

10 November 2006

HIGHLIGHTS

- **Brent and WTI futures trended sideways in October**, hovering just below \$60. Mild temperatures and the (so far) incident-free hurricane season outweighed sharp product stock draws in the US and the announcement of a larger-than-expected output cut by OPEC from 1 November.
- **Global oil product demand growth** has been slightly lowered in 2006 to +1.1%, versus +1.2% in last month's report, following lower third-quarter demand in OECD Pacific and China but is virtually unchanged at +1.7% in 2007. Subdued growth in China possibly reflects stock shifts, rather than a lower trend growth. Lower temperatures in Europe and the US could bolster demand following a relatively mild October.
- **World oil supply** reached 85.3 mb/d in October, up 100 kb/d on the month as OECD increases countered lower OPEC supply. Non-OPEC output averages 51.0 mb/d in 2006 and 52.7 mb/d in 2007. Upward revisions affect US and biofuels supply, while North Sea, FSU, China and Latin America supply is revised down. OPEC NGL supply rises by 0.2 mb/d in both 2006 and 2007.
- **October OPEC crude supply** fell by 335 kb/d to 29.4 mb/d on lower Iraqi, Saudi and Iranian supply. This is 400 kb/d below the 4Q06 'call on OPEC' and leaves effective spare capacity at 2.2 mb/d. The average 2007 call has edged down to 28.3 mb/d on weaker demand and higher biofuel supply projections, versus 28.8 mb/d in 2006.
- **Total OECD industry oil inventories** built by 29 mb in September as higher product stocks in North America and the Pacific offset lower crude and 'other oils' inventories. Weekly data for the US and Japan, however, show an offsetting drawdown in product stocks in October. OECD September demand cover was unchanged at 55 days, but is two days higher than last year.
- **Heavy autumn refinery maintenance** cuts forecast OECD crude runs by a further 1.3 mb/d in October, following a 700 kb/d decline in September. Projected global refinery maintenance peaked in October, with an average 3.7 mb/d estimated shutdown during the month. Outages fall to less than 1 mb/d by the end of the year.

Next Issue: 13 December 2006

OMR PUBLISHING SCHEDULE - 2007

Thursday 18 January
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Tuesday 12 June
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Thursday 11 October
Tuesday 13 November
Wednesday 12 December

(Information on the publication of the *Annual Statistical Supplement and User's Guide [2007 Edition]* will be communicated in early 2007.)

This information is also available at: oilmarketreport.org/schedule and omrpublic.iea.org/schedule.

CONTENTS

HIGHLIGHTS.....	1
CONTENTS.....	3
THE INVISIBLE HAND.....	4
DEMAND.....	5
Summary.....	5
Worldwide Overview.....	5
North America.....	7
The EIA's Adjustments: PSA versus PSM.....	8
Mexico's Rapidly-Growing Gasoline Demand.....	9
Europe.....	10
Pacific.....	11
Non-OECD.....	12
China.....	12
China's Retail Pricing Mechanism.....	13
Other Non-OECD.....	14
SUPPLY.....	15
Summary.....	15
OPEC.....	16
Consultative Meeting of the OPEC Conference, Doha, 19-20 October 2006.....	17
OECD.....	19
North America.....	19
US Revisions Centre on 2005 Baseline, and 'Other Supply'.....	21
North Sea.....	22
Pacific.....	22
Former Soviet Union (FSU).....	23
Biofuels Revisions.....	24
Other Non-OPEC.....	24
Revisions to Other Non-OPEC Estimates.....	24
OECD STOCKS.....	26
Summary.....	26
OECD Industry Stock Changes in September 2006.....	27
OECD North America.....	27
OECD Europe.....	27
OECD Pacific.....	28
OECD Inventory Position at End-September and Revisions to Preliminary Data.....	28
Recent Developments in ARA Independent Storage.....	29
Recent Developments in Singapore Stocks.....	29
An Update on Chinese Strategic Storage.....	31
PRICES.....	32
Summary.....	32
Overview.....	32
Crude Oil Prices.....	33
Delivered Crude Prices in August.....	35
Refining Margins.....	35
Product Prices.....	37
End-User Product Prices in October.....	39
Freight.....	39
REFINING.....	41
Summary.....	41
Refinery Throughput.....	41
OECD North America.....	41
ULSD – Not an Acronym for Un-Limited Supply Disruption.....	43
Fuel Quality - Further Challenges Lie Ahead for the Global Refining Industry.....	44
OECD Europe.....	45
OECD Pacific.....	45
OECD Refinery Yields.....	45
Non-OECD Throughput.....	46
Offline Refinery Capacity.....	47
TABLES.....	48
OIL MARKET REPORT CONTACTS	

THE INVISIBLE HAND

The fall in oil prices from their August peaks has resurrected the funds-versus-fundamentals debate. While some reports blame speculative activity for the sharp price decline, data increasingly point to fundamental causes - particularly an easing of gasoline market tightness, rising product stocks, mild weather and less concern over product specification changes. Undoubtedly, there was a change in speculative positions - the *CFTC Commitment of Traders Report* shows non-commercials moving from a large net-long to modest net-short position but not to a degree which is out of line with historical norms. However, the real market debate is whether the large amounts of money that have been moved into index funds over the past three years and are not readily identifiable in the CFTC report have driven prices higher.

Despite the 22% fall in the oil price and increase in volatility, anecdotal reports suggest that the flows into index funds may have actually increased over the past three months. If that is indeed the case, then that in itself is an argument against the view that index fund flows are distorting the oil market and supporting prices. The fund argument broadly runs along the following line: index fund buying has created a forward premium (contango) structure, which makes stockholding financially attractive. This has in turn led to a large build-up in inventories. The corollary of this argument is that if fund inflows slow (or funds are withdrawn), then these stocks will be made available to the market, depressing prices.

One argument against this happening is that the strong historical relationship between forward spreads in crude oil futures and inventories remains in place. This suggests that the widening contango is a direct result of supplies exceeding demand, rather than a result of upward pressures on forward prices from fund buying. That is perhaps rather obvious – supply has to exceed demand for stocks to build, regardless of who is buying or selling the market. Nevertheless, it also suggests that even if index fund buying slows down, or money is withdrawn, then the contango structure should remain in place. In other words, there would not necessarily be a flood of oil from stocks to the market.

But if that part of market structure has not changed, there is no doubt that there are other forces at work. In particular, the coincidence of a large contango and rising oil prices is unusual. Generally, a premium for spot oil prices (backwardation) occurs in times of tight supplies, while a contango is seen when supply exceeds demand. In the latter case, surplus spot oil is discounted to clear the market, creating a contango structure. Unsurprisingly, contangos are also associated with bear market conditions.

We examined the crude oil market between late 2004 and August 2006 when WTI futures almost doubled in price from \$40 and a contango structure developed. It appears that despite an upward trend in prices, the day-to-day development of the contango structure followed a similar pattern to that seen over the past 20 years – on the days that the contango has widened, the spot price has generally fallen. In other words, oil *was* being discounted to clear the spot market. But these down days were more than offset by price increases on other days and when the market rose, the forward price structure did not change. This suggests that the upward price pressures did not come exclusively from spot buying (or the contango should have narrowed), but must also have come from upward price pressures across the forward curve.

Fund money could still be a potential factor behind such upward price movement, but there are two further arguments that stand against index funds as the primary cause of the market rally. Firstly, index funds invest in a wide range of commodities, and contangos have not developed when prices of those commodities rose. Also, there has been little correlation between the prices of commodities that make up the investment basket of such funds.

There are other factors to consider. Increased geopolitical risks against a background of low spare capacity could contribute to a desire by consumers to hold higher stocks and elevate price expectations. Consumer and producer hedging have become cyclically imbalanced. Consumers have aggressively hedged their future purchases, while producers have been reluctant to sell forward into a rising market, leading to greater upward pressures on prices. Industry cost pressures and constraints may also increase producer hedging risk: it may not be prudent to lock in a return given increased start-up risk and a changing cost structure. Further, there seems to be increasing evidence that tight supplies of transportation fuels contributed to rising crude prices (and then easing was a key reason behind their recent price fall).

None of these factors will conclusively resolve the funds-versus-fundamentals discussion, but more data could provide further clarity. Regulators could segregate the hedging, fund investment and physical trading activity currently bunched under the ‘catch all’ commercial category. Trader participation across different contract months could also be detailed as could money flows into certain types of investment products. But just as important is the growing need for better, more timely and regular oil stock data. Market transparency leads to a better understanding of the invisible hand.

DEMAND

Summary

- Global oil product demand growth has been slightly lowered in 2006 to +1.1% (versus +1.2% in the previous report), while growth in 2007 remains unchanged at +1.7%. Worldwide demand is expected to average 84.5 mb/d this year and 85.9 mb/d the next. In terms of quarterly trends, 4Q06 is expected to rebound strongly (+2.6% compared with 4Q05), pulled up by OECD North America, where demand growth will be markedly stronger as a result of last year's hurricane-depressed baseline.

Global Oil Demand from 2005 to 2007

	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
Demand (mb/d)	84.5	82.4	83.3	84.1	83.6	84.8	83.0	83.9	86.3	84.5	86.4	84.4	85.4	87.6	85.9
Annual Change (%)	2.7	1.6	1.6	0.1	1.4	0.3	0.8	0.7	2.6	1.1	1.9	1.7	1.8	1.5	1.7
Annual Change (mb/d)	2.2	1.3	1.3	0.0	1.2	0.2	0.6	0.6	2.2	0.9	1.6	1.4	1.5	1.3	1.5
Changes from last month's report (mb/d)	0.0	0.0	0.1	0.1	0.0	-0.1	0.0	-0.3	0.1	-0.1	-0.1	0.0	-0.4	0.2	-0.1

- OECD oil product demand has been kept virtually unchanged at 49.4 mb/d in 2006 and 49.7 mb/d in 2007. On an annual basis, growth is forecast at -0.4% and +0.6%, respectively. North American data were revised, largely because of adjustments (+36 kb/d) to US baseline demand in 2005 following the release of the EIA's *Petroleum Supply Annual*. Nevertheless, since this report had already incorporated a PSA adjustment, our revision was considerably lower than the PSA's (+145 kb/d). The US yearly growth rate in 2005 now stands at +0.3%. Growth is expected to be flat in 2006 and +1.2% in 2007.

Global Oil Demand by Region
(million barrels per day)

	Demand		Annual Change			Annual Change (%)		
	2006	2007	2005	2006	2007	2005	2006	2007
North America	25.43	25.77	0.13	-0.07	0.35	0.5	-0.3	1.4
Europe	16.21	16.20	0.04	-0.02	-0.01	0.2	-0.1	-0.1
OECD Pacific	8.49	8.46	0.10	-0.10	-0.03	1.2	-1.2	-0.3
China	7.01	7.39	0.18	0.41	0.38	2.8	6.2	5.4
Other Asia	8.86	9.08	0.16	0.09	0.21	1.8	1.0	2.4
Subtotal Asia	24.37	24.93	0.44	0.40	0.56	1.9	1.7	2.3
FSU	3.91	3.94	0.05	0.10	0.03	1.3	2.7	0.8
Middle East	6.45	6.80	0.32	0.33	0.35	5.6	5.4	5.4
Africa	2.94	3.01	0.08	0.07	0.07	3.0	2.4	2.4
Latin America	5.19	5.29	0.13	0.10	0.10	2.7	1.9	2.0
World	84.49	85.94	1.19	0.90	1.45	1.4	1.1	1.7

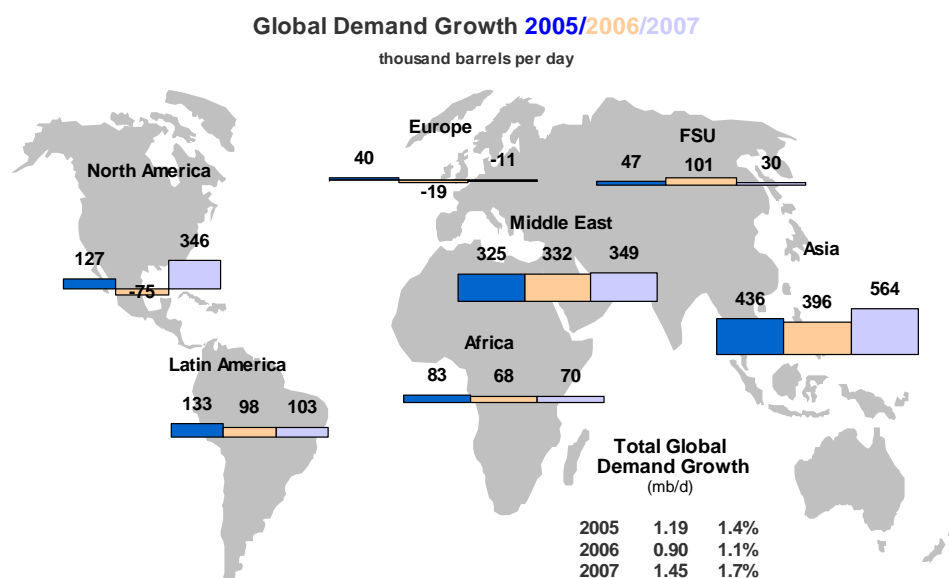
- Non-OECD demand remains broadly unchanged at 35.1 m/d in 2006 (+3.3%) and 36.2 mb/d in 2007 (+3.3%). China posted unusually weak apparent demand growth in September, but this is likely explained by destocking. The seasonality patterns in the Middle East are in the process of being finessed using JODI data, but annual growth rates remain unchanged.

Worldwide Overview

Preliminary data suggest that global oil demand was sustained in September, as US consumption rebounded strongly from last year's low, hurricane-stricken base. Nevertheless, this rebound was somewhat weaker than expected. As such, we have slightly revised downwards our global growth forecasts for 2006 (+1.1% to 84.5 mb/d, versus +1.2% in the previous report), while leaving that of 2007 unchanged at +1.7% (85.9 mb/d). In quarterly terms, 4Q06 is expected to rebound strongly (+2.6% compared with 4Q05), again pulled up by OECD North America.

In absolute terms, global demand growth will be slightly slower this year than last (+0.9 mb/d in 2006 versus +1.2 mb/d in 2005), but it will likely rebound in 2007 by +1.5 mb/d, pulled up by non-OECD consumption, particularly from China. Commercial restocking could also support demand if prices remain at current levels.

Even if the US economy were to slow down, the world economy (and global demand) are likely to hold their ground, for two reasons: on the one hand, Chinese investment-driven growth will arguably continue, especially given the considerable infrastructure needs of the forthcoming 2008 Olympics; on the other, increasing trade within Asia and between Asia and Europe has to some extent resulted in a degree of economic decoupling from the US.



The recent sharp fall in oil prices could blur demand trends, particularly for transportation fuels (gasoline, jet fuel, diesel and bunkers). By their very nature, transportation fuels are price inelastic in the short term, since there are no viable substitutes. However, if high prices are sustained over time (one year or more) consumers tend to reduce demand, especially in developing countries. Therefore, prices would need to remain at their current levels for at least several months before we would expect to see an effect on demand in those countries that were harder hit by the last period of high oil prices. Note as well that demand responses are usually asymmetric – i.e., demand usually responds much more to a price increase than to a decrease.

Interestingly, a *sustained* price fall could have three other effects: 1) reduce fiscal pressures in countries that have been reluctant to abandon very low administered prices for domestic political reasons; 2) allow countries with less significant subsidies to move towards price liberalization (the prime example being China); and 3) discourage, albeit marginally, moves toward greater energy efficiency (although prices remain high). Of course, this will depend upon future price levels – a difficult appraisal in the light of uncertainty over the impact of OPEC cuts and just ahead of a winter-driven demand rebound.

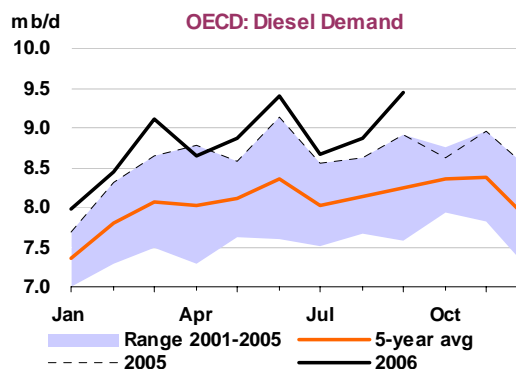
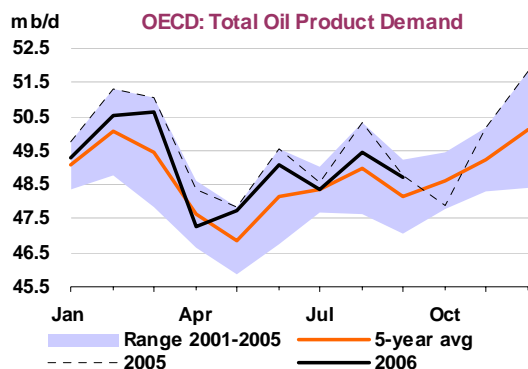
Total OECD Demand by Product

(million barrels per day)

	2005	2006	3Q05	4Q05	1Q06	2Q06	Jun 06	Jul 06	Aug 06*	Latest month vs.	
										Jul 06	Aug 05
LPG & Ethane	4.73	4.68	4.35	4.76	4.98	4.40	4.45	4.38	4.49	0.10	-0.02
Naphtha	3.22	3.12	3.24	3.09	3.18	2.92	2.94	3.09	3.16	0.07	-0.16
Motor Gasoline	14.84	14.90	15.18	14.77	14.34	14.97	15.23	15.43	15.53	0.10	-0.04
Jet & Kerosene	4.25	4.25	4.02	4.40	4.52	4.02	4.01	4.00	3.99	0.00	-0.05
Gas/Diesel Oil	13.06	13.27	12.75	13.41	13.74	12.66	12.95	12.30	12.95	0.65	0.01
Residual Fuel Oil	4.44	4.12	4.33	4.50	4.65	3.81	3.78	3.86	3.85	-0.01	-0.54
Other Products	5.05	5.05	5.35	5.02	4.72	5.23	5.71	5.27	5.47	0.19	-0.05
Total Products	49.60	49.39	49.22	49.96	50.14	48.01	49.07	48.34	49.45	1.11	-0.85

* Latest official OECD submissions (MOS)

Another dimension of price volatility is related to its substitution effects. A main reason behind the OECD's relatively stagnant oil product consumption is that products used in industrial activities, such as naphtha and fuel oil, have been replaced by cheaper natural gas or coal (with the exception of marine bunkers). However, should oil prices continue to fall or those of gas rise again, substitution could theoretically face a limit – and demand growth for the heavy end of the barrel would then resume. In fact, in the US, natural gas and fuel oil prices have not only converged for the first time since February, but fuel oil is now cheaper, encouraging some substitution away from natural gas.



Total OECD demand is within seasonal ranges, with the exception of transportation fuels, particularly diesel, which shows a clear increase over past levels. Interestingly, this trend is shared by both North America and Europe, reflecting strong road freight activity and restocking in the former, and the continued dieselization of the vehicle fleet in the latter. In the Pacific, by contrast, overall demand has been sluggish since the summer, arguably because of high retail prices, among other factors.

