1.75	1.57	1.86	1.83	-0.01	-0.7	93.66	94.36
Germany	2.30	2.43	2.44	2.37	2.40	2.40	0.07	3.1	97.81	94.91
Italy	1.93	1.91	2.02	2.05	1.98	1.93	-0.03	-1.4	83.37	84.88
Netherlands	0.95	1.04	1.07	1.02	1.09	1.04	-0.02	-2.3	84.68	87.08
Spain	1.26	1.20	1.23	1.29	1.24	1.25	-0.03	-2.5	97.98	100.46
UK	1.75	1.69	1.71	1.71	1.64	1.69	-0.08	-4.8	92.37	97.46
Other OECD Europe	4.03	4.20	4.02	4.23	4.13	4.11	0.07	1.7	87.99	86.44
Total	13.96	14.25	14.26	14.24	14.34	14.24	-0.04	-0.3	90.60	90.98
OECD Pacific										
Japan	3.96	4.17	4.17	4.08	4.14	4.47	0.22	5.2	95.01	90.37
Korea	2.25	2.16	2.35	2.39	2.52	2.54	0.06	2.3	98.41	97.38
Other OECD Pacific	0.70	0.67	0.73	0.69	0.69	0.72	-0.07	-8.6	83.55	91.32
Total	6.91	7.00	7.25	7.16	7.34	7.72	0.21	2.8	94.87	92.67
OECD Total	39.80	39.98	38.66	37.97	39.73	40.22	-0.32	-0.8	90.15	91.28

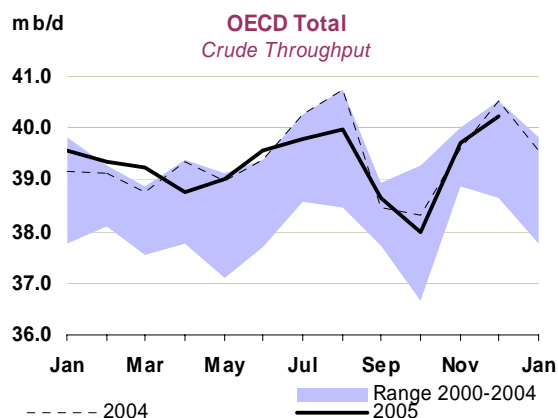
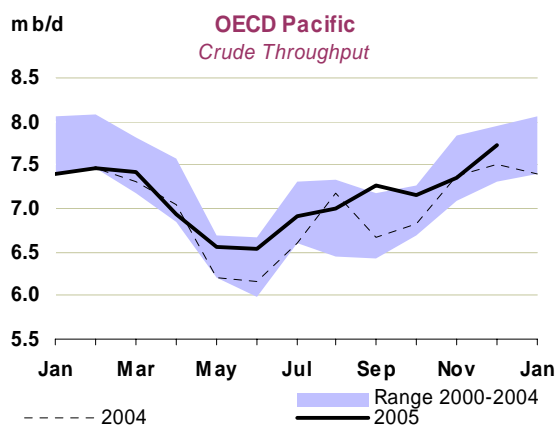
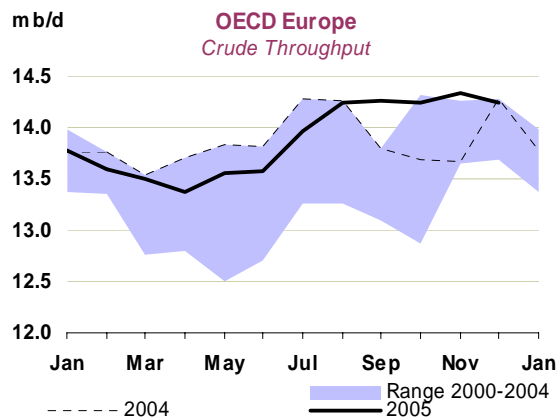
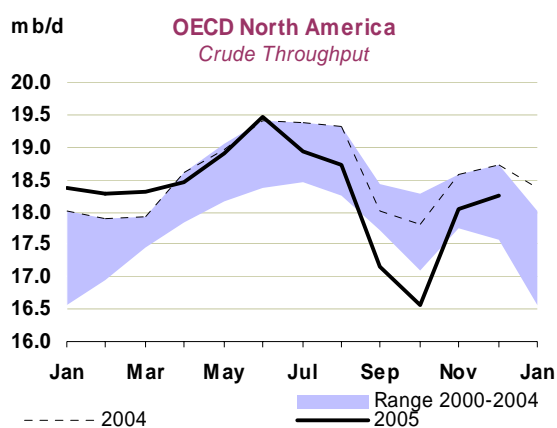
¹ Estimate

² Based on crude throughput and current operable refining capacity

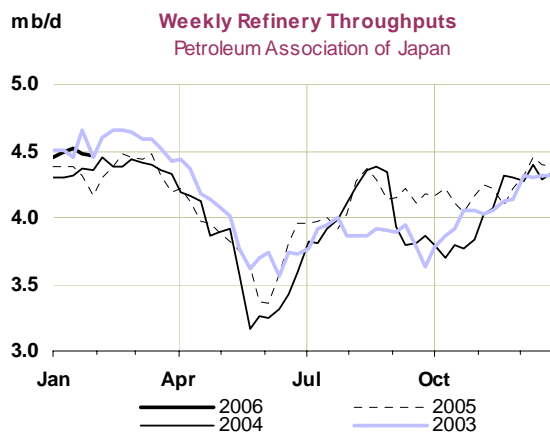
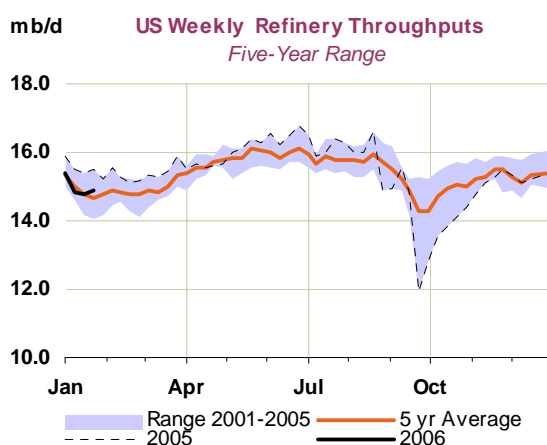
³ US\$50

US throughputs increased by 112 kb/d in December to average 15.14 mb/d. This is 615 kb/d lower than in December 2004 as three US Gulf Coast refineries, accounting for 800 kb/d of capacity remain offline. Capacity utilisation for North America averaged 88% in December, 3% below December 2004's level. Adjusting for the offline capacity on the US Gulf Coast, capacity utilisation averaged 93.2%, just below year ago levels of 93.5%. Increases in crude runs in other US regions, as well as Canada and Mexico, were seen during December. Mexican throughputs increased by 23 kb/d from December 2004 levels, while Canadian throughputs was estimated to be 105 kb/d higher.