OECD Demand based on Adjusted Preliminary Submissions - September 2006

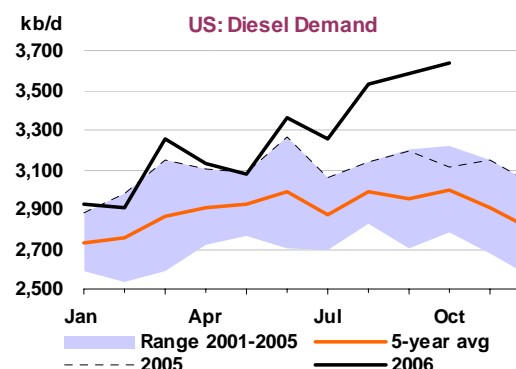
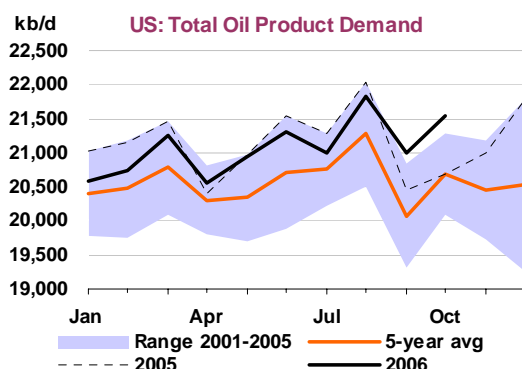
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
OECD North America	10.66	3.2	1.87	-4.1	4.03	11.3	1.34	-8.3	1.07	-34.3	6.18	9.11	25.16	2.0
USA*	9.21	3.3	1.64	-5.0	3.54	12.3	0.87	-10.3	0.56	-45.6	4.87	11.8	20.68	2.7
Canada	0.69	0.5	0.13	5.3	0.18	2.2	0.34	-8.2	0.16	0.8	0.70	13.4	2.20	3.2
Mexico	0.70	5.3	0.06	-1.8	0.26	7.0	0.11	7.0	0.27	-25.7	0.55	-13.0	1.96	-5.6
OECD Europe	2.61	-2.8	1.40	4.1	4.22	3.1	2.28	3.0	1.68	-4.0	3.65	-4.7	15.84	-0.5
Germany	0.53	-1.1	0.20	0.8	0.66	3.2	0.64	3.7	0.15	-9.4	0.54	-18.2	2.72	-3.4
UK	0.43	-2.7	0.41	12.2	0.43	5.1	0.16	2.2	0.08	-4.8	0.38	-5.2	1.90	1.7
France	0.24	-6.6	0.16	2.0	0.68	2.3	0.40	6.0	0.08	-14.9	0.49	-2.6	2.06	-0.1
Italy	0.31	-6.4	0.08	5.9	0.57	4.0	0.13	-0.7	0.27	-3.8	0.36	-2.0	1.72	-0.8
Spain	0.17	-1.4	0.13	5.3	0.50	3.6	0.17	-7.7	0.24	3.2	0.35	-1.5	1.56	0.6
OECD Pacific	1.57	-2.0	0.62	-15.8	1.21	1.3	0.48	-20.0	0.93	-5.5	2.90	-6.1	7.70	-6.0
Japan	1.01	-5.6	0.37	-24.0	0.60	-3.0	0.38	-19.7	0.49	-18.0	1.69	-8.5	4.53	-10.8
Korea	0.17	4.6	0.14	-5.8	0.29	8.8	0.10	-21.5	0.41	13.0	0.99	-1.7	2.09	1.3
Australia	0.34	5.8	0.09	7.2	0.27	3.2	0.00	15.5	0.02	7.7	0.20	-6.4	0.92	2.3
OECD Total	14.85	1.5	3.88	-3.5	9.45	6.2	4.10	-4.1	3.68	-15.6	12.73	1.2	48.69	-0.1

* Fifty States Only

North America

In the **United States**, according to preliminary data, September deliveries— a proxy of demand – of LPG, naphtha, gasoline, diesel and other products surged by 14.7%, 17.5%, 3.3%, 12.3% and 9.3%, respectively, from hurricane-affected September 2005, offsetting lower deliveries of jet fuel (-5.0%), heating oil (-10.3%) and residual fuel oil (-45.6%). Overall, total US petroleum deliveries rose by 2.7% versus levels of a year ago. Meanwhile, total demand in August was revised up by 214 kb/d, mostly because upward adjustments in diesel and residual fuel offset downward changes to jet fuel and heating oil. These revisions, however, are also related to the new 2005 baseline, following the release of the EIA's *Petroleum Supply Annual*, as discussed below.

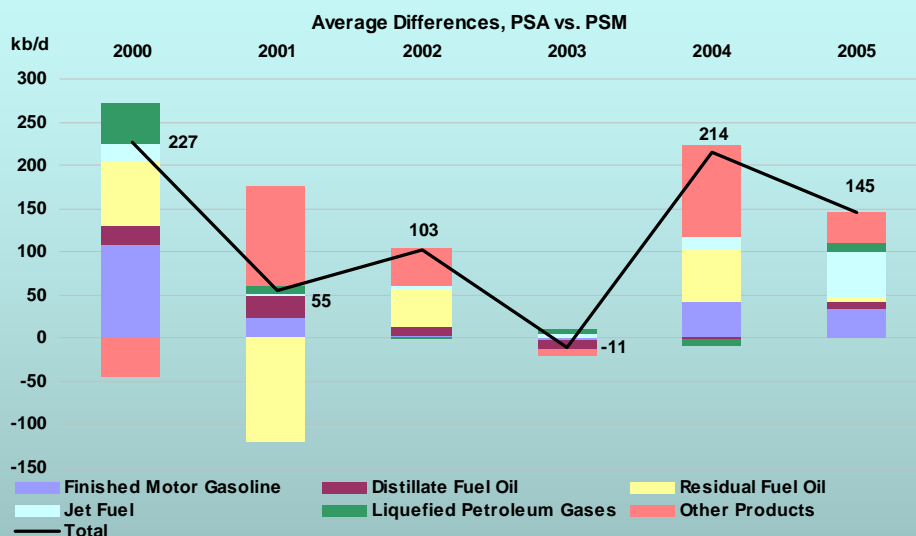


September's strong demand growth is explained by the low base of the previous year, when consumption was severely disrupted by hurricanes Katrina and Rita. Nonetheless, the steep fall of transportation fuel retail prices from early August to late September (by 66 cents per gallon to \$2.56 on average in September for gasoline, and by 50 cents per gallon to \$2.78 on average for diesel) also contributed to sustain the vigour of primary gasoline and diesel deliveries. Diesel's strength is explained both by price and stock movements (increased supplies of ultra-low-sulphur diesel (ULSD) ahead of its retail introduction in mid-October) and by ongoing structural changes in the US economy (the increasing importance of trade as a result of offshoring and the growing ethanol-logistics sector), coupled with a rising seasonal activity.

Airlines' efforts to improve fuel efficiency through higher utilisation rates have resulted in a contraction of jet fuel consumption. The price fall, though, could perhaps induce changes in buying patterns. The fall in residual fuel consumption, meanwhile, is related to cheaper natural gas. Natural gas in September averaged some \$5/Mbtu, compared with some \$7/Mbtu for fuel oil on an equivalent basis – compared with last's year \$12/Mbtu for the former versus \$8/Mbtu for the latter. However, in October both fuels not only converged, but fuel oil is now cheaper than natural gas; this has heralded some substitution back into fuel oil. According to a recent study by the EIA, 5% of industrial boilers and 20% of power generation capacity are dual fired (able to switch from oil to gas and vice versa), while 18% of US gas consumption can switch to oil.

The EIA's Adjustments: PSA versus PSM

In mid-October, when our last report was going to press, the US Energy Information Administration (EIA) released the latest edition of its *Petroleum Supply Annual* which included revisions to the 2005 baseline, hitherto compiled from the EIA's *Petroleum Supply Monthly*. PSA data has shown a historical tendency to come in higher than PSM figures, since annual data are more precise than monthly numbers, which tend to understate trade figures. Total deliveries were revised up in 2005 by 145 kb/d, implying a yearly growth rate of +0.3%, instead of a year-on-year decline of 0.4% when using monthly figures. This was lower than 2004 revisions but roughly in line with past trends.

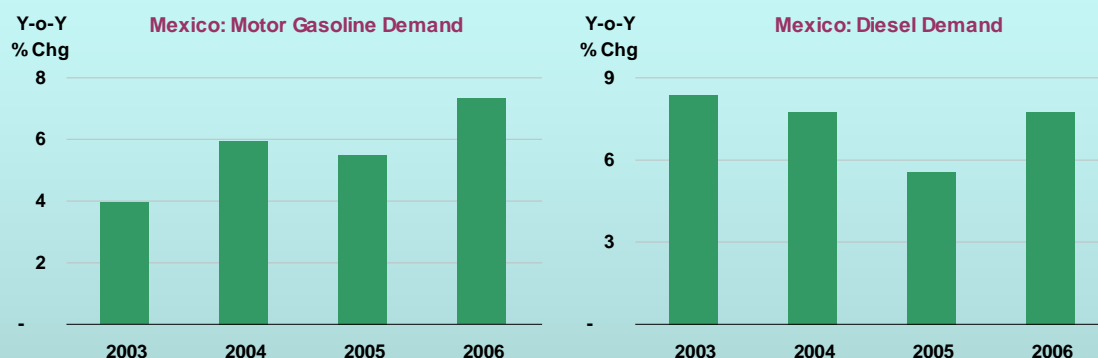


The PSA revisions, however, pose an inherent methodological problem, as we have previously noted in this report. Current-year data – that is, 2006 PSM estimates – are not adjusted in the same proportion of previous-year figures until the release of the next PSA. Thus, year-on-year growth rates inevitably change, sometimes significantly, thus distorting the overall US demand picture. As shown in the above graph, the largest revisions usually concern gasoline, residual fuel oil and other products. This year, though, the adjustment for fuel oil was minor, but jet fuel deliveries were sharply increased.

To avoid this problem, since last year this report has attempted to anticipate the annual revisions on a product-by-product basis. Although it is difficult to extrapolate from observed past changes, the magnitude of future changes can at least be minimized. As such, having included this adjustment last year, we only needed to revise our average figure for 2005 by +36 kb/d – about 25% of the total PSA adjustment. As for 2006 (which we have also been adjusting), we have now revised demand by a very modest +14 kb/d. Overall, we expect US oil product demand growth to be flat in 2006. In 2007, total consumption should rise by +1.2% to 21.1 mb/d.

Mexico's Rapidly-Growing Gasoline Demand

Over the past few years, Mexico's consumption of transportation fuels has picked up significantly. Gasoline has grown by some 5% per year on average since 2000, and diesel by about 6%. This buoyant picture is explained by a) economic growth, which has boosted road freight activity and domestic travel; b) stable macroeconomic conditions over the past decade, which have promoted the emergence of a consumer credit market; c) the trade opening brought about by Mexico's trade agreements with main car producing countries, which greatly enhanced the variety of vehicles on offer; and d) a stable domestic price environment, since the state-owned company, Pemex, has cushioned the volatility of international oil prices.

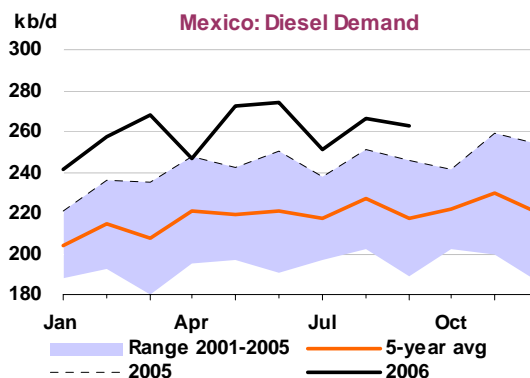
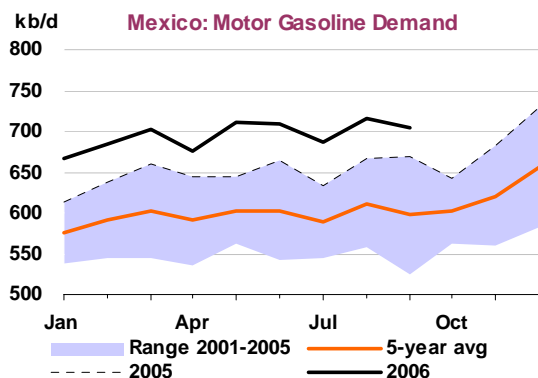


However, given a number of political and financial impediments, Pemex has been unable to expand its refining capacity fast enough and gear it towards greater production of light/middle distillates. The shortfall, particularly of gasoline, must therefore be imported, at great expense given prevailing high prices. As a result, Pemex spends a sizeable chunk of the revenues generated from crude exports to buy higher-added-value refined products.



Mexico posted a significant downward adjustment in September (-155 kb/d), due to much lower-than-expected deliveries of all product categories (bar gasoil), and especially gasoline and residual. On an annual basis, the country's total oil product demand is expected to contract by some 1.3% in 2006, despite buoyant growth of transportation fuels.

Echoing specification improvements in the US, in late October state-owned monopoly Pemex announced the gradual launch of both ULSD and diesel. The new ultra-low-sulphur 'premium' gasoline will have 88% less sulphur than the existing premium grade, while ULSD will have 97% less, akin to US specifications. However, Pemex acknowledges that most of these new fuels will have to be imported, given the slow pace of refining improvements (see text box). Indeed, the new gasoline requirements – estimated at 120 kb/d – will be met by importing 90 kb/d (75%) and producing the remaining 30 kb/d (25%) domestically.



OECD North America Demand by Product

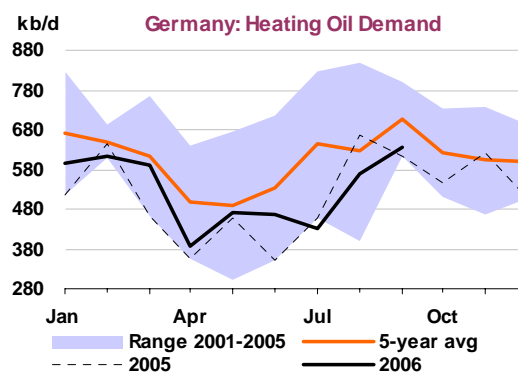
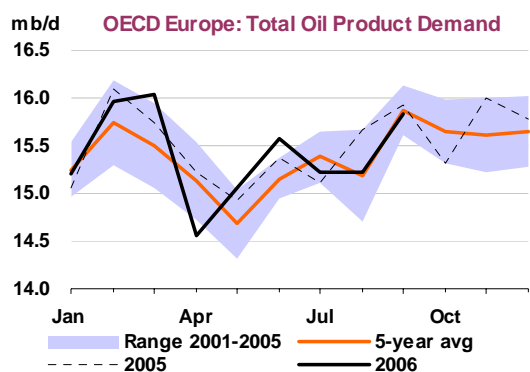
(million barrels per day)

	2005	2006	3Q05	4Q05	1Q06	2Q06	Jun 06	Jul 06	Aug 06*	Latest month vs.	
										Jul 06	Aug 05
LPG & Ethane	2.82	2.83	2.60	2.81	2.98	2.65	2.60	2.61	2.75	0.14	-0.06
Naphtha	0.46	0.41	0.50	0.31	0.37	0.40	0.40	0.39	0.46	0.07	-0.11
Motor Gasoline	10.59	10.75	10.79	10.60	10.35	10.80	10.98	11.11	11.17	0.07	0.14
Jet & Kerosene	1.97	1.95	1.99	1.99	1.87	1.95	1.98	1.97	1.91	-0.05	-0.10
Gas/Diesel Oil	5.09	5.23	4.94	5.15	5.35	5.01	5.01	4.82	5.26	0.44	0.26
Residual Fuel Oil	1.56	1.28	1.61	1.63	1.43	1.15	1.13	1.20	1.30	0.10	-0.39
Other Products	3.01	2.98	3.15	2.99	2.78	3.14	3.48	3.06	3.35	0.29	-0.05
Total Products	25.50	25.43	25.58	25.48	25.12	25.08	25.58	25.15	26.21	1.06	-0.30

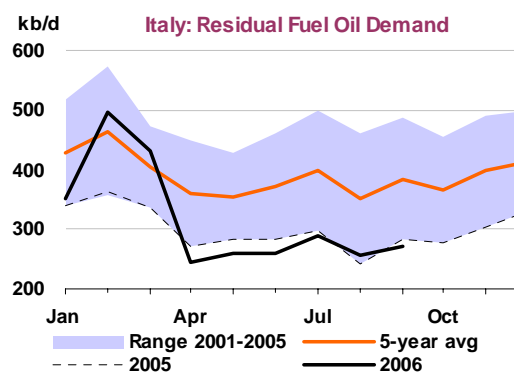
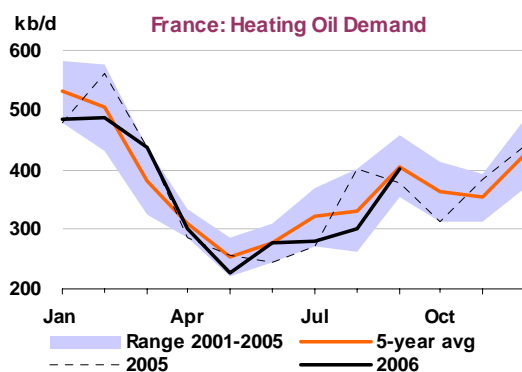
* Latest official OECD submissions (MOS)

Europe

Oil product demand in Europe resumed its slow decline in September, in line with expected seasonal patterns (-0.5% compared with September 2005). However, robust economic growth (expected by the IMF to reach 2.4% for the Euro area in 2006, almost twice as high as in 2005), coupled with pre-winter stockbuilding, supported strong diesel and heating oil demand.



German consumers, in particular, took advantage of falling prices and continued to fill their household heating oil tanks ahead of winter (+3.7% on a yearly basis) – and were joined by the **French** (+6%). By the end of September, German consumer stocks of heating oil reportedly stood at 65%



of capacity, the average of the past five years. However, German fuel oil demand plummeted during September, softened by mild weather (fuel oil fell by 9.4% year-on-year). In **Italy**, fuel oil's structural decline slowed a bit, as lower hydropower supplies boosted fuel oil requirements for electricity generation.

OECD Europe Demand by Product

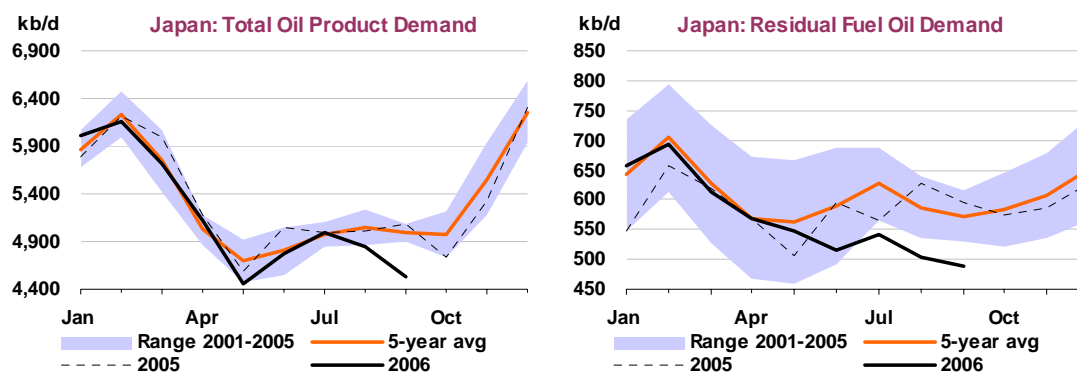
(million barrels per day)

	2005	2006	3Q05	4Q05	1Q06	2Q06	Jun 06	Jul 06	Aug 06*	Latest month vs.	
										Jul 06	Aug 05
LPG & Ethane	1.03	0.97	0.92	1.07	1.09	0.92	0.96	0.87	0.84	-0.03	-0.09
Naphtha	1.18	1.12	1.15	1.21	1.17	1.04	1.02	1.07	1.08	0.01	-0.09
Motor Gasoline	2.64	2.55	2.73	2.56	2.43	2.62	2.67	2.68	2.67	-0.01	-0.11
Jet & Kerosene	1.24	1.30	1.33	1.23	1.23	1.31	1.38	1.34	1.42	0.08	0.08
Gas/Diesel Oil	6.10	6.20	6.06	6.35	6.47	5.87	6.08	5.82	5.98	0.16	-0.19
Residual Fuel Oil	1.84	1.83	1.73	1.81	2.06	1.72	1.74	1.76	1.66	-0.10	-0.05
Other Products	1.49	1.50	1.64	1.47	1.28	1.59	1.71	1.69	1.57	-0.12	-0.01
Total Products	15.51	15.48	15.56	15.70	15.72	15.06	15.57	15.23	15.21	-0.02	-0.45

* Latest official OECD submissions (MOS)

Pacific

In **Japan**, September preliminary inland deliveries were much lower than expected (-10.8% versus levels of a year ago). With the exception of LPG, deliveries of all product categories were lower than year-ago levels, especially jet/kerosene, gasoil and residual. This overall weakness was due to several factors, notably the end of the summer holiday season, already depressed by high retail prices in transportation fuels, a near completion of stockpiling ahead of winter (kerosene and gasoil) and continued weak residual and direct-burning crude consumption as nuclear facilities have been running at high utilisation rates.



Demand growth in **Korea** rose slightly for the second consecutive month (+1.3%), but remains stagnant on a yearly basis. Oil product stocks, particularly of naphtha, rose to their highest levels in almost two years. The naphtha build, however, is also related to maintenance at SK's cracker during August and September.