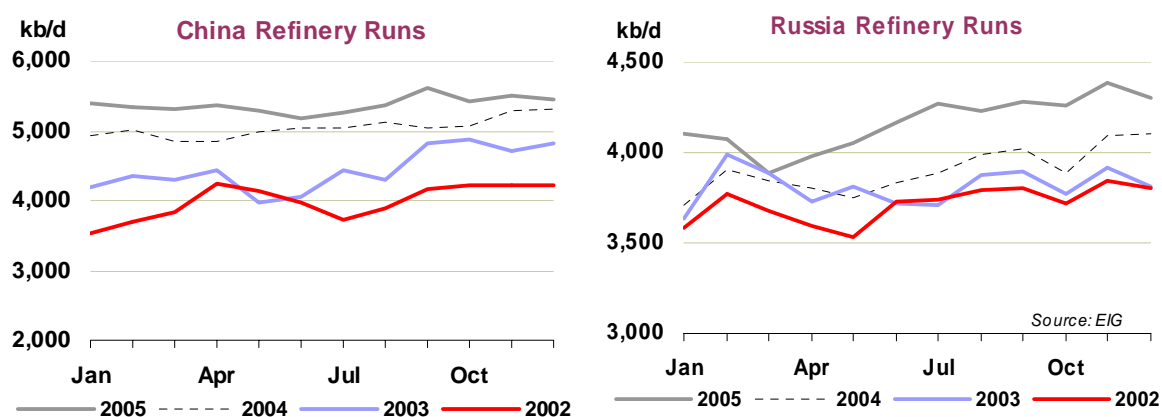
Updated restart dates for the three refineries still offline in the US Gulf Coast now envisage full production being achieved late in the first quarter at the Belle Chasse refinery and during the second quarter for Meraux and Texas City. A survey of publicly available refinery maintenance activity suggests that turnaround activity should already be underway at several refineries, with average capacity offline of around 250 kb/d during January and February, primarily on the US Gulf Coast. Offline capacity is expected to increase over the month before peaking at 750 kb/d in March.



OECD Europe refinery runs were 14.24 mb/d in December, a decline of 95 kb/d from November's near record level, which has been revised up slightly, to 14.34 mb/d. Increases of around 50 kb/d in the UK and Belgium were offset by declines in France, Italy, the Netherlands and Portugal, all of whose throughputs were near recent highs during November. The drop in crude throughputs in these countries possibly highlights the impact of lower margins on refinery runs. As a result European capacity utilisation for December was 90.6%, inline with the prior year level and just below the 91.2% seen in November.



December OECD Pacific throughputs of 7.72 mb/d were 213 kb/d higher than prior year levels, and 381 kb/d above November's level of 7.34 mb/d. Japan led the increase in crude runs with throughputs rising 334 kb/d to 4.47 mb/d, the highest level in almost three years and a capacity utilisation rate of 95%. Korea's crude runs of 2.54 mb/d were similarly strong, effectively matching their highest throughputs level in the last 5 years and equivalent to a capacity utilisation rate of 98.4%. In the New Year Japanese refineries have continued to operate at near record levels, according to weekly data. The trailing four-week average in early February is around 4.49 mb/d, an increase of 152 kb/d from prior year levels and little changed from a weekly average throughputs of 4.51 mb/d in early January. Recently published estimates of maintenance activity in Japan suggests that May will see the start of the annual turnaround season in earnest, with approximately 680 kb/d, (nearly 15%), of crude distillation capacity, offline on average. This level of offline capacity should be repeated in June before activity levels fall back to 80 kb/d in August. Estimates for Korea suggest that maintenance will start with 100 kb/d offline in April and May, before rising to 320 kb/d in June, equivalent to over 12% of available capacity.



Reported data for China and Russia indicate that both countries' throughputs fell slightly in December from November. Russian crude throughputs averaged 4.3 mb/d, a drop of 93 kb/d from November but still 190 kb/d above the prior year's level. Chinese data, as reported for the two main domestic refiners CNPC and Sinopec, also point to a narrowing of the year-on-year increase as crude runs dipped 60 kb/d to 5.44 mb/d, only 22 kb/d above the December 2004 level.

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	25.5	25.5	25.5	25.6	25.6	26.1	26.3	25.9
Europe	15.3	15.4	15.7	15.2	15.6	16.0	15.6	15.6	15.3	15.7	15.7	15.6	15.7	15.2	15.6	15.9	15.6
Pacific	8.6	8.7	9.3	7.9	8.2	8.8	8.5	9.5	8.1	8.1	8.8	8.6	9.5	8.1	8.2	9.0	8.7
Total OECD	48.0	48.6	50.2	48.1	49.2	50.5	49.5	50.6	48.7	49.3	50.0	49.6	50.8	48.9	49.9	51.2	50.2
NON-OECD DEMAND																	
FSU	3.5	3.6	3.5	3.7	3.8	4.0	3.8	3.8	3.7	3.8	3.9	3.8	3.9	3.8	3.9	4.1	3.9
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	6.8	6.6	6.8	6.9	7.0	7.3	7.0
Other Asia	8.0	8.0	8.5	8.6	8.4	8.8	8.6	8.8	8.8	8.6	8.8	8.7	8.9	9.0	8.8	9.1	8.9
Latin America	4.8	4.7	4.7	4.9	5.0	4.9	4.9	4.9	5.0	5.1	5.0	5.0	5.0	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	5.8	6.1	5.9	5.9	6.1	6.1	6.4	6.2	6.2
Africa	2.7	2.7	2.8	2.8	2.7	2.9	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	32.1	32.7	32.7	33.5	32.7	33.6	33.3	33.7	34.0	33.6	34.6	34.6	34.8	35.5	34.9
Total Demand¹	77.7	79.2	82.3	80.8	81.8	84.0	82.2	84.1	82.0	82.9	84.1	83.3	85.4	83.5	84.7	86.7	85.1
OECD SUPPLY																	
North America	14.5	14.6	14.8	14.7	14.4	14.4	14.6	14.4	14.6	13.7	13.7	14.1	14.4	14.3	14.2	14.4	14.3
Europe	6.6	6.3	6.4	6.2	5.7	6.0	6.1	5.9	5.7	5.4	5.5	5.6	5.6	5.4	5.1	5.4	5.4
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	0.5	0.5	0.6	0.6	0.5
Total OECD	21.9	21.6	21.8	21.5	20.8	21.0	21.3	20.9	20.9	19.8	19.7	20.3	20.5	20.2	19.9	20.4	20.2
NON-OECD SUPPLY																	
FSU	9.4	10.3	10.9	11.1	11.4	11.5	11.2	11.5	11.5	11.7	11.9	11.6	11.9	12.2	12.3	12.4	12.2
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	2.8	2.8	2.8	2.8
Latin America	3.9	4.0	4.0	4.1	4.1	4.1	4.1	4.2	4.4	4.3	4.3	4.3	4.4	4.4	4.5	4.6	4.5
Middle East	2.1	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.9	1.8	1.8	1.8	1.8	1.8
Africa	3.0	3.0	3.3	3.4	3.4	3.5	3.4	3.5	3.6	3.8	3.9	3.7	4.0	4.2	4.3	4.4	4.2
Total Non-OECD	24.5	25.7	26.5	26.8	27.3	27.5	27.0	27.5	27.7	28.2	28.5	28.0	28.7	29.2	29.5	29.8	29.3
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-OPEC³	48.1	49.1	50.1	50.1	49.9	50.3	50.1	50.3	50.5	49.8	50.1	50.2	51.1	51.3	51.3	52.1	51.4
OPEC																	
Crude ⁴	25.1	26.8	27.9	28.0	29.1	29.5	28.6	28.7	29.3	29.5	29.4	29.2					
NGLs	3.7	3.9	4.3	4.3	4.3	4.4	4.3	4.7	4.7	4.8	4.8	4.7	4.9	5.0	5.1	5.2	5.1
Total OPEC	28.8	30.7	32.2	32.3	33.4	33.9	33.0	33.4	34.0	34.3	34.2	34.0					
Total Supply⁵	76.9	79.7	82.3	82.5	83.3	84.2	83.1	83.8	84.5	84.0	84.3	84.1					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	-0.4	0.1	-0.6	0.9	0.4	-0.3	0.1	-0.1	0.9	0.2	-0.5	0.1					
Government	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.3	0.0	-0.1	0.1					
Total	-0.3	0.3	-0.4	0.9	0.5	-0.1	0.2	0.0	1.2	0.2	-0.6	0.2					
Floating Storage/Oil in Transit	0.0	0.2	-0.2	-0.2	0.3	0.3	0.0	-0.4	0.1	0.0	0.2	-0.1					
Miscellaneous to balance ⁶	-0.5	0.1	0.7	0.8	0.7	0.1	0.6	0.0	1.1	0.9	0.7	0.7					
Total Stock Ch. & Misc	-0.8	0.5	0.0	1.6	1.5	0.2	0.8	-0.4	2.4	1.1	0.2	0.8					
Memo items:																	
Call on OPEC crude + Stock ch. ⁷	25.9	26.2	27.9	26.4	27.6	29.2	27.8	29.1	26.9	28.4	29.2	28.4	29.4	27.2	28.3	29.5	28.6
Total Demand ex. FSU	74.2	75.6	78.7	77.1	78.0	80.0	78.5	80.3	78.3	79.2	80.2	79.5	81.4	79.7	80.8	82.6	81.1
Total demand exc. FSU (% ch) ⁸	1.1	1.9	3.5	4.8	3.5	3.3	3.8	2.0	1.6	1.4	0.2	1.3	1.4	1.7	2.1	3.1	2.1

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 Non-OPEC supplies include crude oil, condensates, NGL and non-conventional sources of supply such as synthetic crude, ethanol and MTBE.

No allowance is made in the non-OPEC forecast for exceptional events which have, at certain times historically, reduced non-OPEC supply by 300-400 kbd on an annual basis

⁴ Upgraded Venezuelan Orinoco production (synthetic crude) is classified as non-conventional supply and is included in the OPEC NGLs category.

⁵ Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply

⁶ Includes changes in non-reported stocks in OECD and non-OECD areas

⁷ Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs

⁸ 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	-	-	-	-	-	-	-	-	-	-	-0.2	-	0.1	-	-	-0.1	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-0.2	-0.1	-	-0.1	-0.1	-0.1	-0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	0.1	0.1	0.2	-	0.1	0.1	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-0.1	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	0.1	-	0.1	0.1	0.1	-0.1	0.1	-	0.1	0.1	-0.1	-
Total Demand	-	-	-	-	-	0.1	-	0.1	0.1	0.1	-0.4	-	-	-	-	-0.2	-0.1
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	0.1	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-
Total Non-OECD	-	-	-	-	-	-	-	0.1	-	-	-0.1	-	-0.1	0.1	0.1	0.1	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	0.1	-	-	-	-	-0.2	-	0.1	0.1	-
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Supply	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	-0.1	-0.1	0.4	-	-	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	0.1	0.1	-0.4	-	0.2	-	-0.1	-0.2	-
Total Demand ex. FSU	-	-	-	-	-	-	-	-	-	-	-0.4	-0.1	-0.1	-0.1	-0.2	-0.3	-0.2