OECD Pacific Demand by Product

(million barrels per day)

	2005	2006	3Q05	4Q05	1Q06	2Q06	Jun 06	Jul 06	Aug 06*	Latest month vs.	
										Jul 06	Aug 05
LPG & Ethane	0.89	0.89	0.82	0.88	0.92	0.84	0.88	0.90	0.90	-0.01	0.13
Naphtha	1.58	1.59	1.58	1.58	1.65	1.48	1.51	1.63	1.62	-0.02	0.04
Motor Gasoline	1.61	1.60	1.66	1.61	1.57	1.56	1.58	1.65	1.69	0.04	-0.07
Jet & Kerosene	1.04	1.00	0.70	1.19	1.42	0.75	0.65	0.69	0.66	-0.03	-0.03
Gas/Diesel Oil	1.87	1.83	1.75	1.91	1.92	1.79	1.86	1.66	1.71	0.05	-0.06
Residual Fuel Oil	1.05	1.01	0.98	1.07	1.16	0.95	0.91	0.90	0.89	-0.01	-0.11
Other Products	0.55	0.57	0.57	0.55	0.67	0.50	0.52	0.53	0.55	0.02	0.01
Total Products	8.59	8.49	8.07	8.79	9.30	7.87	7.92	7.96	8.02	0.06	-0.10

* Latest official OECD submissions (MOS)

Non-OECD

China

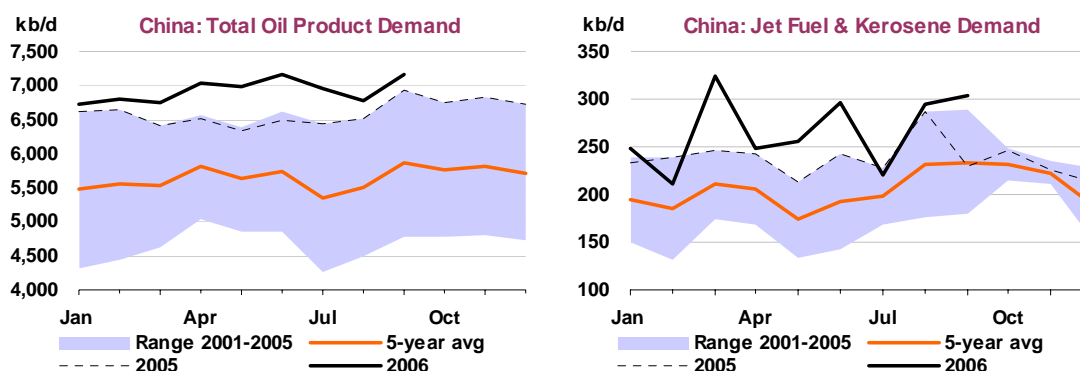
According to preliminary data, apparent demand (defined as refinery output plus net oil product imports) grew by a 'weak' 3.2% on an annual basis in September. Although all product categories posted positive rates bar LPG and naphtha, demand for transportation fuels, particularly of gasoline, was quite subdued, growing by less than 2% compared with levels of a year ago – the lowest pace since March. Moreover, August's growth figures were halved in the light of new data; year-on-year growth for that month now stands at about 4%.

Is China's oil product demand losing steam, especially when compared with the very strong growth rates of the past few months? We do not think that is the case. Changes in China's apparent demand may have as much to do with expectations of retail price shifts and related stock changes as with underlying consumption. The structural support of Chinese consumption, economic growth, is still strong and likely to remain so, at least in the short term: apparent demand in September is estimated at some 7.2 mb/d – roughly 400 kb/d more than in August and the highest level ever attained in absolute terms. Refinery output from Sinopec and PetroChina grew by some 300 kb/d over the previous month, while net oil product imports remained buoyant, within the average of the past six months. Net crude imports jumped by a massive 630 kb/d compared with the previous month. In sum, these figures are consistent with reports that China is building crude oil stocks.

Meanwhile, the country is augmenting its domestic oil product supplies, particularly of gasoline and diesel, with stocks and export limitations. In this sense, it is worth noting that September's diesel exports were virtually nil. In the same line, Chinaoil, PetroChina's trading arm, recently stated that it will not export gasoline before December at best, having already suspended shipments in September.

Further caveats to the Chinese consumption picture are in order when examining individual products. For example, the seeming weakness of naphtha is due to a combination of petrochemical plant maintenance and new naphtha crackers using condensates as a feedstock, rather than falling demand. By contrast, gasoil deliveries grew by 4% versus levels of a year ago, boosted by the start of the fishing and harvest seasons. Jet fuel apparent demand jumped by almost 33% on an annual basis, as suppliers (who had recently curbed jet output in order to maximize diesel production) braced themselves for the week-long October holiday, when travel is usually significant. Although it is too early to assess this year's passenger load, a look at past figures is instructive: last year the Beijing Capital International Airport, which had been designed to handle 35 million passengers a year, had to cope with 41 million passengers (17% above capacity). There are reports of many other airports across the country operating at above capacity.

In the light of the above, we have only slightly adjusted downwards our year-on-year growth forecast of Chinese apparent demand for 2006 and 2007 (now +6.2% and +5.4%, respectively).



Ex-refinery prices (and hence retail prices) were not raised after October's Golden Week holiday, as had been rumoured. However, with the recent fall in international oil prices it is open to question whether a domestic price hike is as imperative as in previous months – when both refiners and airlines were obliged to *de facto* subsidise consumers given that domestic prices were too low relative to international levels, thus incurring heavy losses (airlines, though, were granted some relief in the form of fuel surcharges).

Indeed, there is some evidence that arbitrage opportunities have arisen in China for the first time in months. For example, according to independent sources, by end-September Chinese diesel imports by PetroChina (the first this year) were priced at RMB 5,500/tonne, compared with a domestic wholesale price of RMB 6,750/tonne. Nevertheless, the Chinese majors, arguably seeking to protect their retail margin, claim that domestic prices are still too low. In any case, the narrowing differentials between domestic and international prices should help producers curb their losses. In 1H06, Sinopec reportedly lost RMB 16.6 billion (about \$2.1 billion), while the China National Petroleum Corporation (CNPC) lost RMB 13.9 billion (\$1.8 billion) in its refining and marketing operations.

China Demand by Product

(thousand barrels per day)

	Demand			Annual Change		Annual Change (%)	
	2005	2006	2007	2006	2007	2006	2007
LPG & Ethane	637	624	630	-12	6	-2.0	1.0
Naphtha	772	876	933	104	57	13.5	6.6
Motor Gasoline	1088	1173	1267	85	94	7.8	8.0
Jet & Kerosene	237	268	280	31	12	13.2	4.3
Gas/Diesel Oil	2122	2216	2379	94	163	4.4	7.4
Residual Fuel Oil	785	817	810	32	-7	4.1	-0.9
Other Products	963	1041	1090	78	49	8.1	4.8
Total Products	6602	7014	7390	412	376	6.2	5.4

Lower prices are also welcome news for the government. Over the summer, when international oil prices reached nominal record highs, the government acknowledged the need to address the mounting cost of price subsidies, but was also worried by the social and political consequences of a sudden price liberalisation. Therefore, while it would seem likely that the government may seize the opportunity provided by the ongoing convergence of domestic and international prices to adopt a market-based pricing mechanism, this is far from certain. In fact, there are considerable divergences within the government, with some officials arguing for the liberalization of prices, while others advocating the maintenance of the current pricing policy, coupled with a domestic cut to account for lower international prices. A recent high-profile meeting held by the National Development and Reform Commission (NDRC) with the state-owned oil giants and the Shanghai Petroleum Exchange did not result in any changes to the so-called 'guidance' (wholesale) prices.

China's Retail Pricing Mechanism

The current retail pricing mechanism for gasoline and gasoil is based on a wholesale or 'guidance' price determined by the government, to which a margin is added or subtracted depending on the level of international price benchmarks.

- 'Guidance' or wholesale prices (decreed by the government and adjusted only twice so far this year, in March and May) = weighted monthly average of spot physical prices in the benchmark Singapore, Rotterdam and New York Harbour markets.
- Retail price = guidance price + an upward or downward adjustment (+/-8% maximum) that depends upon the prevailing average of international benchmarks – i.e., the higher the average, the lower the margin (above \$60/bbl, the margin becomes negative).

As such, with the recent fall of international benchmark prices, the two Chinese oil majors have seen their margin become positive. The cost of importing gasoline from Singapore is now reportedly much lower than prevailing 'guidance' prices in southern and eastern China.

By the same token, a long-advocated automobile fuel tax that would, in principle, gradually cap oil consumption is unlikely to be implemented (despite having been formally approved since 1994). But whether a fuel tax would effectively reduce demand would depend on its magnitude and scope. Furthermore, local governments are reluctant to abolish road tolls in favour of a national fuel tax, because that would mean losing a significant source of revenues (a national fuel tax would be directly collected by the Ministry of Finance).

China Crude & Product Trade

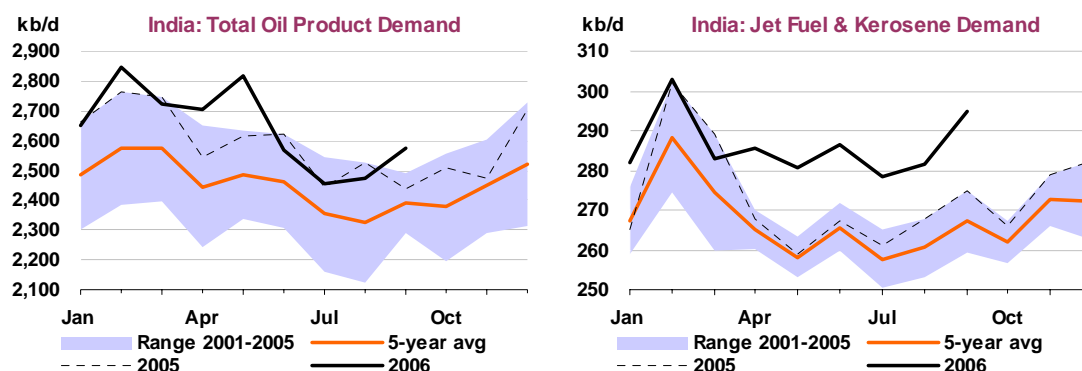
(thousand barrels per day)

	2004	2005	4Q2005	1Q2006	2Q2006	3Q2006	Jul 06	Aug 06	Sep 06	Latest month vs. Aug 06	Sep 05
Net Imports/(Exports) of:											
Crude Oil	2346	2387	2407	2878	2821	2757	2414	2618	3253	635	736
Products & Feedstocks	660	479	599	512	765	716	718	695	736	41	128
Gasoil/Diesel	43	-19	-3	-10	-14	-6	-12	-12	5	17	29
Gasoline	-125	-130	-55	-107	-56	-63	-52	-86	-51	35	23
Heavy Fuel Oil	506	418	402	406	522	575	624	578	519	-59	103
LPG	201	194	182	146	227	125	110	111	155	43	-89
Naphtha	-33	-35	1	-15	-36	-31	-23	-37	-32	5	-30
Jet & Kerosene	16	11	30	43	33	45	-4	70	69	-1	71
Other	51	40	42	49	90	72	74	71	71	0	20
Total	3007	2866	3006	3390	3586	3472	3132	3313	3989	675	864

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

Other Non-OECD

Overall, despite a soaring economy, **India's** oil product demand remains comparatively subdued, although higher than average in September. Gasoline and diesel adulteration with kerosene can somewhat distort data (see report dated 11 August 2006), but companies have reportedly begun cracking down on adulteration at terminals with the help of a simple kit that allows visual verification. The combination of administered retail prices – which encourage refiners to export rather than supply the domestic market in order to minimize their losses – and expanding refining capacity suggests that India is on the way to becoming a major oil product exporter. The country is expected to ship abroad as much as 2 mb/d of products by 2012, according to some estimates (that is, three times as much as current levels).



Naphtha exports, which remain strong, are a case in point and provide further evidence of structurally weak domestic demand and increasing refining capacity. In the year to August, naphtha exports averaged 96 kb/d, compared with 70 kb/d during the same period in the previous year. Naphtha, usually used as a refining, petrochemical and fertilizer feedstock as well as to produce electricity, is increasingly substituted by liquefied natural gas.

An exception to this subdued demand picture is jet fuel, driven by a booming aviation sector. In addition, it should be noted that jet fuel prices are set by companies, not by the government (although taxes are as high as 30%). Still, the sector is witnessing significant changes: in early October, privately-held Reliance Industries secured a contract to manage the fuel farm and refuelling equipment at Hyderabad's new international airport. Although the fuelling infrastructure of the country's main hubs (Mumbai and Delhi) is still controlled by the state-owned oil companies, Reliance's foray signals a departure of prevailing practices and suggests that the government's Ministry of Civil Aviation is keen to encourage an open-access model.

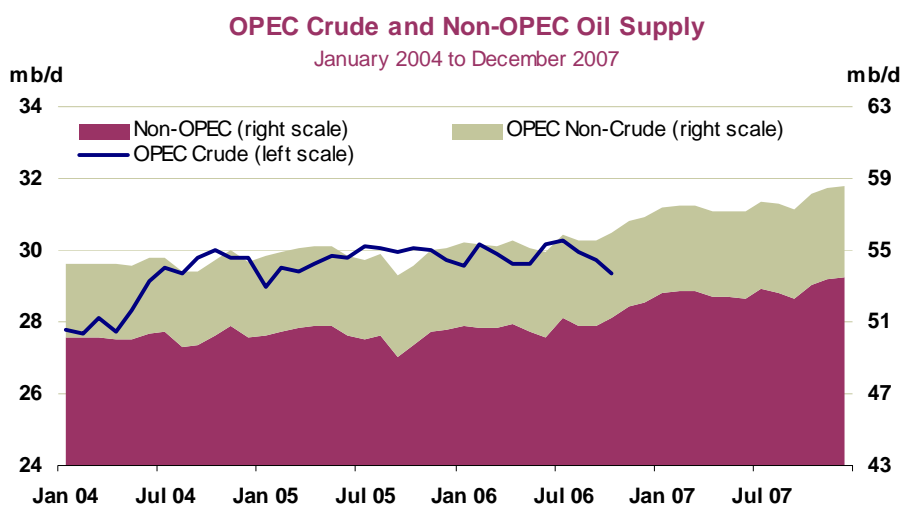
In the **FSU**, we anticipate strong growth in apparent demand in 4Q06 (defined as domestic crude supply + net crude imports). Natural gas tightness will lead to higher use of fuel oil and lower net crude oil exports. Crude exports, though, will likely increase again in December as export tariffs are reduced.

Finally, we have slightly adjusted the seasonality patterns of **Middle Eastern** demand. We have begun with two countries that together account for almost two-thirds of Middle-Eastern demand: Iran (26% of regional consumption) and Saudi Arabia (34%). Eventually we will expand our coverage to other major countries across all regions. Note that in the case of Saudi Arabia our calculations were based on monthly data from the *Joint Oil Data Initiative (JODI)* world database. These figures provide a good indication of seasonality and, with adjustments, are consistent with annual data.

SUPPLY

Summary

- **World oil supply** rose by 100 kb/d in October to 85.3 mb/d, increases centred on the OECD counteracting a near-300 kb/d drop in OPEC total oil supply. The global supply estimate for September was revised down by 165 kb/d, and the 3Q average by 60 kb/d, amid downward adjustments for Norway, Russia, Brazil and OPEC crude. Supply for 3Q was 1.3 mb/d higher than last year, the first quarter of above-1 mb/d growth since 2Q05. However, the comparison is skewed by events last year affecting Gulf of Mexico supply and Yukos/Sibneft Russian production.
- **Modest overall non-OPEC supply** adjustments for 2005-2007 mask more substantial regional changes. Baseline 2005 supply is revised up 50 kb/d to 50.3 mb/d after incorporating higher final monthly US production data. Estimates for 2006 are trimmed by 40 kb/d to 51.0 mb/d as weaker North Sea, Russia, China, Brazil and Angola supply counters upward adjustments for North America, Australia, Azerbaijan and non-OPEC biofuels. Total growth in 2006 averages nearly 0.7 mb/d after a near-static 2005. The 2007 estimate is revised up by 65 kb/d to 52.7 mb/d, growth accelerating to some 1.7 mb/d (+3.5%). North America, Australia and biofuels estimates account for next year's upward revision. OPEC NGL growth amounts to 0.2 mb/d in both 2006 and 2007.
- **OPEC crude supply** for October fell by 335 kb/d to 29.4 mb/d from a downward-revised 29.7 mb/d in September. Iraq, Saudi Arabia, Iran and Venezuela accounted for the bulk of October's decline, while there was a temporary lull in disruptions affecting Nigeria, allowing production there to rise 50 kb/d. OPEC effective spare capacity reached 2.2 mb/d, although a trimming of Iran's capacity estimate and ongoing marketability problems for heavy/sour crude place a ceiling on useable spare capacity.
- **A consultative meeting of the OPEC Conference** on 19/20 October in Doha decided to reduce OPEC-10 (excluding Iraq) production by 1.2 mb/d (from an OPEC estimate of 27.5 mb/d for September to 26.3 mb/d), beginning 1 November. The organisation cited high OECD crude stocks as signalling a fundamental market surplus. While itemising expected output cuts from each member, the agreement made no mention of new individual production quotas. This interim production arrangement will be reviewed at an extraordinary meeting of the OPEC conference on 14 December in Abuja, Nigeria.
- **The 'call on OPEC crude and stock change'** is trimmed by a further 0.3 mb/d for 3Q06 to 28.2 mb/d on weaker Asian demand. However, the call sees its sharpest 4Q rise since 2002 in the current quarter, reaching 29.8 mb/d, markedly above proposed OPEC production levels, amid lower expectations now for late-year non-OPEC supply. Next year's call is revised down by 0.1 mb/d to 28.3 mb/d, compared with a 2006 average of 28.8 mb/d.



All world oil supply figures for October discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska and Russia are supported by preliminary October 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 for October fell by 335 kb/d to 29.4 mb/d. This is compared with a downward-revised 29.7 mb/d for September, with both Iranian and Saudi production for that month adjusted down by 50 kb/d based on updated tanker data. Iraq, Saudi Arabia, Iran and Venezuela accounted for the bulk of October's decline. Iraqi supply remains constrained by pipeline and refinery offtake limitations, while Venezuela saw ongoing maintenance affecting Orinoco heavy oil operations. Provisional tanker sailings data point to lower supply from both Iran and Saudi Arabia in October. However, a temporary lull in disruptions affecting Nigeria allowed production there to rise 50 kb/d. OPEC effective spare capacity reached 2.2 mb/d, although a trimming of Iran's capacity estimate and ongoing marketability problems for heavy/sour crude place a ceiling on useable spare capacity.

OPEC Crude Production

(million barrels per day)

	1 July 2005 Target ¹	October 2006 Production	Sustainable Production Capacity ²	Spare Capacity vs Oct 2006 Production	Production vs. Target
Algeria	0.89	1.35	1.39	0.04	0.46
Indonesia	1.45	0.86	0.95	0.10	-0.60
Iran	4.11	3.75	3.90	0.15	-0.36
Kuwait ³	2.25	2.51	2.60	0.09	0.26
Libya	1.50	1.75	1.75	0.00	0.25
Nigeria	2.31	2.24	2.60	0.37	-0.07
Qatar	0.73	0.82	0.87	0.05	0.09
Saudi Arabia ³	9.10	9.05	10.80	1.76	-0.05
UAE	2.44	2.63	2.70	0.07	0.19
Venezuela ⁴	3.22	2.52	2.70	0.19	-0.71
Subtotal	28.00	27.46	30.26	2.80	-0.54
Iraq		1.92	2.50	0.59	
Total		29.38	32.76	3.38	
<i>(excluding Iraq, Nigeria, Venezuela., Indonesia</i>				<i>2.15)</i>	

¹ Target production levels superceded by decision to cut output by 1.2 mb/d from 1 November 2006

² Capacity levels can be reached within 30 days and sustained for 90 days

³ Includes half of Neutral Zone Production

⁴ Includes Orinoco extra-heavy oil assumed at 595 kb/d in October

Mention was made last month of the potential for lower OPEC supplies to increase OPEC spare capacity. Indeed, the effective spare capacity assessment did rise above 2 mb/d in October. This is a measure of potential physical supply capability, leaving aside notional spare capacity from Indonesia, Iraq, Nigeria and Venezuela, all of which have struggled to increase production on a sustained basis in recent months. We identify these four producers because there appear to be specific, physical impediments to increased production in the short term. However, we do not exclude from the effective spare capacity figure those volumes of oil which can be physically produced but which may be withheld from the market for strategic or market-related reasons. We would argue that while it is helpful to be aware of such constraints, they should not be confused with physical constraints to higher production. Oil which can be produced at the wellhead will usually find a buyer if it is priced competitively.

Notwithstanding the 335 kb/d drop in OPEC October supply, effective spare capacity increased by only around 200 kb/d, as we have adjusted down the Iranian capacity assessment to 3.9 mb/d. Ongoing field expansion projects appear to be slipping and recent Ministerial statements suggest accelerating decline rates and a lagging programme of gas injection to sustain reservoir pressure.

Consultative Meeting of the OPEC Conference, Doha, 19-20 October 2006

OPEC surprised the market with the announcement of a steeper-than-expected 1.2 mb/d cut in production to take effect from 1 November. The organisation is due to revisit what it has called an interim production arrangement at an extraordinary meeting on 14 December in Abuja, Nigeria. Saudi Arabia and other Arab Gulf producers have hinted that further cuts might be on the cards in Abuja if the organisation still sees supply continuing to run ahead of demand. While OECD inventory does now look more comfortable, this is in part a response to low supply-side flexibility elsewhere in the system, notably in OPEC spare capacity. It is also worth noting this report's upward revision to the 4Q 2006 'call on OPEC crude and stock change' to 29.8 mb/d. Assuming Iraq at 2.0 mb/d, this implies a call on the OPEC-10 of 27.8 mb/d, close to September supply but well above lower October, and potentially also November, production.

A degree of ambiguity hangs over the latest decision, since the meeting avoided allocating new individual production quotas *per se*. An expected production cut from each member was itemised, although the baseline from which such cuts were calculated remained unclear. The table below suggests that, for most producers, the baseline was the OPEC Secretariat's assessment of September production, based on third-party estimates. However, Iran, Nigeria and Venezuela's shares of the proposed cut appear to have been benchmarked on their existing quotas, which stand markedly higher than recent production. From OPEC's perspective, the continuing discrepancy between quota and attainable production capacity for a number of members appears to have been a price worth paying in exchange for unanimity over cuts in prompt supply.

OPEC Proposed Cuts from 1 November

(thousand barrels per day)

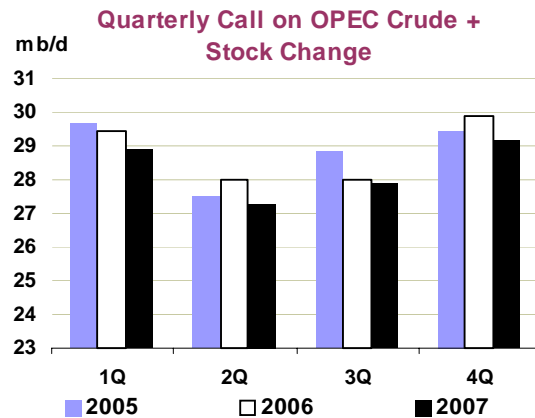
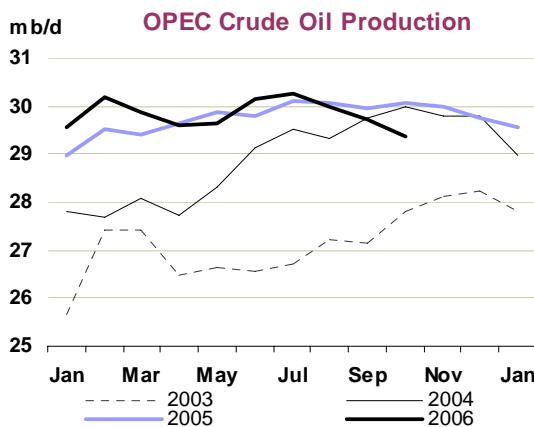
	Announced Cut	OPEC Secretariat Estimate of Sep Production	Implied % Cut	Existing Quota	Implied % Cut
Algeria	59	1375	4.3%	894	6.6%
Indonesia	39	883	4.4%	1451	2.7%
Iran	176	3875	4.5%	4110	4.3%
Kuwait	100	2510	4.0%	2247	4.5%
Libya	72	1723	4.2%	1500	4.8%
Nigeria	100	2205	4.5%	2306	4.3%
Qatar	35	833	4.2%	726	4.8%
Saudi Arabia	380	9087	4.2%	9099	4.2%
UAE	101	2568	3.9%	2444	4.1%
Venezuela	138	2546	5.4%	3223	4.3%
Total	1200	27605	4.3%	28000	4.3%

It is too early to gauge adherence to the proposed November cuts. Indonesia has said it will not comply and Nigeria apparently back-tracked on an earlier, unilateral commitment to curb October supply, raising question marks over its incentive to hold to November's pledge. Arab Gulf producers are seen as most likely to cut supply, while others see Iran, Venezuela and the North African producers' positions as being more ambiguous. Oilfield and refinery maintenance are seen as providing scope for temporary cuts, while spot sales and term contract tolerance levels may also be used to trim prompt supply. Weakening freight rates and provisional tanker sailing data for the first two weeks of November do suggest some slippage from October supply levels, possibly by as much as 200 kb/d compared with end-October. Depending upon compliance by non-Gulf members, some 600-900 kb/d might be removed from the market as a result of the Doha decision.

Iranian October supply is assessed at 3.75 mb/d, off by 100 kb/d from September. Weather related loading delays were evident at the head of the Gulf in October, and provisional tanker sailing data for the Middle East Gulf as a whole for October suggest a further fall in Iranian supply. State company NIOC has said that Iran's 176 kb/d contribution to the November OPEC production agreement will largely come from reduced spot sales into Europe and lower domestic refinery runs. A crude distillation unit (CDU) at the Abadan refinery is due for maintenance in November. Iran's OPEC governor also said European term sales were being trimmed by 5%, a level of flexibility afforded by most contracts. Moreover, if our October assessment for Iranian supply is correct, little in the way of further cuts might be necessary from Iran in November.

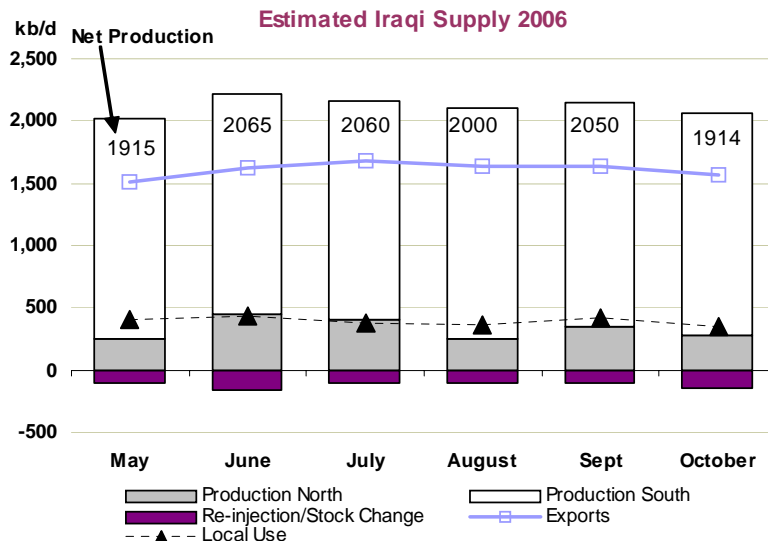
Against a difficult geopolitical backdrop regarding negotiations to resolve the Iranian nuclear crisis, prospects for imminent new investments to shore up Iranian capacity look remote. State-owned Petroiran took over operatorship of the troubled Azadegan project after the withdrawal of Japan's Inpex. This complex upstream project is widely believed to require foreign expertise and investment, yet plans for Total to take a stake do not appear to have advanced since the downgrading of Inpex's role to a minority 10%.

Ongoing downward drift in supply from **Saudi Arabia** was evident in October. Supply is assessed at 9.05 mb/d, including a 50% share of production from the partitioned neutral zone (PNZ) between Saudi Arabia and Kuwait. This is a net decline of 100 kb/d from a downward-adjusted 9.15 mb/d in September. The bulk of any further cuts accruing from the Kingdom's 380 kb/d share of the November production agreement seem likely to affect Asian buyers, who have been told that November liftings will be cut by 5-10%. US term buyers have been asked to volunteer for lower January allocations, although the impact here may be less keenly felt as refinery maintenance takes hold.



Hand in hand with a tightening in Saudi prompt supply however has been a series of announcements concerning Aramco's capacity expansion programme. After last month's fast-tracking of the Arab Heavy Manifa project, further heavy offshore supplies were signalled with accelerated progress on the Safaniyah project. Aramco also announced that feasibility studies on the Shaybah II project (+200 kb/d of gross Arab Extra Light capacity) are being fast-tracked. The Kingdom is aiming for installed capacity of 12.5 mb/d by 2010 and 13.1 mb/d by 2013. This report assesses current Saudi capacity (including PNZ but excluding condensates and Bahrain's 50% share of the Abu Safah field) at just under 11 mb/d.

Iraqi crude supply (net of field reinjection and deliveries into storage) dipped below 2.0 mb/d for the first time since May. Renewed attacks on the northbound Kirkuk-Ceyhan pipeline allowed only an average 70 kb/d to be delivered into tank at Ceyhan. The pipeline was still off-line in early November. Crude in storage was deemed insufficient to allow any exports from this outlet during the



month after some 55 kb/d had been exported from Ceyhan in September. Storage was reportedly still below 3 mb at end-October. Southern exports via Basrah were limited to 1.55 mb/d, 20 kb/d less than in September as bad weather interrupted tanker loadings. Some 15 kb/d was also moved cross-border into Syria, giving total October exports of 1.57 mb/d versus 1.64 mb/d last month. Preliminary schedules for November exports from Basrah suggest a rise to 1.6 mb/d, although again this will be dependent on uninterrupted loadings.

October refinery operations are also assessed to have remained low, with utilisation rates at Iraq's 710 kb/d of capacity restricted to 44%. Power outages kept the Baiji refinery out of operation for much of the month. In all, domestic crude use is estimated at 345 kb/d, giving a net Iraqi crude supply level of 1.91 mb/d.

Nigerian supply in October is estimated to have risen 50 kb/d compared with September and averaged 2.24 mb/d. We assess some 624 kb/d of production was shut-in during October, including nearly 550 kb/d of long-standing, security-related outages affecting the offshore EA field and the Forcados and Escravos crude streams. In addition, October saw short-lived disruptions affecting Bonny Light production (45 kb/d on average) and a now-completed spell of maintenance at the Antan field which removed an average 35 kb/d from October supply. The apparent rise in wellhead production coincides with preliminary indications of higher export liftings from Nigeria in October, despite earlier claims made before the OPEC meeting that a 5% cut would be made. Crude runs at Nigeria's only operating refinery, Port Harcourt, are assessed at below 200 kb/d.

Preliminary indications of tanker loadings from Nigeria for November and December do suggest a cut in exports, although there remains the potential for additional volumes to be made available, as occurred in October. However, necessity may dictate lower volumes in November. Resumed supply from shuttered Bonny Light facilities in early November was quickly countered by renewed security problems which, at writing, have caused the shut-in of 50 kb/d of Brass River crude at Agip's Tebidaba flow station in Bayelsa state. Indeed the US consulate in Lagos warned in early November of plans for concerted attacks on Niger Delta oil facilities during the first part of the month. Ethnic tensions are expected to remain a key feature in the run up to elections in April 2007.

Venezuelan crude supply is estimated to have slipped by 35 kb/d in October to 2.52 mb/d, albeit in part due to the late-month start of scheduled maintenance at the Sincor heavy crude upgrader. State oil company PDVSA said in early November that most of Venezuela's 138 kb/d cut in production would come from upgraded heavy oil deriving from the Orinoco heavy oil belt, or Faja. Ongoing maintenance at Sincor could trim some 90 kb/d from supply, while the other three heavy oil ventures will reportedly be asked to trim output by a collective 50 kb/d. Notwithstanding scheduled cuts, several reports emerged in October citing contractor and service company sources as saying that upstream investment still lags the levels needed to sustain production.

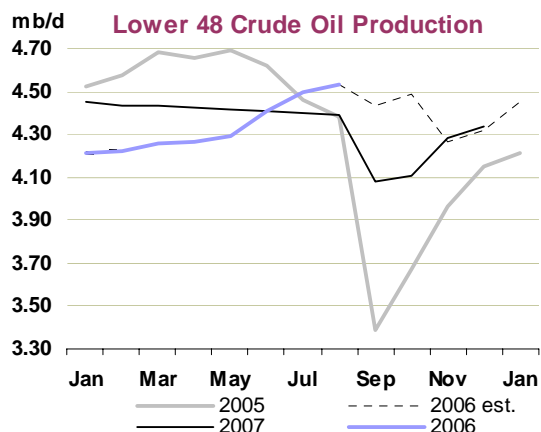
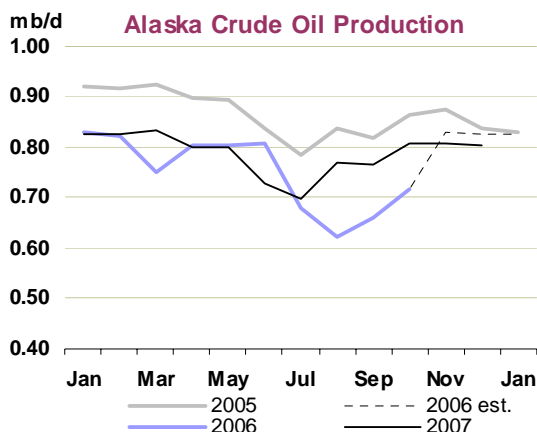
There were reports in October of Singaporean and Japanese power utilities switching to alternative fuel supplies, including fuel oil, bitumen and petroleum coke, after Venezuela's announcement that production of Orimulsion boiler fuel would cease from January 2007. Orimulsion supply, which peaked around 110 kb/d in 2002, is now estimated at around 40 kb/d and is included in this report under the OPEC NGL and non-conventional oil category.

OECD

North America

US – Alaska October actual, others estimated: US oil supply has been revised up by 50 kb/d for 2005, 35 kb/d for 2006 and 65 kb/d for 2007. It now averages 7.32 mb/d, 7.36 mb/d and 7.46 mb/d for the three years respectively, down from 7.66 mb/d in 2004. Crude oil comprises over 5.1 mb/d of the US oil total, with 1.7-1.8 mb/d coming from NGL and 400-500 kb/d from oxygenates and other fuel additives. The main revisions are discussed below.

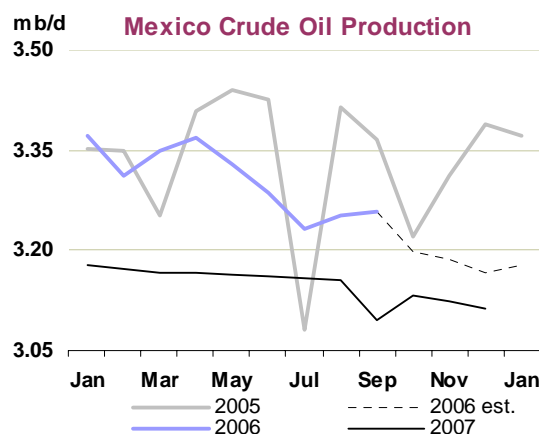
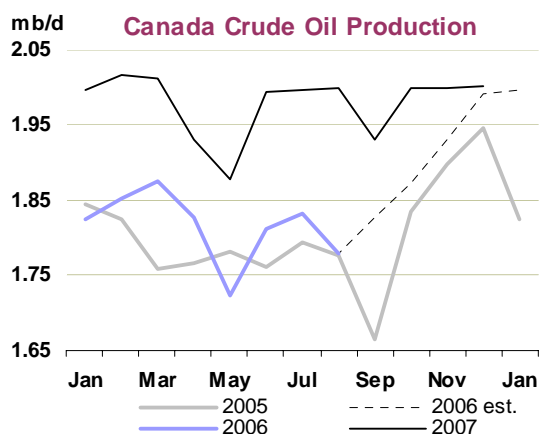
Alaskan production remained constrained in October as high winds and flooding impeded recovery from the Prudhoe Bay fields after earlier pipeline outages, and adverse weather also affected October operations on the TransAlaska pipeline. Total Alaskan crude production averaged 716 kb/d, with Prudhoe Bay NGL contributing a further 38 kb/d. Although crude was up by some 55 kb/d compared with September, output was nearly 100 kb/d less than this report had predicted last month. Nonetheless, shortfalls versus the earlier projection are thought likely to prove temporary, with Prudhoe crude output having recovered close to anticipated 360 kb/d levels by early November.



Recent supply data for California (July) and state-specific production data for June came in at or above this report's expectations. With less than one month of the traditional hurricane season left to run, Gulf of Mexico (GOM) supply disruptions in 2006 to date have been negligible. This is in stark contrast to the widespread destruction seen in 2005. At the risk of tempting fate, projected GOM supply may be subject to renewed upward revision next month if November passes uneventfully.

Canada – August actual: Total Canadian oil output reached 3.21 mb/d in August, up 55 kb/d from July. Continued increases in NGL and synthetic crude output outpaced weaker offshore east coast supply. With the latter region now expected to show sustained recovery through end-year, and continued growth expected from the Alberta oilsands and NGL, oil production could reach 3.85 mb/d by end-year. The return of Newfoundland's offshore Terra Nova field in November after extended maintenance combines with an upward adjustment to production from Syncrude Inc's heavy crude upgrader. This now appears to have attained 350 kb/d capacity operating rates well before the 2007 timeline previously seen by this report. In all, Canadian oil supply is revised up by 30 kb/d in 2006 and by 40 kb/d for 2007, averaging 3.2 mb/d and 3.4 mb/d respectively. Conventional crude accounts for 1.85 mb/d and 1.98 mb/d of total supply in those two years.

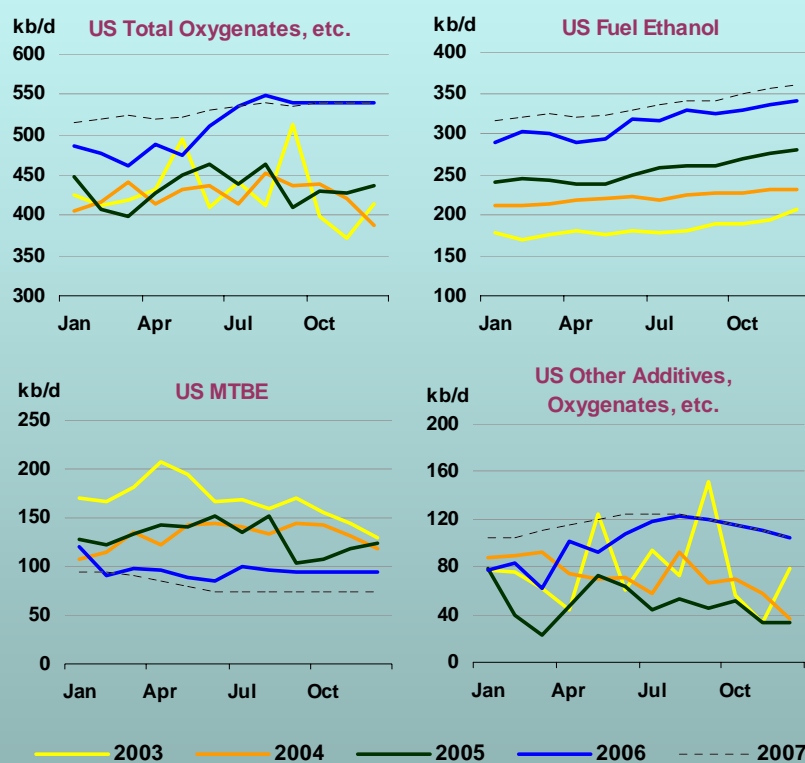
Prospects for oilsands production growth will depend in part on available pipeline capacity feeding the US Midwest and Gulf Coasts and Canada's Pacific Coast. Enbridge announced that the 400 kb/d Gateway pipeline project feeding Asian and Californian markets has been put on the back burner, with completion deferred from 2010 to 2012-2014. However Enbridge's pipeline expansions feeding the US are being accelerated and expanded.



Mexico – September actual: Mexican crude production has again been revised up, with higher-than-expected September output feeding through to boost production for the period through mid-2007 by an average of 20 kb/d. The absence of September hurricane outages in part explains the higher baseline. September crude exports however were down by 100 kb/d on August at 1.68 mb/d, with exports to the Americas reduced but higher sailings destined for Europe and Asia. Mexican sources seem to be backtracking from earlier, more optimistic prognoses for production in 2007, and this report persists with a forecast of net decline of 120 kb/d for Mexican oil production in 2007. Crude averages 3.28 mb/d in 2006 and 3.15 mb/d in 2007.

US Revisions Centre on 2005 Baseline, and 'Other Supply'

Final 2005 monthly US production data by state became available via the EIA's Petroleum Supply Annual (PSA) just as last month's *Oil Market Report* went to press. Revisions for 2005 incorporated this month show an average 55 kb/d upward revision due to PSA data, with around 25 kb/d of this due to upward revisions to GOM production data. Original estimates for GOM production in October and November 2005 in particular look to have been too low, to the tune of 190 kb/d and 65 kb/d respectively. Monthly storm outage adjustments for 2005-2007 have been adjusted down accordingly. However, for now there are offsetting downward adjustments for supply in 2007 which result in GOM production being revised down by an average 60 kb/d for the year. Production from the Mad Dog, Genghis Khan and Constitution/Ticonderoga fields now appears to be running below levels assumed earlier by this report and this is carried through the forecast. Moreover, we have pushed back start-up of the 200 kb/d capacity Atlantis field from April to August 2007 following reports that partial re-design of subsea manifolds has been required following the problems experienced with the Thunder Horse development.

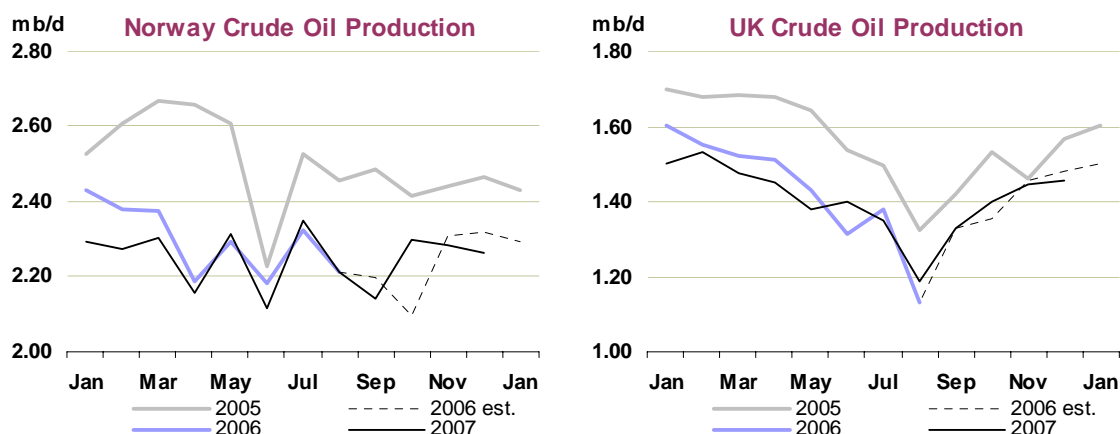


The sharp build in US "other supply" seen so far in 2006 leads this month to a marked upward revision to forecast supply from this category. The exception is MTBE, production of which fell early in 2006, but appears now to have stabilised close to 100 kb/d. US MTBE output is forecast to decline further with its eradication from the US gasoline pool, although baseload supply of around 70-80 kb/d is retained in the forecast, assuming that major existing facilities see continued opportunities to export on an economic basis. Rising production of ethanol and other fuel oxygenates and additives has coincided with tightening US motor fuel specifications and the removal of liability protection for MTBE. Indeed, US supply of ethanol and other biofuels may be subject to further upward revision if 2006 trends are replicated. For now, however, an upward adjustment of nearly 100 kb/d has been applied to supply from 4Q 2006 onwards.