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	25.03	25.41	25.69	25.34	25.53	25.30	25.48	25.50	25.45	25.60	25.63	26.05	26.29	25.89
Europe	15.43	15.66	15.20	15.60	16.02	15.62	15.56	15.30	15.71	15.70	15.57	15.68	15.23	15.59	15.92	15.60
Pacific	8.69	9.28	7.90	8.16	8.77	8.53	9.49	8.10	8.10	8.84	8.63	9.54	8.10	8.24	8.99	8.71
Total OECD	48.65	50.17	48.13	49.17	50.48	49.49	50.57	48.70	49.30	50.04	49.65	50.82	48.95	49.88	51.20	50.21
FSU	3.59	3.51	3.72	3.79	4.00	3.76	3.82	3.71	3.79	3.90	3.81	3.93	3.82	3.90	4.08	3.93
Europe	0.69	0.76	0.70	0.66	0.71	0.71	0.78	0.72	0.67	0.72	0.72	0.80	0.73	0.68	0.74	0.74
China	5.58	6.28	6.53	6.32	6.60	6.43	6.55	6.41	6.63	6.80	6.60	6.82	6.85	6.98	7.27	6.98
Other Asia	8.05	8.47	8.57	8.39	8.80	8.56	8.82	8.78	8.58	8.76	8.73	8.93	8.95	8.77	9.08	8.93
Latin America	4.67	4.71	4.87	4.96	4.89	4.86	4.85	5.01	5.06	4.99	4.98	4.96	5.12	5.18	5.11	5.09
Middle East	5.27	5.54	5.48	5.81	5.64	5.62	5.83	5.77	6.10	5.92	5.91	6.12	6.07	6.39	6.22	6.20
Africa	2.73	2.82	2.84	2.75	2.85	2.81	2.92	2.94	2.82	2.93	2.90	3.00	3.03	2.90	3.02	2.99
Total Non-OECD	30.56	32.09	32.72	32.66	33.50	32.74	33.57	33.34	33.65	34.02	33.65	34.56	34.56	34.82	35.52	34.87
World	79.21	82.26	80.85	81.83	83.98	82.23	84.14	82.04	82.95	84.05	83.30	85.38	83.51	84.70	86.71	85.08
<i>of which:</i>																
<i>US</i>	20.03	20.60	20.54	20.82	20.97	20.73	20.80	20.66	20.86	20.77	20.77	20.84	20.95	21.28	21.41	21.12
<i>Euro4</i>	8.30	8.39	8.10	8.36	8.48	8.34	8.19	8.06	8.37	8.18	8.20	8.14	7.99	8.20	8.29	8.16
<i>Japan</i>	5.50	5.98	4.87	5.12	5.45	5.35	6.05	4.99	5.08	5.52	5.41	6.09	4.93	5.11	5.57	5.42
<i>Korea</i>	2.18	2.30	2.02	2.00	2.27	2.15	2.40	2.06	2.00	2.22	2.17	2.39	2.09	2.05	2.31	2.21
<i>Mexico</i>	1.95	1.96	1.96	1.95	2.01	1.97	2.01	2.08	2.04	2.07	2.05	2.11	2.12	2.11	2.14	2.12
<i>Canada</i>	2.21	2.30	2.20	2.31	2.36	2.29	2.35	2.23	2.25	2.30	2.28	2.27	2.22	2.31	2.36	2.29
<i>Brazil</i>	2.04	2.06	2.12	2.21	2.18	2.14	2.11	2.17	2.24	2.20	2.18	2.15	2.22	2.29	2.25	2.23
<i>India</i>	2.47	2.66	2.65	2.49	2.65	2.61	2.77	2.64	2.53	2.59	2.63	2.81	2.69	2.55	2.67	2.68
Annual Change (% per annum)																
North America	1.7	3.1	3.8	2.9	3.5	3.3	1.2	1.1	0.3	-0.7	0.5	0.3	1.3	2.2	3.1	1.7
Europe	1.0	1.4	0.4	0.9	2.3	1.3	-0.7	0.6	0.7	-2.0	-0.4	0.8	-0.5	-0.8	1.4	0.2
Pacific	1.5	-4.2	-2.4	2.8	-3.2	-1.9	2.2	2.5	-0.7	0.8	1.2	0.6	-0.1	1.7	1.6	1.0
Total OECD	1.4	1.1	1.7	2.2	1.9	1.7	0.8	1.2	0.3	-0.9	0.3	0.5	0.5	1.2	2.3	1.1
FSU	3.2	-8.2	16.0	10.5	2.8	4.7	8.7	-0.2	0.0	-2.4	1.3	2.9	2.8	3.0	4.6	3.3
Europe	3.8	2.5	2.5	3.0	3.1	2.8	2.6	2.6	2.0	1.8	2.2	2.9	2.0	2.0	2.1	2.3
China	11.0	18.0	23.4	9.2	12.0	15.4	4.3	-1.9	4.9	3.0	2.5	4.2	6.9	5.3	6.9	5.8
Other Asia	1.2	6.8	8.9	5.3	4.6	6.3	4.2	2.4	2.3	-0.6	2.1	1.2	2.0	2.2	3.7	2.3
Latin America	-1.8	4.8	5.0	3.9	2.8	4.1	3.0	2.9	2.1	2.0	2.5	2.1	2.2	2.4	2.5	2.3
Middle East	1.9	5.9	9.4	5.9	5.1	6.5	5.3	5.3	5.0	4.9	5.1	5.0	5.2	4.8	5.1	5.0
Africa	1.6	2.8	3.6	3.7	2.9	3.2	3.5	3.5	2.7	2.9	3.2	2.8	2.8	3.0	3.0	2.9
Total Non-OECD	2.8	5.9	11.1	6.3	5.4	7.1	4.6	1.9	3.0	1.6	2.8	2.9	3.7	3.5	4.4	3.6
World	2.0	3.0	5.3	3.8	3.2	3.8	2.3	1.5	1.4	0.1	1.3	1.5	1.8	2.1	3.2	2.1
Annual Change (mb/d)																
North America	0.40	0.76	0.93	0.70	0.86	0.81	0.31	0.27	0.07	-0.19	0.11	0.07	0.33	0.57	0.79	0.44
Europe	0.16	0.22	0.05	0.14	0.36	0.20	-0.11	0.10	0.11	-0.32	-0.06	0.12	-0.07	-0.12	0.23	0.04
Pacific	0.13	-0.41	-0.19	0.23	-0.29	-0.16	0.20	0.20	-0.06	0.07	0.10	0.06	-0.01	0.14	0.14	0.08
Total OECD	0.69	0.57	0.79	1.07	0.93	0.84	0.40	0.57	0.13	-0.44	0.16	0.24	0.25	0.59	1.16	0.56
FSU	0.11	-0.31	0.51	0.36	0.11	0.17	0.31	-0.01	0.00	-0.10	0.05	0.11	0.10	0.11	0.18	0.13
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	0.01	0.01	0.02	0.02
China	0.55	0.96	1.24	0.53	0.71	0.86	0.27	-0.12	0.31	0.20	0.16	0.27	0.44	0.35	0.47	0.38
Other Asia	0.09	0.54	0.70	0.43	0.38	0.51	0.36	0.21	0.19	-0.05	0.18	0.11	0.17	0.19	0.32	0.20
Latin America	-0.08	0.22	0.23	0.18	0.13	0.19	0.14	0.14	0.11	0.10	0.12	0.10	0.11	0.12	0.12	0.11
Middle East	0.10	0.31	0.47	0.33	0.27	0.34	0.29	0.29	0.29	0.28	0.29	0.29	0.30	0.29	0.30	0.30
Africa	0.04	0.08	0.10	0.10	0.08	0.09	0.10	0.10	0.07	0.08	0.09	0.08	0.08	0.08	0.09	0.08
Total Non-OECD	0.84	1.80	3.27	1.95	1.71	2.18	1.48	0.62	0.99	0.52	0.90	0.99	1.22	1.17	1.50	1.22
World	1.53	2.37	4.06	3.02	2.64	3.02	1.89	1.19	1.11	0.08	1.06	1.23	1.47	1.75	2.66	1.78
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	-	-	-	-	-	-	-	-	-0.01	-0.04	-0.01	-0.12	-0.01	-0.02	-0.05	-0.05
Europe	-	-	-	-	-	-	-	-	-	-0.17	-0.04	0.14	-0.03	-0.05	-0.05	-
Pacific	-	-	-	-	-	-	-	-	-	-0.02	-	-0.03	-0.01	-0.01	-0.02	-0.02
Total OECD	-	-	-	-	-	-	-	-	-0.02	-0.22	-0.06	-0.01	-0.06	-0.08	-0.13	-0.07
FSU	-	0.01	0.01	0.01	0.02	0.01	0.09	0.14	0.16	0.04	0.11	0.11	0.14	0.14	0.08	0.12
Europe	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.10	-0.02	-0.03	-0.02	-0.02	-0.06	-0.03
Other Asia	-	-	-	-	0.03	0.01	-	-	-0.02	-0.07	-0.02	-0.07	-0.03	-0.03	-0.06	-0.05
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-0.01	-0.01	-0.03	-0.01	-0.02	-0.02	-0.02	-0.03	-0.03
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	0.01	0.01	0.01	0.05	0.02	0.09	0.14	0.13	-0.15	0.05	-0.01	0.08	0.06	-0.08	0.01
World	-	0.01	0.01	0.01	0.05	0.02	0.09	0.14	0.11	-0.37	-0.01	-0.02	0.02	-0.02	-0.21	-0.06

Table 3
WORLD OIL PRODUCTION

(million barrels per day)

	2004	2005	2006	3Q05	4Q05	1Q06	2Q06	3Q06	Nov 05	Dec 05	Jan 06
OPEC											
Crude Oil											
Saudi Arabia	8.75	9.15		9.26	9.21				9.26	9.21	9.20
Iran	3.93	3.88		3.81	3.89				3.85	3.89	3.92
Iraq	1.99	1.81		1.96	1.66				1.70	1.54	1.50
UAE	2.35	2.45		2.53	2.56				2.56	2.56	2.48
Kuwait	2.05	2.13		2.11	2.20				2.19	2.21	2.22
Neutral Zone	0.60	0.58		0.57	0.58				0.59	0.59	0.60
Qatar	0.77	0.80		0.80	0.83				0.83	0.83	0.83
Nigeria	2.32	2.40		2.39	2.45				2.47	2.46	2.42
Libya	1.55	1.64		1.65	1.65				1.65	1.65	1.65
Algeria	1.20	1.34		1.36	1.37				1.37	1.37	1.36
Venezuela	2.17	2.10		2.10	2.08				2.14	2.05	2.13
Indonesia	0.97	0.94		0.94	0.94				0.95	0.94	0.92
Total Crude Oil	28.64	29.23		29.47	29.41				29.54	29.28	29.21
Total NGLs ¹	4.32	4.74	5.06	4.79	4.80	4.92	5.01	5.13	4.73	4.85	4.84
Total OPEC	32.96	33.98		34.25	34.21				34.27	34.12	34.05
NON-OPEC²											
OECD											
North America											
United States	7.66	7.29	7.31	7.04	6.69	7.29	7.32	7.34	6.78	7.07	7.15
Mexico	3.83	3.76	3.74	3.70	3.72	3.80	3.76	3.71	3.72	3.82	3.83
Canada	3.09	3.04	3.27	2.99	3.25	3.31	3.21	3.14	3.29	3.31	3.28
Europe	6.10	5.64	5.36	5.42	5.50	5.57	5.35	5.13	5.49	5.60	5.54
UK	2.06	1.83	1.67	1.66	1.78	1.79	1.65	1.55	1.73	1.82	1.81
Norway	3.19	2.96	2.91	2.93	2.91	2.98	2.91	2.80	2.94	2.96	2.93
Others	0.85	0.84	0.78	0.83	0.81	0.80	0.79	0.78	0.82	0.81	0.80
Pacific	0.58	0.59	0.55	0.60	0.57	0.52	0.53	0.55	0.58	0.58	0.47
Australia	0.54	0.54	0.51	0.56	0.53	0.48	0.49	0.51	0.54	0.54	0.43
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	21.25	20.32	20.23	19.76	19.72	20.49	20.18	19.88	19.87	20.37	20.28
NON-OECD											
Former USSR											
Russia	9.23	9.48	9.81	9.54	9.64	9.63	9.79	9.89	9.66	9.64	9.48
Others	1.99	2.16	2.39	2.14	2.26	2.29	2.38	2.43	2.30	2.24	2.22
Asia											
China	3.48	3.62	3.62	3.64	3.59	3.60	3.61	3.63	3.61	3.51	3.61
Malaysia	0.86	0.83	0.84	0.85	0.85	0.86	0.85	0.83	0.85	0.85	0.86
India	0.80	0.77	0.80	0.73	0.75	0.76	0.81	0.81	0.75	0.75	0.75
Others	1.11	1.13	1.18	1.17	1.19	1.20	1.19	1.17	1.19	1.21	1.21
Europe	0.17	0.16	0.15	0.16	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Latin America											
Brazil	1.79	1.98	2.23	2.02	2.03	2.11	2.18	2.25	2.03	2.05	2.08
Argentina	0.80	0.77	0.72	0.78	0.75	0.73	0.73	0.71	0.75	0.75	0.72
Colombia	0.53	0.53	0.54	0.53	0.53	0.53	0.53	0.54	0.53	0.53	0.53
Ecuador	0.53	0.52	0.54	0.50	0.52	0.54	0.54	0.54	0.52	0.53	0.54
Others	0.42	0.47	0.46	0.47	0.47	0.47	0.47	0.46	0.46	0.47	0.47
Middle East³											
Oman	0.79	0.77	0.75	0.77	0.76	0.76	0.75	0.75	0.76	0.76	0.76
Syria	0.49	0.46	0.43	0.46	0.45	0.44	0.43	0.43	0.45	0.45	0.45
Yemen	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41	0.41
Africa											
Egypt	0.71	0.70	0.68	0.69	0.70	0.69	0.69	0.68	0.70	0.68	0.69
Angola	0.99	1.25	1.48	1.32	1.39	1.40	1.45	1.50	1.42	1.41	1.40
Gabon	0.24	0.23	0.23	0.24	0.24	0.24	0.24	0.23	0.24	0.24	0.24
Others	1.46	1.52	1.82	1.54	1.56	1.65	1.83	1.89	1.56	1.56	1.59
Total Non-OECD	27.03	27.97	29.32	28.16	28.47	28.69	29.24	29.53	28.58	28.40	28.40
Processing Gains ⁴	1.83	1.86	1.90	1.84	1.88	1.92	1.89	1.88	1.88	1.88	1.92
TOTAL NON-OPEC	50.12	50.15	51.45	49.76	50.07	51.10	51.31	51.28	50.33	50.66	50.59
TOTAL SUPPLY	83.08	84.13		84.01	84.28				84.60	84.78	84.64