North Sea

Norway – August actual, September provisional: August and September production came in below this report's expectations, total oil output dropping to 2.61 mb/d in September. Output is unlikely to have risen markedly in October, with extensive outages affecting production from the Snorre, Troll, Heidrun, Vigdis, Oseberg, Braje, Njord and Draugen fields. This derived in part from adverse weather, but also from faulty lifeboat systems in an echo of problems which affected the Vesslefrikk field in 2005. At peak in the third week of October some 340 kb/d was shut-in. However, the problems have been short-lived and total oil production is expected to recover to 2.9 mb/d in November and December (crude oil 2.3 mb/d). Forecast Oseberg system production has been trimmed by some 20 kb/d to avoid double counting supplies from satellite field developments.

Production at the Fram East development in the Troll system began on schedule on 30 October and should build to peak output of 45 kb/d. The Norwegian national budget for 2007 is based on a forecast of liquids production rising to 3.0 mb/d from 2.8 mb/d in 2006. This report retains a more

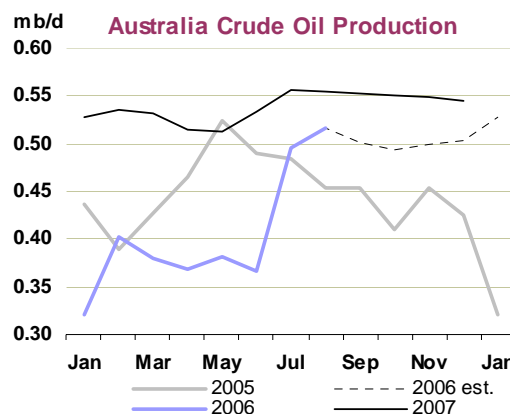


conservative outlook, with supply reaching 2.85 mb/d in 2007 from 2.8 mb/d in 2006.

UK – August actual: Third quarter 2006 UK production is dragged down by August data which came in 150 kb/d below expectation, reflecting heavier-than-expected maintenance outages. However, North Sea loading schedules point towards sharp UK sector recovery for the September to November period. Nexen is due to begin production from the Buzzard field this month, with two scheduled cargoes suggesting initial production of 35-40 kb/d. There is some uncertainty over Buzzard's likely production plateau for 2007, some reports suggesting 210 kb/d and others only 100 kb/d. Recent indications are that Buzzard contains markedly more hydrogen sulphide (H₂S) than originally anticipated, which may affect offtake volumes. This report assumes initial output limited to 100 kb/d while production testing is carried out, acknowledging that this may subsequently prove to be overly pessimistic. If so, the projection of a largely flat UK liquids production profile at 1.7 mb/d may also be subject to upward revision.

Pacific

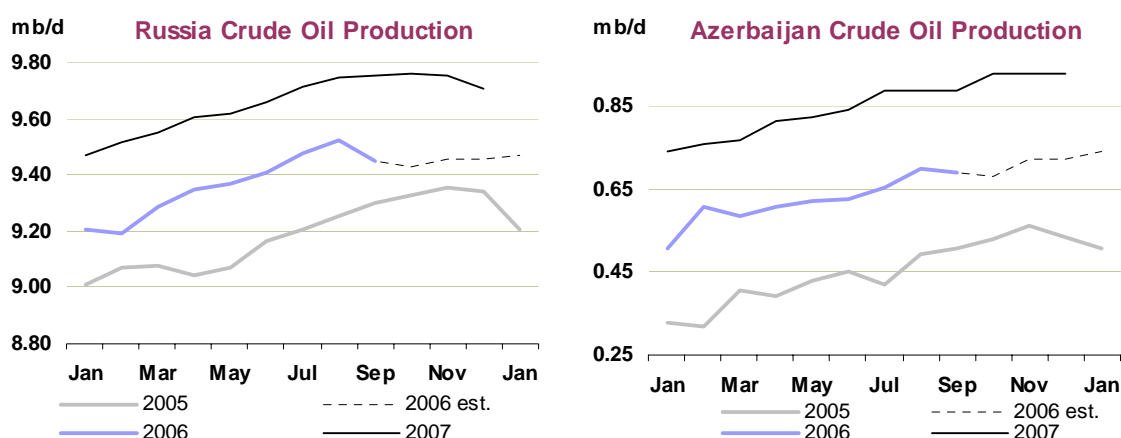
Australia – August actual: August oil production was revised up by 60 kb/d from last month's report with Carnarvon Basin crude/condensate output 45 kb/d higher and total NGL some 15 kb/d ahead of expectation. Forecast NGL production is revised up a similar amount after October's delayed start up at the BassGas facility. October outages affecting the Enfield and Cliff Head fields dampened prospects for August's crude revisions being carried forward in full. Indeed, water breakthrough at Enfield is likely to defer peak production of 100 kb/d until 2007. Nonetheless, higher baseload supply elsewhere in the Carnarvon Basin underpin a 15 kb/d upward revision to crude for 2007. Australian liquids supply is expected to average 640 kb/d in 2007 compared with 530 kb/d in 2006 and 540 kb/d in 2005. Aside from Enfield, main increments in 2007 come via expanded supply from the Puffin and Cliff Head developments.



Former Soviet Union (FSU)

Russia – September actual, October provisional: The graph below clearly shows the levelling off in Russian production growth evident in September and October. Forecast supply for 2006 and 2007 has been revised down by around 40 kb/d, with the reductions focussed in 4Q06 and 1Q07. However, aggregate 2006 supply remains around 9.7 mb/d (2.2% annual growth) with 10.0 mb/d expected for 2007 (+2.9%).

TNK-BP production has been adjusted down to exclude 120 kb/d of output from the Udmurtneft subsidiary recently sold to state-controlled producer Rosneft. Rosneft expects to sustain growth in supply from Udmurtneft, but we have retained for now a rather lower growth target for Rosneft of some 7%, assessed before Udmurtneft was purchased. The downgrade in expected Russian supply also follows renewed delays in supply build-up at the recently inaugurated De Kastri export terminal for the Sakhalin 1 project. Around 45 kb/d has been cut from 4Q supply here and 25 kb/d in 1Q07, as extensive environmental checks on the neighbouring Sakhalin 2 project have reportedly prevented the De Kastri terminal from receiving necessary permits to begin commercial operations. Sakhalin 1 is expected to eventually produce 250 kb/d, although we have retained a conservative build-up profile, with peak only occurring in 2008, to reflect the uncertainties facing the project.



In September, **net FSU exports** fell back by 250 kb/d from August to 8.16 mb/d (although this was 360 kb/d above September 2005 levels). As noted last month, the reduction was driven by lower products exports, which fell by 250 kb/d to 2.36 mb/d. Overall, crude exports remained close to August levels, with higher shipments via Baltic ports and the Druzhba pipeline counteracting lower exports from the Black Sea and via the BTC pipeline. Capacity of the BPS pipeline which feeds Primorsk is due to be expanded from 1.3 mb/d to 1.4 mb/d by end-year, although scheduled liftings from Primorsk are likely to slip back in November as colder weather increases crude viscosity. Primorsk shipments are also prone to delay over the winter months, as the port becomes ice-bound.

Early indications for October/November suggest FSU crude and products exports constrained by:

- higher Russian crude and product export duties in force from 1 October;
- maintenance work affecting Azerbaijan's ACG fields (October);
- closure of the Baku-Supsa crude pipeline affecting November and December Azeri Light shipments via this route;
- delays affecting full-scale exports of Sokol crude from the Sakhalin 1 project's De Kastri terminal (4Q exports may struggle to exceed the initial 25 kb/d exported in October);
- a general Russian policy shift aimed at refining more crude domestically;
- a parallel trend whereby increased volumes of oil products are retained within Russia in the winter months to release natural gas for export.

However, the lagged impact of the late summer/autumn decline in oil prices is likely to see a 20-25% cut in Russian export duties from 1 December. This in turn could see, *ceteris paribus*, an increased economic incentive for a contra-seasonal rise in December exports.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2004	2005	4Q2005	1Q2006	2Q2006	3Q2006	Jul 06	Aug 06	Sep 06	Latest month vs. Aug 06 Sep 05	
Crude											
Black Sea	2.20	2.27	2.23	2.25	2.26	2.27	2.29	2.36	2.15	-0.21	-0.18
Baltic	1.51	1.59	1.55	1.54	1.73	1.55	1.59	1.42	1.64	0.23	0.06
Arctic/FarEast	0.25	0.19	0.17	0.10	0.11	0.20	0.17	0.24	0.20	-0.05	-0.02
BTC	0.00	0.00	0.00	0.00	0.01	0.22	0.18	0.27	0.22	-0.05	0.22
Crude Seaborne	3.96	4.05	3.95	3.89	4.11	4.24	4.24	4.29	4.20	-0.09	0.08
Druzhba Pipeline	1.10	1.15	1.23	1.20	1.16	1.23	1.29	1.17	1.23	0.06	0.11
Other Routes	0.23	0.25	0.26	0.31	0.38	0.37	0.36	0.37	0.38	0.01	0.14
Total Crude Exports	5.29	5.45	5.44	5.39	5.65	5.85	5.89	5.83	5.82	-0.01	0.32
Of Which: Transneft	3.76	4.04	4.07	4.05	4.23	4.21	4.26	4.11	4.26	0.15	0.16
Products											
Fuel oil	0.90	0.93	1.04	0.87	1.05	0.94	0.94	0.99	0.88	-0.11	-0.09
Gasoil	0.84	0.87	0.95	1.01	0.95	0.94	0.91	0.95	0.95	-0.01	0.12
Other Products	0.46	0.58	0.60	0.60	0.70	0.63	0.70	0.66	0.53	-0.13	0.00
Total Product	2.19	2.38	2.58	2.47	2.69	2.50	2.54	2.61	2.36	-0.25	0.02
Total Exports	7.48	7.83	8.02	7.87	8.34	8.35	8.43	8.44	8.18	-0.26	0.35
Imports	0.01	0.02	0.02	0.03	0.03	0.03	0.05	0.03	0.01	-0.02	-0.02
Net Exports	7.47	7.81	8.00	7.84	8.31	8.32	8.38	8.41	8.16	-0.25	0.36

Sources: Petro-Logistics, IEA estimates

Note: Transneft data has been revised to exclude Russian CPC volumes.

Azerbaijan – September actual: September again saw production from the offshore Azeri-Chirag-Guneshli (ACG) fields exceeding this report's projections, at some 530 kb/d. As noted last month, October ACG supply was affected by maintenance, although early start-up at the East Azeri field did mitigate the downturn in ACG supply. Notwithstanding East Azeri, there is the potential for supplies of Azeri Light to be impeded throughout the fourth quarter by the closure of the Baku-Supsa pipeline due to corrosion problems. Supplies are due to be re-routed via the nearby BTC pipeline, but this report caps Azeri Light output at 530 kb/d, and total Azerbaijan production at 730 kb/d, through end-year. BP also announced that liquids production from the Shah Deniz gas development has been delayed into November from October due to well completion taking longer than expected. However, despite these setbacks, Azeri production has been revised up by 10-15 kb/d for both 2006 and 2007. There may be further upside for the Azerbaijan forecast in 2007 if BP's latest ACG output guidance of 700 kb/d for 2007 is realised, compared with this report's more conservative projection of 665 kb/d.

Biofuels Revisions

In addition to the changes to US ethanol supply for 2006 and 2007 (discussed under 'US Revisions Centre on 2005 Baseline', and 'Other Supply', above), we have also made substantial revisions to 'other biofuels' supply since our last update in the *Medium-Term Oil Market Report* published in July this year. Other biofuels, including ethanol and biodiesel for countries outside the US and Brazil, have been revised upwards by 25 kb/d for 2006 and 82 kb/d for 2007. The main changes have been made to European ethanol and biodiesel, following member countries' rapid expansions aimed at adhering to the European Union's ambitious biofuel-blending targets. Stronger 2007 growth is also now expected in China. Total 'other biofuels' supply is now estimated at 179 kb/d for 2006 and 344 kb/d for 2007. A further discussion and update on biofuels, along with more details, will be published in the report dated 18 January 2007.

Other Non-OPEC

Revisions to Other Non-OPEC Estimates

A 40 kb/d downward revision for 2006 non-OPEC supply this month is sandwiched between a 50 kb/d upward revision for 2005 and a 65 kb/d upward revision for 2007. Significant upward adjustments deriving from North America, Australia, Azerbaijan and biofuels have already been discussed above. So too have downward revisions from the North Sea and Russia.

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	2007	06 v 05	07 v 06	2005	2006	2007	06 v 05	07 v 06	2005	2006	2007	06 v 05	07 v 06
North America	14.09	14.21	14.35	0.12	0.13	14.14	14.29	14.45	0.15	0.16	0.05	0.08	0.11	0.03	0.03
Europe	5.60	5.30	5.35	-0.30	0.05	5.60	5.23	5.30	-0.37	0.07	0.00	-0.07	-0.05	-0.07	0.02
Pacific	0.58	0.56	0.65	-0.02	0.09	0.58	0.57	0.68	-0.01	0.11	0.00	0.01	0.03	0.01	0.02
Total OECD	20.28	20.08	20.35	-0.20	0.27	20.33	20.10	20.44	-0.23	0.34	0.05	0.02	0.09	-0.03	0.07
Former USSR	11.64	12.07	12.60	0.43	0.53	11.64	12.04	12.58	0.40	0.53	0.00	-0.02	-0.02	-0.02	0.00
Europe	0.16	0.15	0.13	-0.01	-0.01	0.16	0.15	0.13	-0.01	-0.01	0.00	0.00	0.00	0.00	0.00
China	3.62	3.70	3.73	0.08	0.02	3.62	3.69	3.72	0.07	0.03	0.00	-0.01	-0.01	-0.01	0.00
Other Asia	2.68	2.70	2.73	0.02	0.03	2.68	2.70	2.73	0.02	0.03	0.00	0.00	0.00	0.00	0.00
Latin America	4.30	4.48	4.74	0.18	0.26	4.30	4.44	4.66	0.15	0.22	0.00	-0.04	-0.08	-0.04	-0.04
Middle East	1.86	1.75	1.69	-0.12	-0.06	1.86	1.75	1.69	-0.12	-0.06	0.00	0.00	0.00	0.00	0.00
Africa	3.72	4.03	4.53	0.32	0.50	3.72	4.02	4.53	0.30	0.51	0.00	-0.01	0.00	-0.01	0.01
Total Non-OECD	27.97	28.87	30.15	0.90	1.27	27.97	28.79	30.04	0.81	1.25	0.00	-0.09	-0.11	-0.09	-0.02
Processing Gains	1.86	1.90	1.92	0.04	0.02	1.86	1.90	1.92	0.04	0.02	0.00	0.00	0.00	0.00	0.00
Other Biofuels	0.12	0.15	0.26	0.04	0.11	0.12	0.18	0.34	0.06	0.17	0.00	0.03	0.08	0.03	0.06
Total Non-OPEC	50.23	51.00	52.68	0.77	1.67	50.28	50.96	52.74	0.68	1.78	0.05	-0.04	0.06	-0.09	0.10

OMR = Oil Market Report

Elsewhere, **Chinese** production is revised down by 10 kb/d for 2006 and 2007. September production was 70 kb/d below expectation, largely due to weaker onshore supply. The impact of a lower baseline tapers off through 2007 however, as higher offshore production from new wells at the Huizhou, Caofeidian and Zou Dong fields is now expected. Chinese domestic supply growth is seen slowing to 30 kb/d in 2007, after growth of nearly 100 kb/d per year during 2004-2006. Production next year averages 3.74 mb/d.

Brazilian crude production is revised down by between 50-100 kb/d for the 4Q06 through to 4Q07 period on the basis of a weaker September baseline deriving from preliminary Petrobras data. The company's end-year 2006 and 2007 targets have been revised down to 1.88 mb/d and 1.98 mb/d respectively, with this report's estimates being adjusted accordingly. Petrobras accounts for around 97% of Brazilian crude production which, despite these adjustments, is expected to grow by 185 kb/d in 2007.

OECD STOCKS

Summary

- **Total OECD industry oil inventories** built by 29 mb in September to 2,759 mb and stand 118 mb higher than last year. Increases in North American distillate and gasoline stocks, Pacific distillates as well as in 'other products' offset lower crude and 'other oils' inventories. Days of forward demand cover came to 55 days for the OECD as a whole, on par with August and two days higher than last year. Weekly data for the US and Japan, however, show a sharp downward correction in product stocks in October following reduced refinery activity due to maintenance as well as lower imports and robust demand.
- **The total third-quarter stock build** averaged 1.15 mb/d, or 106 mb, and is the highest 3Q increase since 1991. Stocks built in all regions, but the largest increases were seen in North America, and to a lesser extent, the Pacific. Higher product and 'other oils' inventories were partially offset by lower crude oil stocks.

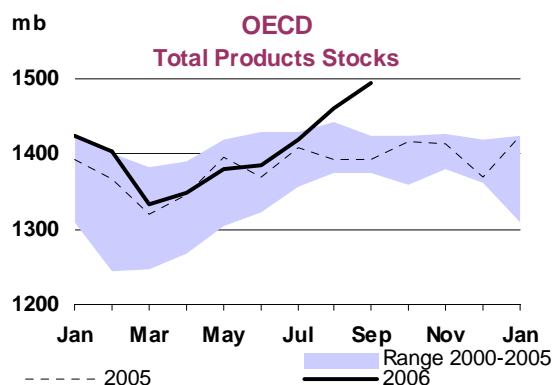
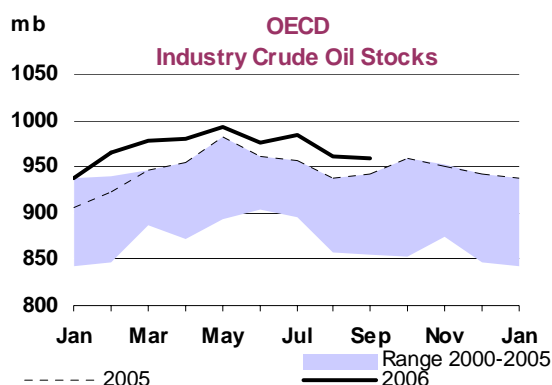
Preliminary Industry Stock Change in September 2006 and Third Quarter 2006

(million barrels per day)

	September (preliminary)				Third Quarter 2006			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	0.08	-0.33	0.12	-0.13	0.01	-0.16	-0.05	-0.20
Gasoline	0.29	0.06	0.02	0.37	0.05	0.04	0.00	0.09
Distillates	0.41	-0.08	0.17	0.49	0.34	0.11	0.17	0.63
Residual Fuel Oil	0.01	0.03	-0.02	0.03	0.01	0.03	0.01	0.04
Other Products	0.10	0.00	0.14	0.25	0.23	0.05	0.14	0.42
Total Products	0.81	0.02	0.31	1.13	0.63	0.23	0.32	1.18
Other Oils ¹	-0.03	-0.03	0.01	-0.05	0.14	0.01	0.02	0.17
Total Oil	0.86	-0.34	0.43	0.95	0.78	0.08	0.29	1.15

¹ Other oils includes NGLs, feedstocks, and other hydrocarbons.

- **OECD crude oil stocks** fell by 4 mb in September to 958 mb, despite sharply lower refinery throughputs in all regions. A decline in European crude stocks mostly stemmed from France, where refinery runs reached their highest level in more than two years. Total OECD crude stocks stood 17 mb higher than last year as increasing stocks in North America and the Pacific were only partly offset by lower European inventories.
- **OECD industry middle distillate stocks** built by 15 mb in September to 584 mb, 49 mb higher than last year. The increase, as flagged in last month's report, came in the US and Japan, following high refinery runs and seasonally weak demand. According to weekly data, US distillate stocks fell sharply in October while Japanese stocks trended sideways, reviving concerns about supply adequacy in the event of a cold winter. In independent storage in Northwest Europe and Singapore, however, supplies are trending at the upper-end of their five-year range.
- **OECD industry gasoline stocks** increased by 11 mb in September, with North America again accounting for the majority of the change. US stocks built sharply following high refinery output, steady imports and seasonally slow demand. In October, however, maintenance-reduced refinery output was compounded by a drop in imports which reversed September's build.