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

2 Comprises crude oil, condensates, NGLs and oil from non-conventional sources. No allowance is made in the non-OPEC forecast for exceptional events, which have, at certain times historically, reduced non-OPEC supply by 300-400 kbd on an annual basis

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			
	Aug2005	Sep2005	Oct2005	Nov2005	Dec2005*	Dec2002	Dec2003	Dec2004	1Q2005	2Q2005	3Q2005	4Q2005
North America												
Crude	421.2	429.0	440.5	443.1	441.7	386.7	382.0	400.1	0.38	0.14	-0.20	0.14
Motor Gasoline	222.8	227.2	229.2	230.8	233.1	240.4	234.0	244.8	0.00	0.00	-0.19	0.06
Middle Distillate	212.5	198.7	198.3	210.1	210.3	207.5	209.7	198.8	-0.26	0.17	0.08	0.13
Residual Fuel Oil	41.3	42.1	43.6	47.4	46.7	40.2	45.7	50.5	-0.02	-0.03	-0.04	0.05
Total Products ³	673.6	663.5	664.4	674.2	661.7	652.2	639.8	655.2	-0.32	0.57	-0.15	-0.02
Total ⁴	1248.7	1252.3	1268.1	1277.4	1259.2	1173.7	1160.7	1200.4	-0.01	0.82	-0.24	0.08
Europe												
Crude	335.5	339.5	335.8	328.3	328.9	297.1	313.3	321.0	0.24	-0.06	0.02	-0.11
Motor Gasoline	105.6	106.4	109.7	110.7	111.9	118.0	118.4	114.8	0.07	-0.19	0.03	0.06
Middle Distillate	259.2	258.6	263.4	260.3	252.8	239.8	238.9	241.2	0.05	-0.03	0.17	-0.06
Residual Fuel Oil	73.9	75.6	77.2	77.2	75.1	76.3	79.4	75.0	-0.07	0.04	0.04	-0.01
Total Products ³	541.6	541.8	554.2	549.7	541.9	534.4	537.8	534.4	0.06	-0.23	0.24	0.00
Total ⁴	949.6	957.1	963.4	952.1	944.1	894.8	921.7	927.2	0.33	-0.31	0.31	-0.14
Pacific												
Crude	181.9	168.1	174.6	165.6	155.8	161.1	180.1	171.2	-0.02	0.08	-0.09	-0.13
Motor Gasoline	22.9	22.8	24.4	24.2	22.1	22.4	22.0	24.2	0.01	-0.01	-0.02	-0.01
Middle Distillate	73.8	77.9	84.4	79.0	58.8	64.0	73.8	75.1	-0.29	0.11	0.21	-0.21
Residual Fuel Oil	23.5	23.9	24.0	23.2	21.0	21.8	23.0	22.4	-0.01	0.02	0.01	-0.03
Total Products ³	188.0	191.8	201.3	192.1	168.4	175.4	183.2	187.8	-0.37	0.20	0.20	-0.26
Total ⁴	442.4	432.4	451.6	432.0	393.5	407.6	434.8	430.3	-0.45	0.36	0.11	-0.42
Total OECD												
Crude	938.6	936.5	950.9	937.0	926.4	844.9	875.4	892.3	0.60	0.17	-0.27	-0.11
Motor Gasoline	351.2	356.4	363.3	365.7	367.1	380.8	374.4	383.7	0.08	-0.19	-0.19	0.12
Middle Distillate	545.5	535.1	546.1	549.4	521.9	511.3	522.5	515.1	-0.51	0.25	0.46	-0.14
Residual Fuel Oil	138.7	141.6	144.8	147.8	142.8	138.3	148.0	147.9	-0.10	0.03	0.00	0.01
Total Products ³	1403.1	1397.1	1419.9	1415.9	1371.9	1361.9	1360.8	1377.5	-0.63	0.54	0.29	-0.27
Total ⁴	2640.7	2641.8	2683.0	2661.5	2596.8	2476.2	2517.1	2557.9	-0.13	0.87	0.18	-0.49

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			
	Aug2005	Sep2005	Oct2005	Nov2005	Dec2005*	Dec2002	Dec2003	Dec2004	1Q2005	2Q2005	3Q2005	4Q2005
North America												
Crude	700.7	693.7	685.2	685.6	684.6	599.1	638.4	675.6	0.14	0.09	-0.03	-0.10
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	166.3	167.0	167.0	167.7	167.7	157.1	157.5	167.7	-0.04	0.01	0.02	0.01
Products	239.0	237.4	236.8	236.5	236.5	198.8	216.0	208.5	0.04	0.26	0.02	-0.01
Pacific												
Crude	383.5	382.1	381.1	380.5	379.8	379.6	384.7	384.5	0.00	-0.01	-0.01	-0.03
Products	11.5	11.2	11.2	11.3	11.2	9.5	11.0	11.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1250.5	1242.7	1233.3	1233.9	1232.1	1135.8	1180.6	1227.8	0.10	0.09	-0.02	-0.12
Products	252.5	250.6	250.0	249.8	249.7	210.3	229.0	221.5	0.04	0.26	0.02	-0.01
Total ⁴	1504.0	1494.3	1484.3	1484.6	1482.8	1347.2	1410.6	1450.3	0.14	0.35	0.00	-0.13