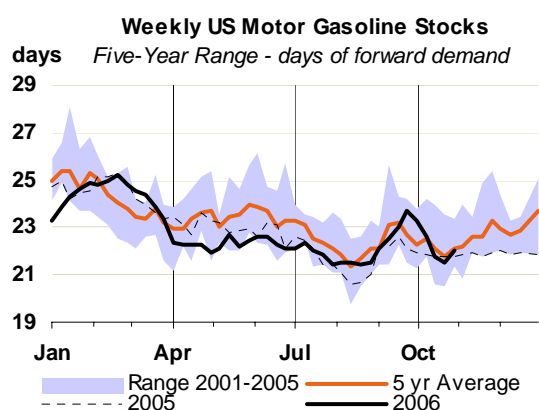
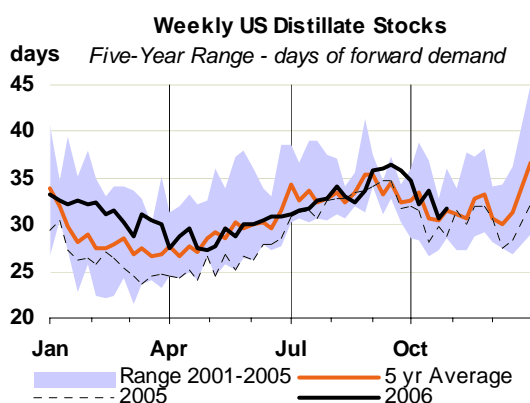
OECD Industry Stock Changes in September 2006

OECD North America

North American crude oil inventories built by 2.5 mb in September as an increase in Mexican stocks outpaced a small draw in the US. US refinery throughputs were running at relatively high levels in September, averaging 15.7 mb/d, but high imports stemmed the decline. Mexican throughputs were lower, supporting the stock build there. While no data is yet available for Canadian September crude stocks (or exports) and these are held unchanged, preliminary indications are that a 109 kb/d decline in throughputs only partly was offset by lower domestic production.

In October, US-50 crude stocks rebounded, building by about 6 mb. The increase followed a sharp drop in refinery runs, but was partly offset by lower imports. Four-week average throughputs fell by nearly 750 kb/d for the week ending 3 November to 15 mb/d, while imports averaged 10 mb/d, down 700 kb/d from September. At the same time, domestic US crude production rebounded by about 100 kb/d in October as Alaskan supplies recovered.

North American product stocks built by 24 mb in September, ending the month at 728 mb, 65 mb higher than last year. The US accounted for most of the changes as middle distillates built by 13 mb, gasoline by 8 mb and other products by 3 mb. The stock increases followed continued high refinery output and seasonally weaker autumn demand.

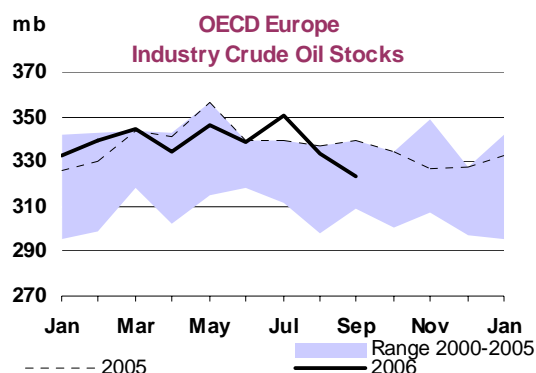


US-50 product stocks, however, fell sharply in October and early November, declining by 33 mb in total. Distillate stocks fell by 13 mb (both heating oil and diesel), gasoline inventories fell by 11 mb, while other products fell by 8 mb. Stock draws followed from a slowdown in throughputs (down by more than 700 kb/d from September) and were compounded by lower product imports (both gasoline and distillates). Preliminary indications of demand (based on four-week average data) show all products bar fuel oil stronger in October, and particularly distillates which were about 300 kb/d higher than September (7%). On a days-of-forward-demand basis, both gasoline and distillate stocks fell from their comfortable positions seen in September to at or below their five-year average by the week ending 3 November.

OECD Europe

European crude oil stocks fell by 10 mb in September, to 324 mb or 16 mb below last year. Most of the change came in France, where refinery throughputs were at their highest level this year. In the rest of Europe, crude demand fell in line with scheduled maintenance and lower refinery margins. At the same time, North Sea production rebounded and a narrow WTI/Brent differential limited spot arbitrage shipments out of the region. The shifting focus of refiners towards distillate production also reduced demand for gasoline-rich North Sea grades in favour of competing distillate-rich grades.

European product inventories were largely unchanged in September, closing only 0.5 mb higher than last month and 16 mb above last year. Gasoline added 2 mb, with builds in the UK and the

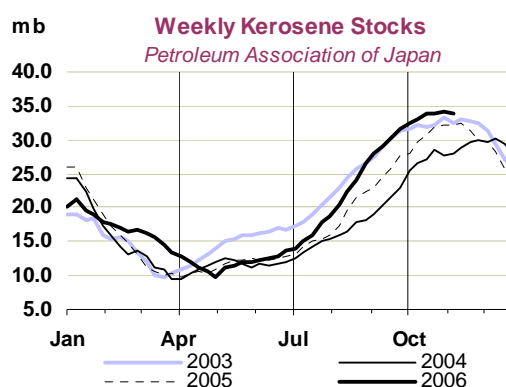


Netherlands, offsetting lower distillate inventories in France and the Netherlands. German industry stocks were relatively unchanged in September, despite sharply lower refinery throughputs (-268 kb/d) and continued strong inland deliveries of heating oil. However, a survey by MWV, the German oil industry association, pegged end-September German consumer heating oil stocks at 65% of capacity from 60% of capacity at the end of August. This is the highest level of stocks since November 2003. Preliminary data show that inland deliveries of heating oil and diesel were also strong in France. Mild October weather throughout most of Europe is likely to have further depressed demand.

OECD Pacific

In the Pacific, crude oil stocks built by 3.5 mb in September as levels in both Japan and Korea moved higher. In Japan, refinery throughputs moved lower in line with announced maintenance schedules. At the same time, crude imports were steady from August and amounts purchased by utilities lower. In October, onshore crude stocks added another 5 mb according to the Petroleum Association of Japan as refinery runs continued to slide, reaching their seasonal low-point. Korean stocks also built slightly in September, despite higher throughputs and lower imports. The increase was held in offshore vessels while onshore crude stocks were flat.

Pacific product inventories built by 9 mb in September to 212 mb, 21 mb higher than last year. The increase came entirely in Japan despite lower throughputs. Japanese refinery runs were 220 kb/d below August levels, but preliminary inland delivery data show extremely low domestic demand for all products (-11% year-on-year) supporting a stock build. At the same time, product (gasoil and jet) exports were high in September. Weekly data from the Petroleum Association of Japan show that total product stocks trended largely sideways in October. Kerosene stocks continued to edge higher, however, with preliminary data showing them rising to their highest level in 12 years (weekly data only go back to 2003) despite seasonal refinery maintenance. Korean product stocks were relatively unchanged in September. Higher refinery runs and lower exports were offset by lower imports and higher consumption.



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

OECD total industry oil stocks closed September at 2,759 mb, 29 mb higher than last month and 118 mb higher than last year. In contrast to earlier in 2006, the year-on-year gain is now concentrated in product stocks rather than in crude. The main changes are in North American stocks, which are 90 mb higher than in 2005, but also Pacific stocks are trending above year-ago levels. Forward demand cover came to 55 days for the OECD as a whole, on par with August but two days higher than last year. On a regional basis, cover was 52 days for North America, 61 days for Europe and 52 days for the Pacific.

Year-on-Year OECD Industry Stock Comparisons for September 2006

	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	24.3	-16.0	8.8	17.1	Total Oil	2.5	-0.2	2.8	1.7
Total Products	64.8	16.0	20.7	101.5	Versus 2004	4.9	1.1	2.7	3.3
Other Oils ¹	0.4	-1.6	0.6	-0.6	Versus 2003	2.8	1.4	1.0	2.0
Total Oil	89.5	-1.6	30.2	118.0	Total Products	2.0	1.0	2.1	1.7
Versus 2004	139.6	6.4	32.6	178.5	Versus 2004	2.6	1.2	2.5	2.1
Versus 2003	130.2	25.8	3.0	158.9	Versus 2003	1.6	1.1	1.2	1.3

¹ Includes feedstocks, NGLs and other hydrocarbons.

Revisions to preliminary August data averaged only 3 mb since last month's report, as downwardly revised crude stocks were offset by higher product inventories. Crude stocks were revised lower in Europe (-14 mb) following the official submissions of *Monthly Oil Statistics (MOS)*. The largest changes for product stocks also came in Europe, these being revised up by close to 18 mb. The bulk of the revision came in distillates, although all other product categories were revised higher. For the Pacific and North America, the largest revisions came in 'other oils' but the changes partly offset each other, leaving total OECD 'other oils' 5 mb lower than estimated in last month's report. July data were relatively unchanged.

Revisions versus 11 October 2006 Oil Market Report

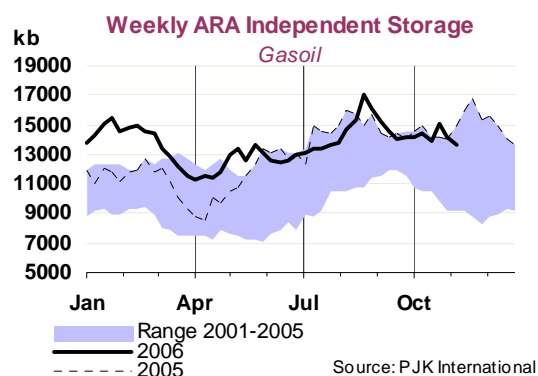
	(million barrels)							
	North America		Europe		Pacific		OECD	
	Jul 06	Aug 06	Jul 06	Aug 06	Jul 06	Aug 06	Jul 06	Aug 06
Crude Oil	-0.4	2.9	1.2	-14.2	-0.2	0.5	0.6	-10.8
Gasoline	0.8	2.1	0.1	3.8	0.0	-0.2	0.9	5.7
Distillates	-0.2	0.3	1.3	8.7	0.0	-0.9	1.1	8.1
Residual Fuel Oil	0.3	-0.1	-1.0	2.9	0.0	-0.4	-0.7	2.4
Other Products	-0.6	0.6	0.0	2.2	0.0	-0.2	-0.6	2.6
Total Products	0.2	2.9	0.5	17.5	0.0	-1.6	0.7	18.8
Other Oils ¹	-0.4	4.3	-1.3	-0.4	0.0	-8.5	-1.7	-4.6
Total Oil	-0.6	10.0	0.4	2.9	-0.2	-9.6	-0.4	3.3

¹ Other oils includes NGLs, feedstocks, and other hydrocarbons.

Recent Developments in ARA Independent Storage

Total oil product inventories held in independent storage in the Amsterdam-Rotterdam-Antwerp area fell in early November, as heavy inflows of fuel oil failed to offset declines in other products, according to consultant PJ Kulsen. Fuel oil stocks built sharply in October, especially at the end of the month, as Russian material found no other outlets. The arbitrage from Europe to Asia was closed early in the month, leaving Northwest Europe heavily oversupplied. While Russian consumption increased following colder weather in October, Russian throughputs were higher following the implementation of a new tax structure, favouring product exports over crude, from 1 October. Unusually, cargoes from South America (Venezuela and Colombia) added to stocks.

Gasoil stocks moved lower in October but were supported by continued high inflows from the US, Asia, the Middle East Gulf and Scandinavia. Strong gasoil cracks relative to other products also encouraged refiners to maximize distillate production. Pre-winter buying reportedly continued at strong levels in Germany and other North European countries, as consumers were taking advantage of lower absolute prices for heating fuel. Deliveries into Germany and France were also supported by refinery maintenance and lower domestic supplies. Falling diesel exports from Belarus and Lithuania, because of refinery shutdowns, might reduce Baltic supplies in November.



Gasoline inventories also fell from end-September levels, but remain above their historical range. Continued strong shipments to the US and Africa outpaced inflows from Eastern Europe, the UK and France. A strong contango in NWE swap prices also encouraged the traders to keep product in storage.

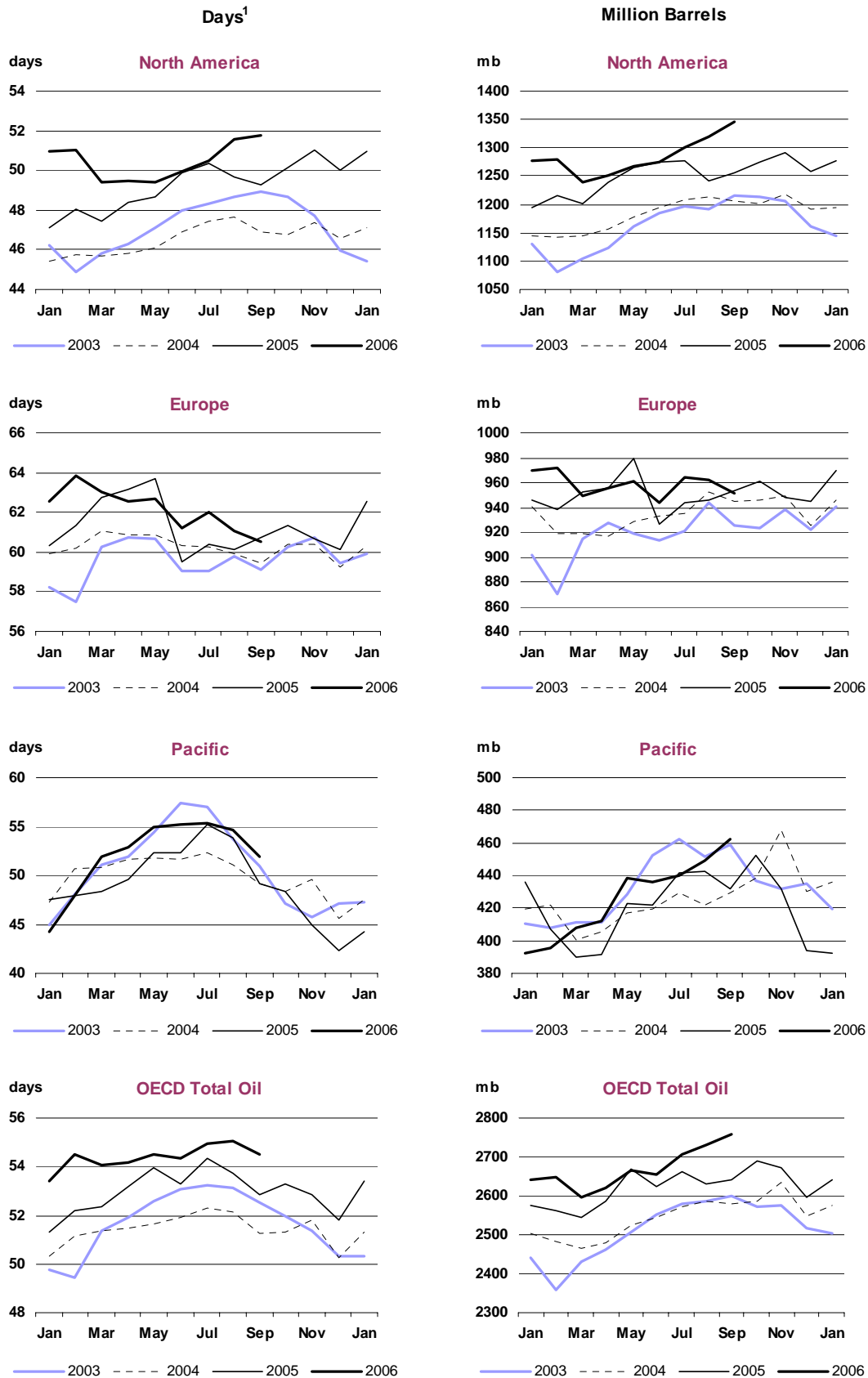
Recent Developments in Singapore Stocks

Fuel oil stocks in Singapore, as surveyed by International Enterprise, dipped in October as inflows of western material remained well below average and were concentrated in the latter part of the month. Fuel oil inventories temporarily dipped to the lowest level since last December, before rebounding sharply in the following week. Chinese purchases were lower than anticipated (down 30% on those of September), limiting any decline in stocks.

Middle distillate stocks rebounded in early October from the low level seen in the last week of September, adding more than 20% before trending sideways through the remainder of the month. Weak regional demand was partly offset by arbitrage shipments from South Korea to Northwest Europe. Light distillate stocks, including gasoline and naphtha, were unchanged for the month as a whole, although they fell sharply in the first part of the month. While naphtha supplies were ample (amid heavy Indian and Middle Eastern exports and lower demand in Korea due to cracker maintenance), gasoline found some support from increased buying from Indonesia and Vietnam.

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

An Update on Chinese Strategic Storage

As the first phase of the construction of the Chinese Strategic Storage is now completed, a lot of conflicting reports are being published regarding the possible commencement, and the rate, of filling of the reserves. The recent drop in international crude oil prices, seen as a deterrent to filling just a few months ago, and record high September crude net imports have further fuelled speculation that the strategic reserve is being filled (or according to one recent report, being leased to Sinopec). The trade data, coupled with the weight of reports, suggest that some storage fill is underway. Whether this is government or commercial stocks, however, remains unclear.

China started construction of four national oil reserve sites, located at Zhenhai and Aoshan in Zhejiang Province, Huangdao in Shandong Province and Dalian in Liaoning Province in 2003. Construction of the four sites is progressing according to schedule with major Chinese oil companies, Sinopec, Sinochem and PetroChina, in charge of construction. The combined capacity of the sites will be 16.2 million m³ or just over 100 mb upon completion. This equates to 37 days of net crude oil imports, using average 2006 import levels and subtracting the oil (18 mb) already assumed added to tanks.

Summary of Chinese Strategic Storage Facilities

SPR Site	Province	Capacity		Stock Type	Scheduled Completion		Refinery
		Million Cubic Meters	Million Barrels		First Phase	Second Phase	
Zhenhai	Zhejiang	5.2	33	Crude	2005	2006	Sinopec
Aoshan	Zhejiang	5.0	31	Crude	2006-2008		Sinochem
Huangdao	Shandong	3.0	19	Crude	2007	2008	Sinopec
Dalian	Liaoning	3.0	19	Crude	2006-2008		PetroChina
Total		16.2	102				

With the first phase of construction of the Zhenhai site completed, traders and analysts are increasingly waiting for confirmation on how Beijing plans to operate the reserves. China has yet to establish a system for running its SPR. The government is in the midst of setting up a State Oil Reserve Centre that will serve the State Oil Reserve Office, established in 2003 within the National Development and Reform Commission's (NDRC) Energy Bureau. The Centre's management structure and operating rules are now being determined, as well as the sources of funds for oil purchases. As part of the process, the Chinese government is reviewing the experiences of IEA Member countries.

In the meantime, part of the storage space at Zhenhai (10 mb of the 33 mb available) has reportedly been leased out to state-run refiner and the builder of the site, Sinopec. No information is currently available on the terms of the deal, or whether Sinopec will be able to use the space once the National Oil Reserve Centre starts using it for government reserves.

Some trade reports estimate that up to 18 mb may have been, or will be added to the Zhenhai tanks in 2006. Assuming that the filling started in January (as implied by the two different apparent demand calculations), this equates to a fill rate of 50 kb/d. Recent trade statistics lend credence to speculation that filling has started. Chinese net imports of crude oil reached their highest level ever in September, averaging more than 3.2 mb/d, an increase of 635 kb/d from August. More interestingly, year-to-date imports are running 18% higher than the same period last year, while official refinery throughputs are only up 2.2% over the same period.

While the current implied low fill-rate should not be an issue for the markets, representing less than 0.06% of global demand, there remains concern that the rate of inflows will change. This uncertainty has the potential to add volatility to oil prices in the coming months. However, in contrast, the recent additions to the US SPR are a prime example of the impact of stock filling being lessened by the prior publication of fill rates, enabling the market to factor in the minor changes well ahead of physical delivery of the oil.

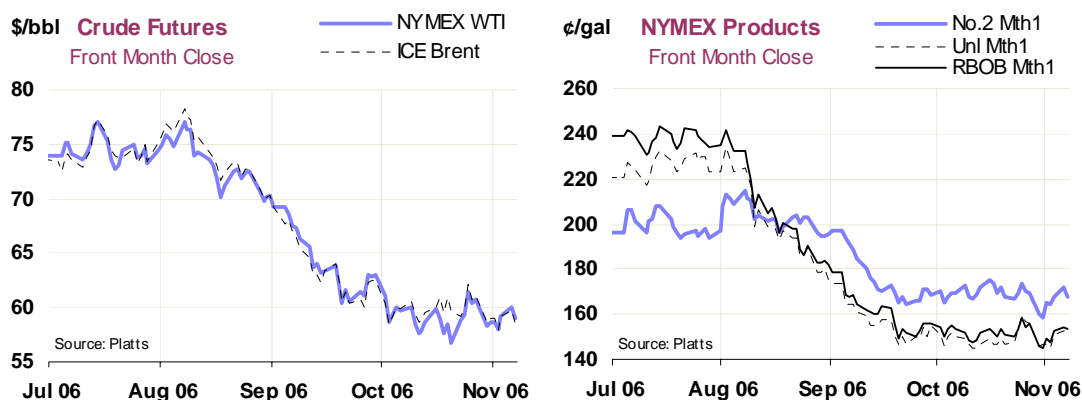
PRICES

Summary

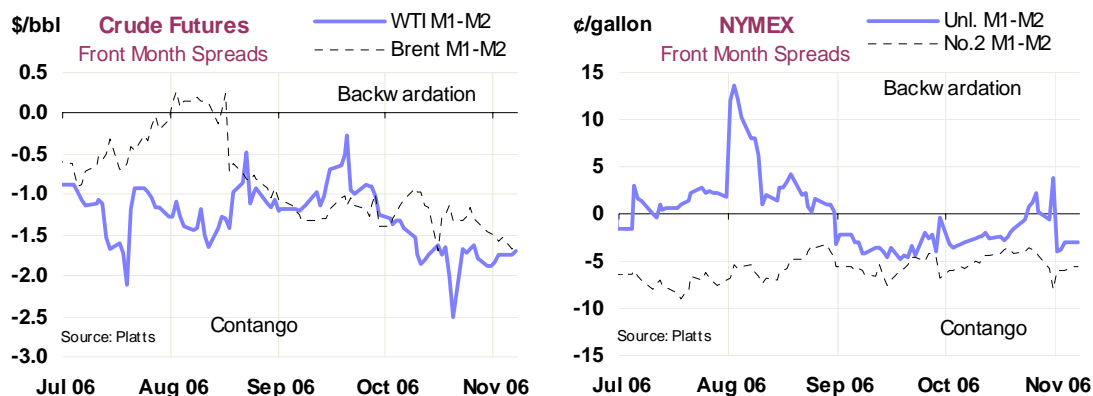
- **Oil prices trended sideways in October**, but were lower than September on average, due to weak fundamentals and an uneventful hurricane season. OPEC's announcement of a 1.2 mb/d cut from November coincided with the end to the downtrend in prices, but uncertainty over its implementation contributed to market volatility, and caused benchmark crude prices to hover under \$60/bbl for most of October and early November.
- **Most crudes traded sideways in October and early November**, though a renewed US interest in gasoline-rich crudes has seen differentials of Bonny Light and LLS increase. Dated Brent's relative weakness to WTI and Dubai has enabled outflows of Brent-related crudes both west and east. Weak seasonal demand for naphtha dragged down Asia-Pacific sweet benchmark Tapis, narrowing its premium to Dubai, and thus the regional sweet-sour spread.
- **Refining margins increased in most regions**, supported by steady gasoline and middle distillate cracks. Anticipated economic run cuts – at least in Asia, where margins remain the weakest – only amounted to around 125 kb/d, but refinery maintenance took out an estimated 3.7 mb/d in October.
- **Product prices remained largely unchanged in October**, with mild weather in Europe and Asia balancing the impact of sharp product draws in the US. There, the adoption of ultra-low-sulphur diesel (ULSD) at the retail level apparently passed smoothly. Sustained European demand for distillates drew in barrels from the US, but also South Korea, which is faced with a surplus of diesel.
- **October crude freight rates from the Middle East Gulf fell** counter-seasonally to levels not seen since May on the prospect of reduced export volumes from OPEC producers in the fourth quarter. Elsewhere, tanker rates weakened on lower Asian product demand and ample vessel supply.

Overview

Despite refineries undergoing seasonal maintenance, and US product stocks falling sharply in October, crude and product prices were broadly unchanged in the last six weeks. Most importantly, with the exception of the winter's first cold snap in the US, October weather remained unseasonably warm, while the season for hurricanes has nearly passed without incident. OPEC's announcement of its intention to reduce output by 1.2 mb/d from November contributed to price volatility, but it remains unclear what cuts will actually be delivered, thus limiting the market impact of the announcement.

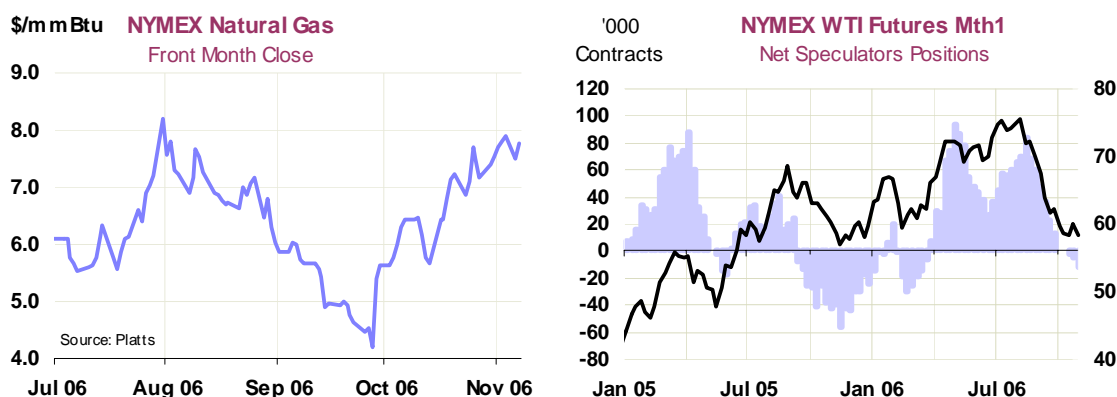


The result has been that benchmark crudes have hovered in the \$57-62/bbl range since mid-October. Year-on-year supply/demand comparisons are complicated by the divergent hurricane seasons. While year-ago data were affected by the aftermath of Hurricanes Katrina and Rita, this year has seen no hurricane damage at all (so far), contributing to lower prices. In addition, the US downstream sector has apparently successfully weathered the switch to ULSD at the retail level, without any mishaps, and the prevailing contango market has helped finance brimming crude and product stocks in most parts of the world.



In terms of crude supply, the prospect of an OPEC cut had effectively been factored in by mid-September, though perhaps below the announced 1.2 mb/d reduction. OPEC is apparently mulling another 300-500 kb/d cut to be decided upon at its 14 December meeting in Abuja, Nigeria, but doubts surround the extent of any cutbacks.

Somewhat misleadingly, front-month NYMEX WTI actually settled at this year's low on 20 October, the day of the OPEC announcement, as the November contract expired that day. Looking ahead, crude contangos have widened further as near-term prices have fallen. In contrast, forward spreads for products have remained relatively unchanged, except for NYMEX Unleaded, which swung into backwardation briefly towards the end of October. However this move simply reflects limited liquidity in this contract, as it will be phased out at the end of the year.



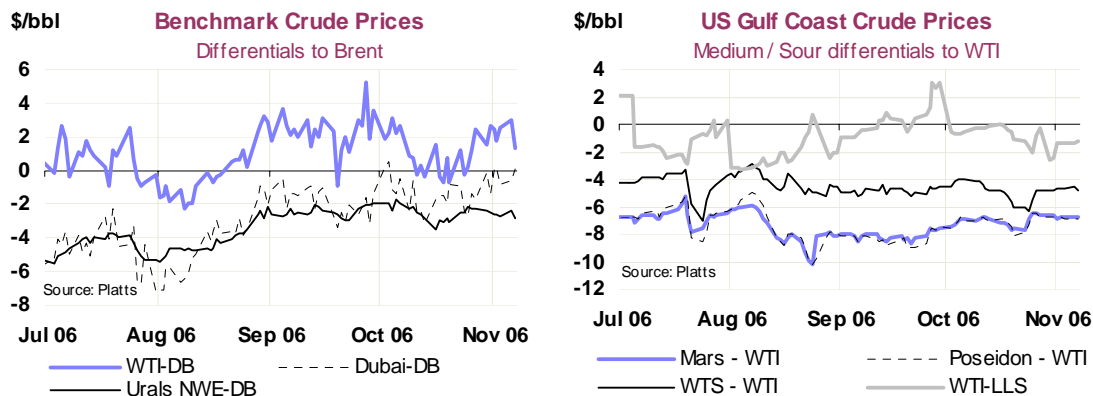
If recent cold weather in Europe and the US is sustained, a surge in heating fuel demand could yet tighten markets. Product drawdowns in the US following heavy refinery maintenance have tightened stocks there somewhat, and our estimates of offline refining capacity do not foresee a full return from maintenance until December.

The recent cold snap, combined with a tightening of supply due to shut-in capacity, has led NYMEX Natural Gas futures to regain most of their (sharp) losses since early August. The different performance of Natural Gas futures is also reflected in the divergent trends of energy speculators. Non-commercials on the NYMEX have now gone net-short for WTI, Heating Oil and Unleaded, but not Natural Gas (nor fledgling RBOB), where they still hold a substantial net-long position. NatGas is now more expensive than fuel oil (on a Btu basis) for the first time since early February this year, encouraging fuel switching.

Crude Oil Prices

Most crudes have traded sideways since our last report, with benchmark Dated Brent averaging \$60/bbl over the last four weeks. October is the highpoint of autumn refinery maintenance, naturally reducing crude demand. Strong distillates cracks are favouring crudes with a high distillate yield. But sustained gasoline demand growth in the US has also generated renewed interest in gasoline-rich light sweet grades, supporting differentials of Nigerian Bonny Light to Dated Brent.

After a slowdown in early October, physical WTI's recent increase against Dated Brent should see more North Sea and West African crudes cross the Atlantic. In the US, lighter LLS has gained in value versus WTI. The recovery of output at BP's Alaskan Prudhoe Bay field to near-normal levels in turn has seen ANS weaken against WTI on the West Coast. Heavier grades' differentials to WTI stayed steady.



Brent/Dubai spreads narrowed further in October, reaching their lowest since March 2003 in early November – at \$0.35/bbl, well below the level that encourages the shipment of crudes priced off Brent to the Far East. Russian Urals also remains at discount to both Dubai and Oman, favouring a similar eastward arbitrage.

With all this competition from Atlantic Basin crudes, and with weak seasonal demand, Middle Eastern grades have been pressured in the Asia-Pacific. As a consequence, in particular middle distillate-rich crudes such as UAE's Murban have suffered from less buying interest by Japanese refineries which were not only undergoing maintenance, but also have brimming kerosene stocks.

Trades in the first handful of cargoes of new Sokol crude from Sakhalin, which is similar to Murban, has also pressured spot differentials. Moreover, so far, temperatures in Japan have been very mild, and according to the Japan Meteorological Agency, the country may experience a warmer-than-average winter.

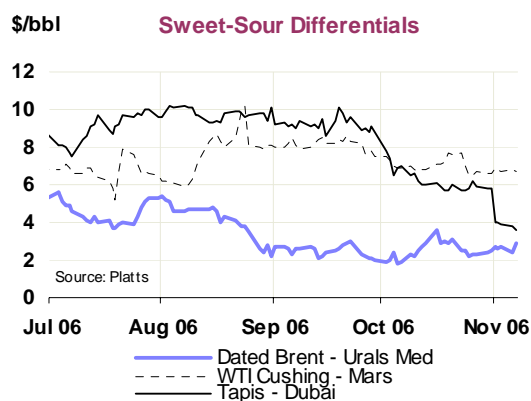
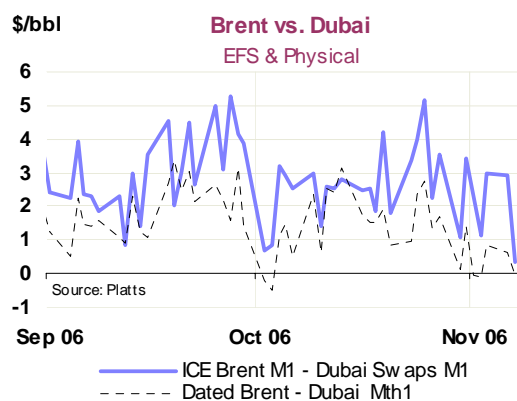
Spot Crude Oil Prices and Differentials

Table Unavailable

Higher utilisation rates at nuclear power plants have contributed to a similar lack of interest in fuel oil-rich crudes such as Oman. Reflecting this, Oman's retroactive October term price was recently set below that of Dubai for the first time in six years. Given naphtha's weakness in the region, naphtha-rich Malaysian Tapis has suffered, bringing down its differential to sour benchmark Dubai – a sharp narrowing of sweet-sour differentials in the region. Heavy, sweet Indonesian Minas has fared better in recent days, seeing its discount to Tapis narrow by half since early November.

In Europe, Norwegian output cuts due to forced safety and weather shutdowns, which took out up to 340 kb/d temporarily, appeared not to significantly affect prices of North Sea crudes, as the market was still working its way through an overhang of November cargoes. The market is also looking ahead to the introduction of Buzzard crude into the Forties stream, mulling how the associated reduction in Forties API gravity may affect prices of Dated BFO.

Urals differentials to Brent have held steady. Further cutbacks of the Russian export blend through the Druzhba pipeline leg to Lithuania and Belarus have been compensated for by higher loadings in the Baltic. Additional pressure on Mediterranean crudes came from increased Azeri Light volumes through the BTC pipeline to Ceyhan, which have reached 500 kb/d on occasion. The halt to loadings from Supsa due to corrosion problems with the pipeline from Baku appears to be being offset by additional loadings from close-by Batumi.



Delivered Crude Prices in August

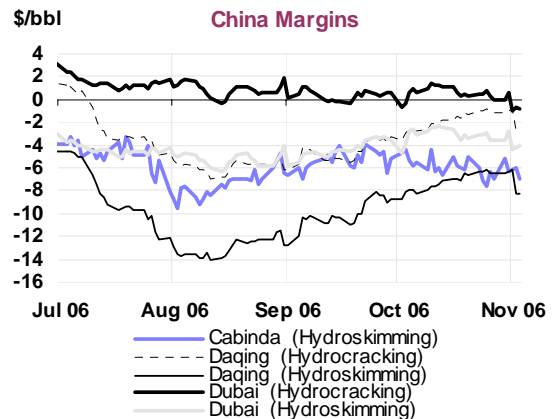
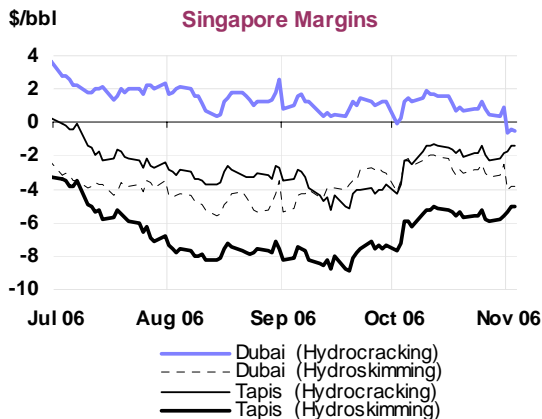
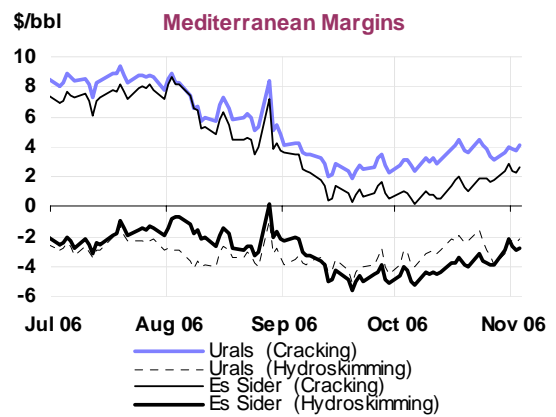
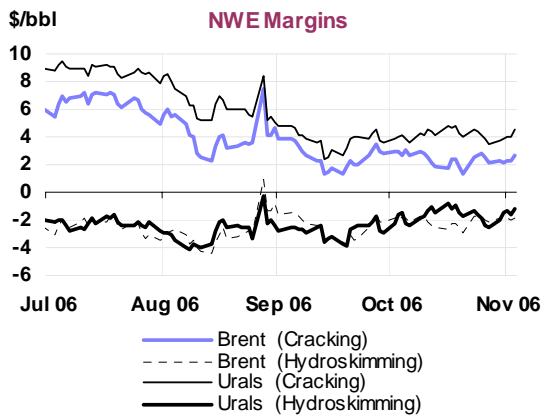
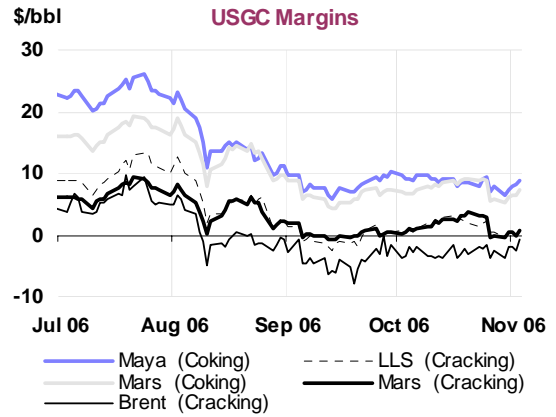
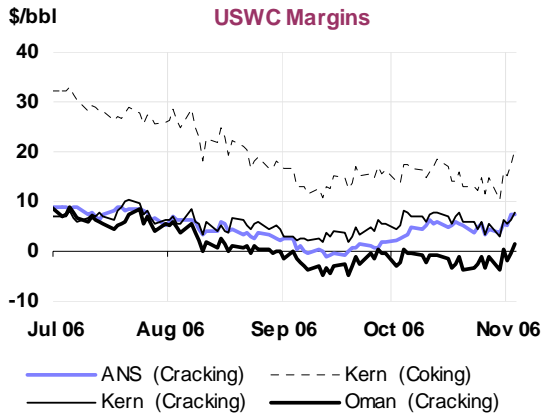
IEA countries paid \$69.69, on average, for a barrel of crude delivered in August. This was \$1.02/bbl above the July average and \$11.47/bbl more than August 2005. IEA Pacific countries (Japan, Korea, Australia and New Zealand) experienced a \$2.61/bbl month-on-month price increase, with CIF crude costs averaging \$71.49 in August. IEA European countries paid \$70.80/bbl in August, compared with \$69.67/bbl in July, while average August values for North American IEA countries rose by just one cent to \$67.49, compared with the previous month.

Refining Margins

Products remained relatively steady while crude weakened in October, resulting in gains for most refining margins. The greatest increases were seen in the US, particularly on the West Coast, where ANS cracking margins shot up by \$4/bbl due to ANS's relative price fall on recovered Alaskan output. US Gulf Coast margins all rose steadily, sustained by middle distillate cracks. Brent cracking margins in the USGC remain negative, however.

In Europe, margin performance in October was mixed, though the clear pattern of the last months – profitable cracking and negative hydroskimming margins – remained in place. In Singapore, margins were up, notably for Tapis hydroskimming, after the crude tumbled a relatively steep \$5 to around \$60/bbl. Despite the gains, all margins except Dubai hydrocracking remain deeply negative due to fuel oil's relative weakness. Despite the economic incentive – and some market chatter – it appears that there were, at the most, 125 kb/d of economic run cuts in Asia last month, and plenty of refineries are expected to return from maintenance in November.