* 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 December 2004		End March 2005		End June 2005		End September 2005		End December 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	167.8	72	164.7	74	164.7	73	165.6	-	-	-
Mexico	41.3	21	44.2	21	45.6	22	52.8	-	-	-
United States ⁴	1646.8	80	1658.8	81	1740.5	84	1707.4	-	-	-
Total⁴	1878.0	74	1889.8	75	1972.9	78	1948.0	76	1945.9	76
Pacific										
Australia	33.2	38	34.8	38	35.9	41	34.5	-	-	-
Japan	635.3	105	604.9	121	629.4	124	637.9	-	-	-
Korea	149.4	62	137.4	67	142.5	71	145.4	-	-	-
New Zealand	8.0	49	7.9	53	9.0	64	7.9	-	-	-
Total	825.9	87	785.0	97	816.8	101	825.6	93	784.5	82
Europe⁵										
Austria	21.0	75	20.6	72	20.8	69	20.2	-	-	-
Belgium	27.2	40	26.9	48	27.8	53	30.3	-	-	-
Czech Republic	16.3	86	17.0	78	15.9	70	16.7	-	-	-
Denmark	16.2	86	16.3	89	17.2	96	20.5	-	-	-
Finland	24.4	110	26.2	125	27.0	122	27.3	-	-	-
France	186.2	90	187.4	99	185.6	94	191.4	-	-	-
Germany	267.2	106	280.5	111	279.4	102	275.8	-	-	-
Greece	35.7	77	35.7	97	32.6	83	34.6	-	-	-
Hungary	16.2	128	19.6	137	17.0	109	17.1	-	-	-
Ireland	12.0	60	10.6	58	11.6	63	13.2	-	-	-
Italy	135.8	73	133.7	75	132.1	75	137.0	-	-	-
Luxembourg	0.9	14	0.9	13	0.8	13	0.8	-	-	-
Netherlands	108.3	109	109.4	103	116.6	114	115.7	-	-	-
Norway	26.6	109	29.2	130	21.0	88	30.2	-	-	-
Poland	30.6	74	33.9	79	34.5	72	33.8	-	-	-
Portugal	24.3	69	25.6	77	26.5	77	26.8	-	-	-
Slovak Republic	6.2	95	7.0	99	6.5	85	6.4	-	-	-
Spain	119.8	72	126.7	80	129.4	82	131.7	-	-	-
Sweden	33.8	93	32.0	88	35.4	99	34.6	-	-	-
Switzerland	36.3	131	37.1	147	38.0	135	38.9	-	-	-
Turkey	55.3	100	55.4	80	52.2	76	50.8	-	-	-
United Kingdom	104.1	60	102.2	55	102.3	54	108.7	-	-	-
Total	1304.3	84	1333.8	87	1330.2	85	1362.5	87	1349.3	86
Total OECD	4008.2	80	4008.5	83	4119.9	84	4136.1	83	4079.6	80
DAYS OF IEA Net Imports⁶	-	114	-	114	-	117	-	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 entropot 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 September 2005 and December 2005 forward demand figures are IEA Secretariat forecasts.

⁴ US figures exclude US territories. Total includes US territories.

⁵ Data not available for Iceland.

⁶ 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		Industry	Total	Government ¹ controlled	
		Millions of Barrels				Days of Fwd. Demand ²	
4Q2002	3823	1347	2476	77	27	50	
1Q2003	3790	1362	2428	80	29	51	
2Q2003	3916	1365	2551	81	28	53	
3Q2003	3983	1383	2600	80	28	52	
4Q2003	3928	1411	2517	78	28	50	
1Q2004	3888	1423	2465	81	30	51	
2Q2004	3974	1429	2545	81	29	52	
3Q2004	4019	1435	2584	80	28	51	
4Q2004	4008	1450	2558	80	29	51	
1Q2005	4009	1462	2546	83	30	52	
2Q2005	4120	1494	2626	84	30	53	
3Q2005	4136	1494	2642	83	30	53	
4Q2005	4080	1483	2597	80	29	51	

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 3Q2005 and 4Q2005 (when latest forecasts are used).

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

	2002	2003	2004	4Q04	1Q05	2Q05	3Q05	Sep 05	Oct 05	Nov 05	Year Earlier	
											Nov 04	change
Saudi Light & Extra Light												
North America	0.64	0.64	0.55	0.52	0.45	0.45	0.41	0.32	0.44	0.49	0.52	-0.03
Europe	0.92	1.00	1.03	1.08	0.88	0.88	0.92	0.94	0.81	0.86	1.03	-0.17
Pacific	1.22	1.18	1.24	1.47	1.40	1.22	1.25	1.32	1.28	1.50	1.47	0.04
Saudi Medium												
North America	0.70	0.83	0.80	0.90	0.97	0.89	0.58	0.49	0.60	0.84	0.93	-0.09
Europe	0.11	0.11	0.11	0.16	0.12	0.13	0.20	0.18	0.13	0.16	0.18	-0.02
Pacific	0.16	0.24	0.23	0.23	0.21	0.24	0.26	0.23	0.26	0.33	0.26	0.06
Saudi Heavy												
North America	0.20	0.30	0.22	0.26	0.18	0.15	0.20	0.16	0.14	0.14	0.24	-0.11
Europe	0.09	0.19	0.23	0.20	0.19	0.20	0.27	0.31	0.32	0.26	0.22	0.04
Pacific	0.12	0.16	0.15	0.18	0.25	0.20	0.26	0.31	0.23	0.31	0.23	0.07
Iraqi Basrah Light²												
North America	0.35	0.44	0.71	0.67	0.56	0.69	0.56	0.52	0.65	0.51	0.66	-0.15
Europe	0.08	0.09	0.21	0.13	0.19	0.19	0.24	0.24	0.30	0.26	0.13	0.13
Pacific	0.02	0.03	0.12	0.15	0.07	0.06	0.06	0.07	0.06	0.03	0.17	-0.14
Iraqi Kirkuk												
North America	0.14	0.06	0.02	0.01	..	..	..	..	..	..	..	..
Europe	0.32	0.12	0.08	0.16	0.02	0.04	0.13	0.16	0.04	0.02	0.20	-0.18
Pacific	0.00	..	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.17	0.19	0.24	0.27	0.23	0.18	0.16	0.13	0.17	0.11	0.17	-0.06
Pacific	0.12	0.17	0.16	0.16	0.19	0.13	0.14	0.12	0.15	0.12	0.16	-0.05
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.44	0.59	0.57	0.54	0.62	0.63	0.71	0.62	0.50	0.63	0.47	0.16
Pacific	0.54	0.69	0.65	0.63	0.76	0.59	0.52	0.54	0.54	0.56	0.58	-0.02
Venezuelan Light & Medium												
North America	0.68	0.69	0.67	0.63	0.78	0.88	0.79	0.69	0.77	0.71	0.57	0.14
Europe	0.08	0.02	0.01	0.01	0.02	0.03	0.06	0.03	0.01	0.17	..	..
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.55	0.60	0.88	0.95	0.83	0.82	0.66	0.43	0.51	0.46	0.95	-0.49
Europe	0.05	0.06	0.05	0.04	0.06	0.06	0.08	0.07	0.07	0.04	0.06	-0.02
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.92	1.32	1.36	1.37	1.30	1.36	1.17	1.03	1.13	1.25	1.40	-0.15
Europe	0.17	0.16	0.16	0.13	0.18	0.17	0.16	0.21	0.25	0.13	0.13	0.00
Pacific	0.00	0.00	0.00	..	..	..	..	..	..	..	..	..
Mexican Isthmus												
North America	0.01	0.00	..	..	0.01	0.00	0.02	0.05	0.10	0.06	..	..
Europe	0.01	0.00	0.01	0.02	0.02	0.01	0.02	0.03	0.09	0.07	0.03	0.04
Pacific	0.01	0.00	0.00	..	..	..	..	..	..	..	..	..
Russian Urals												
North America	0.03	0.14	0.12	0.21	0.14	0.14	0.16	0.10	0.18	0.08	0.25	-0.17
Europe	1.32	1.62	1.86	1.56	1.72	1.93	1.76	1.74	1.75	1.47	1.72	-0.25
Pacific	0.01	0.00	0.01	..	..	0.00	0.01	..	..	..	..	..
Nigerian Light⁴												
North America	0.38	0.63	0.80	0.73	0.87	0.88	0.94	0.91	0.85	1.01	0.82	0.19
Europe	0.32	0.41	0.28	0.30	0.30	0.27	0.41	0.38	0.34	0.31	0.26	0.05
Pacific	0.06	0.08	0.11	0.13	0.06	0.06	0.07	0.06	0.06	..	0.17	..
Nigerian Medium												
North America	0.16	0.17	0.23	0.20	0.18	0.22	0.13	0.09	0.02	0.15	0.17	-0.02
Europe	0.06	0.06	0.04	0.02	0.07	0.04	0.08	0.11	0.07	0.10	0.02	0.08
Pacific	0.01	0.01	0.01	..	0.03	0.02	..	..	..	..	..	..

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	4Q2004	1Q2005	2Q2005	3Q2005	Sep-05	Oct-05	Nov-05	Year Earlier	
											Nov-04	% change
Crude Oil												
North America	7584	8069	8397	8442	8577	8614	8251	7561	7963	8363	8504	-2%
Europe	8734	9096	9477	9543	9695	9503	10078	10241	10052	9939	9938	0%
Pacific	6422	6711	6659	6998	7166	6434	6642	6310	7041	6732	7607	-13%
Total OECD	22740	23876	24533	24984	25438	24552	24970	24113	25057	25034	26049	-4%
LPG												
North America	39	27	24	45	23	3	18	32	32	9	72	-679%
Europe	225	193	225	262	293	149	207	246	217	197	249	-27%
Pacific	553	541	541	561	532	591	500	497	358	485	583	-20%
Total OECD	817	760	790	869	848	743	724	774	607	691	904	-31%
Naphtha												
North America	42	67	86	144	124	89	151	105	62	66	123	-87%
Europe	298	305	282	251	279	231	287	294	253	325	198	39%
Pacific	705	770	769	748	772	759	693	692	828	696	714	-3%
Total OECD	1045	1142	1137	1143	1175	1080	1132	1090	1144	1087	1035	5%
Gasoline³												
North America	643	669	766	744	849	1020	1029	1166	1397	1029	766	26%
Europe	152	150	137	138	172	145	204	133	116	66	206	-214%
Pacific	58	70	105	106	95	130	92	71	65	121	108	11%
Total OECD	853	888	1007	988	1115	1294	1325	1370	1577	1215	1080	11%
Jet & Kerosene												
North America	97	97	88	116	67	43	139	167	302	306	149	51%
Europe	253	271	293	331	273	361	435	413	341	366	339	7%
Pacific	97	102	77	103	97	72	49	59	51	40	114	-184%
Total OECD	448	470	457	550	437	476	623	639	694	712	602	15%
Gasoil/Diesel												
North America	102	126	122	91	110	92	99	123	304	270	124	54%
Europe	656	652	751	876	931	716	806	866	750	843	718	15%
Pacific	53	73	74	66	60	94	79	80	53	100	67	34%
Total OECD	811	850	946	1034	1101	902	983	1068	1108	1214	908	25%
Heavy Fuel Oil												
North America	237	326	388	524	489	433	566	627	655	686	574	16%
Europe	470	398	405	396	415	550	528	544	454	439	411	6%
Pacific	89	88	76	64	83	82	90	77	61	100	93	7%
Total OECD	796	812	870	984	988	1065	1184	1248	1170	1225	1078	12%
Other Products												
North America	689	680	824	774	735	1064	1165	1337	1374	939	799	15%
Europe	735	690	676	658	718	807	798	801	822	795	700	12%
Pacific	256	235	256	252	254	248	225	206	230	251	219	13%
Total OECD	1681	1605	1756	1684	1708	2119	2188	2345	2426	1985	1718	13%
Total Products												
North America	1849	1991	2298	2439	2399	2745	3167	3557	4126	3306	2607	21%
Europe	2790	2657	2767	2912	3082	2960	3264	3296	2954	3031	2822	7%
Pacific	1811	1879	1898	1901	1894	1975	1728	1682	1645	1793	1898	-6%
Total OECD	6451	6527	6964	7252	7374	7679	8160	8535	8725	8130	7326	10%
Total Oil												
North America	9434	10061	10695	10881	10976	11359	11418	11118	12089	11669	11111	5%
Europe	11524	11753	12245	12455	12777	12463	13342	13537	13006	12970	12760	2%
Pacific	8233	8590	8558	8899	9059	8409	8370	7992	8687	8525	9505	-11%
Total OECD	29190	30403	31497	32236	32812	32231	33130	32648	33782	33164	33376	-1%

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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