Regional Full-Cost Refining Margins



Selected Refining Margins in Major Refining Centres

		Monthly Average			Change		Week Ending:				
		Aug 06	Sep 06	Oct 06	Oct 06-Sep 06	06 Oct	13 Oct	20 Oct	27 Oct	03 Nov	
NW Europe	Brent (Cracking)	4.17	2.59	2.84	0.26	2.86	2.47	1.94	2.53	2.32	
	Urals (Cracking)	6.37	3.77	3.59	-0.19	3.89	4.28	4.50	4.08	4.03	
	Brent (Hydroskimming)	-2.82	-2.52	-2.15	0.36	-1.86	-2.12	-2.53	-1.86	-1.84	
	Urals (Hydroskimming)	-2.86	-2.79	-2.88	-0.10	-2.01	-1.46	-1.25	-1.96	-1.51	
Mediterranean	Es Sider (Cracking)	5.68	1.52	1.31	-0.21	0.71	0.72	1.47	1.83	2.50	
	Urals (Cracking)	6.54	2.97	3.45	0.48	2.82	3.09	3.96	3.78	3.87	
	Es Sider (Hydroskimming)	-1.89	-4.09	-3.99	0.10	-4.66	-4.44	-3.77	-3.67	-2.71	
	Urals (Hydroskimming)	-3.26	-3.91	-2.89	1.01	-3.56	-3.05	-2.24	-2.78	-2.51	
US Gulf Coast	Brent (Cracking)	0.18	-4.06	-2.86	1.21	-2.74	-3.56	-2.75	-2.41	-2.19	
	LLS (Cracking)	5.74	-0.48	1.48	1.97	0.73	2.17	2.42	1.22	0.11	
	Mars (Cracking)	4.28	0.15	1.64	1.49	0.68	1.91	2.89	1.72	0.25	
	Mars (Coking)	13.02	6.36	7.63	1.27	6.91	8.01	8.77	7.60	6.29	
	Maya (Coking)	14.95	8.07	8.60	0.53	9.32	9.03	8.49	8.26	7.76	
US West Coast	ANS (Cracking)	4.41	0.63	4.62	3.99	3.22	5.52	5.31	4.41	5.91	
	Kern (Cracking)	5.41	3.53	6.20	2.67	6.56	7.19	6.68	4.99	5.80	
	Oman (Cracking)	1.81	-2.22	-1.76	0.46	-1.14	-1.05	-2.49	-2.33	-0.85	
	Kern (Coking)	21.65	14.32	14.94	0.62	15.83	16.57	14.86	13.27	15.77	
Singapore	Dubai (Hydroskimming)	-4.72	-3.82	-2.69	1.13	-2.93	-2.08	-2.80	-2.89	-3.46	
	Tapis (Hydroskimming)	-7.73	-7.98	-5.72	2.26	-6.58	-5.24	-5.47	-5.61	-5.37	
	Dubai (Hydrocracking)	1.46	0.98	1.03	0.05	0.79	1.66	1.00	0.81	-0.03	
	Tapis (Hydrocracking)	-3.13	-4.07	-2.02	2.05	-3.00	-1.47	-1.71	-1.88	-1.72	
China	Cabinda (Hydroskimming)	-7.38	-5.37	-5.87	-0.50	-5.19	-5.93	-5.62	-6.81	-6.14	
	Daqing (Hydroskimming)	-12.98	-10.10	-7.14	2.96	-8.17	-7.52	-6.80	-6.34	-7.10	
	Dubai (Hydroskimming)	-5.31	-4.38	-3.10	1.28	-3.42	-2.49	-3.17	-3.28	-3.82	
	Daqing (Hydrocracking)	-5.93	-4.60	-1.82	2.78	-2.93	-2.14	-1.49	-1.01	-1.71	
	Dubai (Hydrocracking)	0.86	0.35	0.57	0.22	0.22	1.20	0.56	0.39	-0.40	

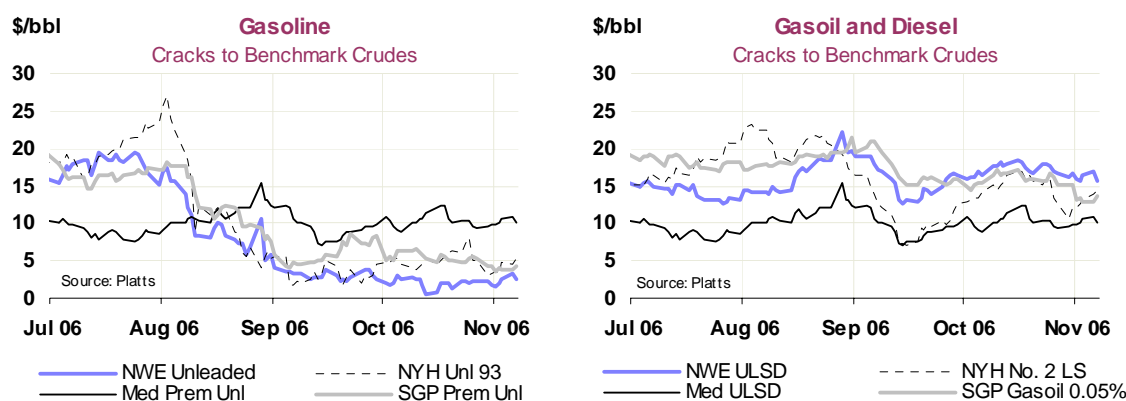
For the purposes of this report, refining margins are calculated for various complexity configurations, each optimized for processing the specific crude in a specific refining centre on a 'full-cost' basis. Consequently, reported margins should be taken as an indication, or proxy, of changes in profitability 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.

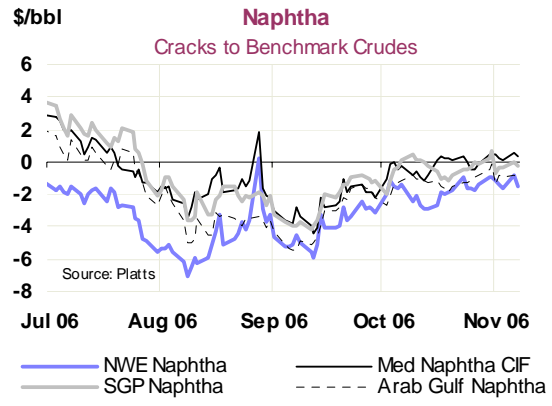
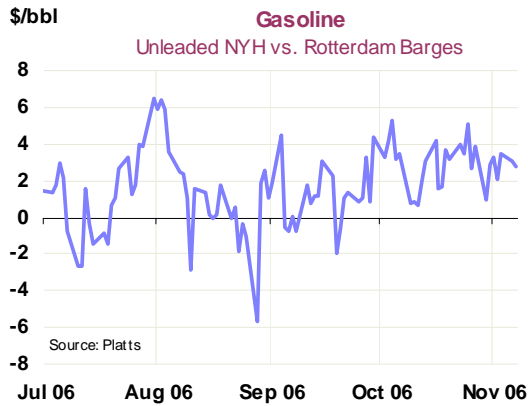
Sources: IEA, Purvin & Gertz Inc.

Product Prices

Product prices in the US and Europe have shown more resilience than crude, with some 3.7 mb/d of refining capacity shut down in October, and the onset of winter. Nevertheless, gasoline and



diesel/heating oil prices and cracks trended sideways in all three major markets. US gasoline and distillate stocks came down quite sharply in October on lower refinery throughputs and strong demand but remain just in line with five-year averages in terms of forward demand cover. The economics are still favourable for the US to draw gasoline from Northwest Europe, where commercial stocks are brimming.



Naphtha prices remain very weak on sustained strong Indian exports, but a slight improvement in petrochemical demand has meant its cracks have approached positive territory for the first time since mid-July, bar a brief late-August spike.

As mentioned above, heating oil and diesel prices were unchanged in October and early November, despite the first cold snap in the US Northeast in late October. The 15 October deadline for US retailers to ensure supplies of ULSD passed smoothly, though some worries remain whether there will be sufficient ultra-low-sulphur kerosene blendstock to make winter-specification diesel

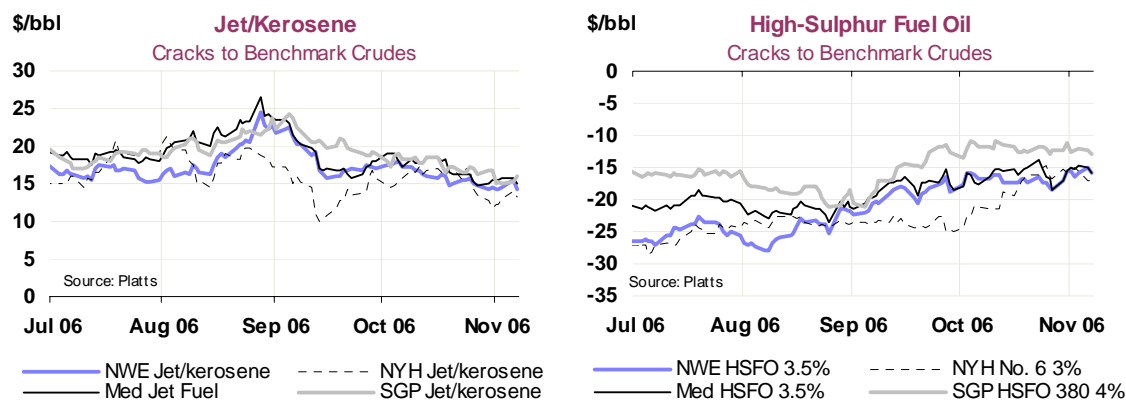
Spot Product Prices

Table Unavailable

In Europe, a fire at Lithuania’s Mazeikiiai refinery looks set to add to its existing crude import problems after a halt in the pipeline flow from Russia. In combination with the two Belarusian refineries that are now also not receiving any Russian crude, this may yet tighten the distillates market in Northwestern Europe. Repairs at the Mazeikiiai refinery could apparently take up to nine months, and are expected to lead to it importing 100,000 tonnes per month of high-sulphur vacuum gas oil.

On the other hand, a surplus of diesel in South Korea has led to its refiners shipping cargoes to NWE. Jet/kero prices in contrast have fallen in all regions. The weakness is particularly apparent in Asia, where China is said to have already covered its fourth-quarter requirements, and high kerosene stocks are preventing Japanese imports.

Low-sulphur fuel oil (LSFO) prices have seen an upturn in the US following a rise in natural gas prices. The lowest natural gas prices in three years prompted some US producers to shut in gas production, while cold weather boosted utility demand. As a result, LSFO's discount to WTI narrowed sharply. Residual fuel oil stocks in both NWE and Singapore remain high, and there is little demand in Asia for surplus material from Europe, but the arbitrage reopened in late October.



End-User Product Prices in October

Recent declines in global product prices continued to be felt by OECD consumers in October. Gasoline cost \$0.595/litre, on average, at US pumps in October. Excluding tax, this represented a decrease of 14% compared with September. Ex-tax gasoline prices in France, Germany, Spain and UK also fell by over 10% on a dollar basis.

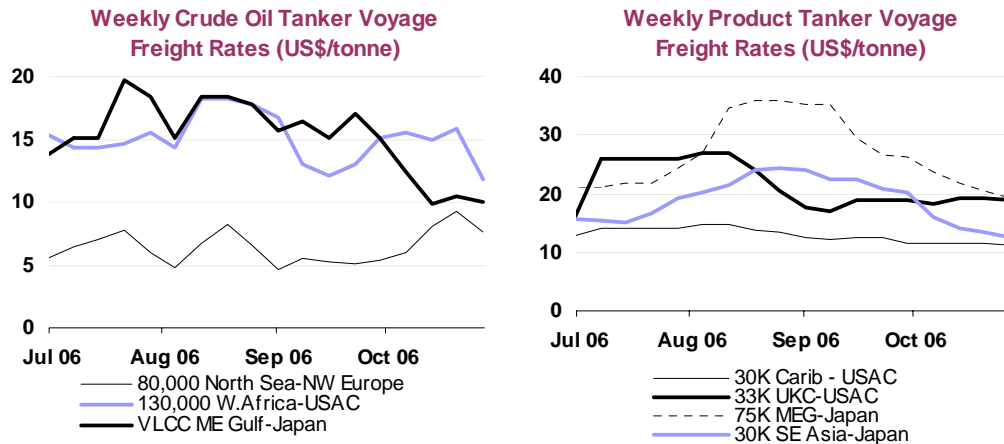
Comparative net diesel prices shrank by 11% in US and Canada in October, while dollar-based European diesel was down by 5-10% in OECD Europe, before tax. In gross terms, UK end-user diesel cost the equivalent of \$1.72/litre in October, on average. Japanese net end-user prices for transportation fuels dropped by almost 5% in October in dollar terms. Despite the approach of winter, OECD consumers in all regions were afforded a 5-10% October pre-tax reduction in heating oil, while industries in OECD Europe paid up to 12% less for October LSFO.

Freight

The prospect of reduced OPEC exports prompted significant counter-seasonal declines in spot tanker rates in October. VLCC rates from the Middle East Gulf fell to levels not seen since May as vessel employment was threatened by looming cargo reductions. Aframax rates strengthened in early October, boosted by Mediterranean chartering activity, but tailed off by end-month. Clean tanker rates weakened in October, especially in Asia.

By the time OPEC had formally announced 1.2 mb/d production cuts on 20 October, crude tanker markets had already fallen in anticipation of a reduction in forthcoming cargoes. VLCC rates from the Middle East Gulf to Japan and the US Gulf dropped from \$18 to \$10/tonne and from \$26 to \$18/tonne respectively between mid-September and mid-October. Rates were pinned at these low levels for the second half of October as a potential vessel surplus undermined any possibility of a seasonal uptick in charter rates.

With Saudi Arabia and UAE reportedly notifying some customers of reductions to November term volumes, data on tanker movements appeared to confirm a significant downward trend in sailings extending to mid-November at least. Historically high OECD stocks will afford consumers a temporary slackening in trade. However, with temperatures dropping in consumer regions and refinery maintenance winding down, a rebound in tanker demand is likely at some point. Freight rates may also be supported by rising tonne-mile demand as increasing proportions of crude are sought from alternative sources outside OPEC (for example increased non-OPEC Atlantic basin cargoes heading to Asia).



VLCC and Suezmax rates from West Africa to the US Gulf strengthened in mid-October by \$2 and \$4, to \$15/tonne and \$23/tonne respectively on firm demand but showed significant downward corrections by end-month. Limited Indian demand for West African cargoes was indicative of lower WAF-East chartering activity in October. Suezmax and Aframax freight rates in the Mediterranean were firm in early October, buoyed by heightened chartering activity. Inter-regional competition for vessels supported North Sea and Caribbean Aframax rates as well, the latter rising from under \$10 to almost \$15/tonne in October. However, Suezmax and Aframax rates fell in early November in all regions on higher vessel availability.

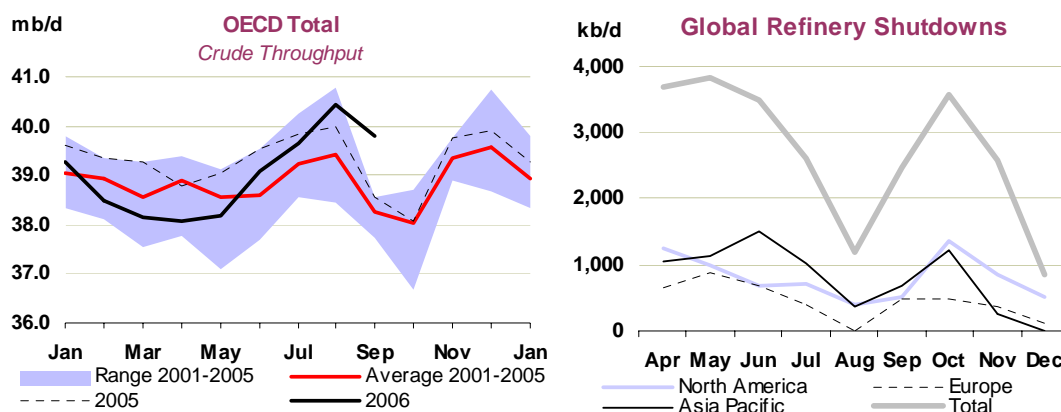
In October, Middle East Gulf to Japan clean rates for 75,000-tonne vessels extended steady, unchecked declines to a third month. Heavy petrochemical maintenance in Asia has weakened naphtha demand at a time when extra supply has been available from Indian refiners. Furthermore, OECD Pacific product stocks remain historically high.

Smaller clean vessels in Asia were in ample supply and chartered for increasingly lower values throughout October. The only rate strength in the clean sector in October was seen in the North Sea, possibly related to high stock turnovers in the wake of increased physical trading. Active transatlantic clean product trade also sporadically supported clean rates from North Europe to US in October.

REFINING

Summary

- **OECD refinery throughput declined by 652 kb/d to 39.8 mb/d in September** following increased refinery maintenance in all three OECD regions. Despite the monthly fall, crude runs were 1.23 mb/d above September 2005's hurricane reduced level and substantially above the five-year average of 38.3 mb/d.
- **OECD refinery runs are expected to have decreased by a further 1.3 mb/d in October.** Heavier maintenance work in the US and the Pacific underpins the drop. In November, crude runs are expected to recover by 1.1 mb/d, with gains in all three regions. The US and Pacific regions will lead the increase, the latter despite an increase in voluntary run cuts in Japan.
- **OECD yield data for August indicate that jet production** remains under pressure in North America, with refiners opting to maximise diesel production instead. Conversely in Europe and the Pacific, jet/kerosene yields have increased to above their respective five-year ranges. Gasoline yields continue to trend in line with the five-year average in North America, but are at the bottom of the range in both Europe and the Pacific, reflecting the regions' structural declines in gasoline demand.
- **Offline refinery capacity in the OECD** is projected to decline from the October peak of 2.7 mb/d to 1.6 mb/d in November and to 600 kb/d in December. Global offline capacity is estimated to have increased from 2.5 mb/d in September to 3.7 mb/d in October.



Refinery Throughput

OECD refinery crude runs in September were an estimated 39.79 mb/d, as the start of autumn maintenance cut refinery activity from the near-record throughput levels seen in August. The decline of 652 kb/d from August's upwardly revised (+178 kb/d) figure of 40.45 mb/d was evenly split between the three OECD regions. Average September OECD throughputs were 1.23 mb/d above September 2005's level, due to the lack of hurricane-related disruptions which depressed last year's runs. Consequently, average OECD capacity utilisation decreased to 88.3% in September, from 89.7% in August but was well ahead of the 86.3% seen this time last year. Weekly data for the US and Japan indicate that OECD crude runs continued to decline in October as autumn maintenance took more capacity offline, while Europe is expected to be broadly flat. For November, additional economic run cuts have been reported for Japanese refiners due to poor margins and high kerosene and residual fuel stocks. Conversely Korean plants are expected to remove voluntary run cuts and increase runs by 100 kb/d. European and North American refiners should also see rising utilisation rates as we move towards the year-end.

OECD North America

Provisional data for September show that North American crude throughputs fell by 205 kb/d to an estimated 18.73 mb/d. The decline from August's upwardly revised level of 18.93 mb/d (+191 kb/d) was the result of lower throughputs in the US (-53 kb/d), Canada (-109 kb/d) and Mexico (-43 kb/d). Crude runs registered a 1.69 mb/d gain on September 2005 from last year's hurricane-affected baseline. North American capacity utilisation was 88.8% in September, down from August at 89.8%.

Refinery Crude Throughput and Utilisation in OECD Countries

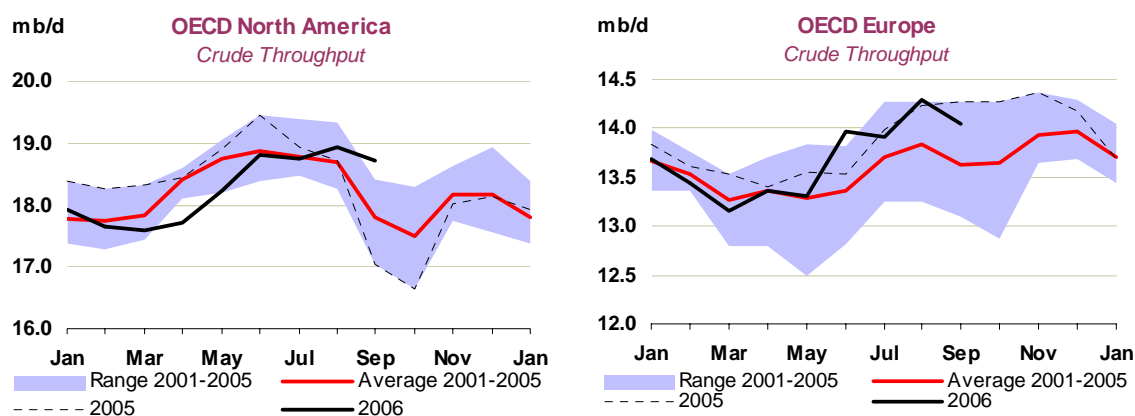
	million barrels per day						Change from		Utilisation rate ²	
	Apr 06	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Aug 06	Sep 05	Sep 06	Sep 05
OECD North America										
US ³	14.94	15.52	15.84	15.67	15.79	15.74	-0.05	1.77	90.49	81.56
Canada	1.52	1.49	1.74	1.83	1.92	1.81	-0.11	0.03	89.72	88.48
Mexico	1.26	1.22	1.22	1.25	1.22	1.18	-0.04	-0.11	70.00	71.96
Total	17.71	18.22	18.80	18.75	18.93	18.73	-0.21	1.69	88.78	81.80
OECD Europe										
France	1.49	1.49	1.64	1.72	1.81	1.86	0.05	0.11	94.00	89.89
Germany	2.30	2.37	2.34	2.37	2.45	2.18	-0.27	-0.28	89.69	99.99
Italy	1.81	1.50	1.87	1.87	1.93	1.94	0.01	-0.08	83.40	87.07
Netherlands	0.88	0.92	0.99	0.94	0.98	1.03	0.05	-0.04	84.31	87.08
Spain	1.20	1.22	1.26	1.19	1.24	1.22	-0.02	-0.01	96.07	97.06
UK	1.51	1.59	1.60	1.61	1.68	1.64	-0.03	-0.07	87.46	93.74
Other OECD Europe	4.18	4.21	4.27	4.20	4.18	4.17	-0.01	0.14	86.45	86.30
Total	13.37	13.31	13.97	13.91	14.30	14.04	-0.25	-0.23	88.16	90.79
OECD Pacific										
Japan	3.96	3.50	3.51	3.84	4.09	3.87	-0.22	-0.31	82.83	88.68
Korea	2.33	2.52	2.14	2.43	2.41	2.46	0.05	0.11	95.56	91.36
Other OECD Pacific	0.69	0.62	0.65	0.70	0.72	0.69	-0.03	-0.03	85.88	83.56
Total	6.98	6.64	6.30	6.97	7.22	7.02	-0.19	-0.22	87.21	88.99
OECD Total	38.06	38.18	39.07	39.63	40.45	39.79	-0.65	1.23	88.28	86.27

1 Estimate

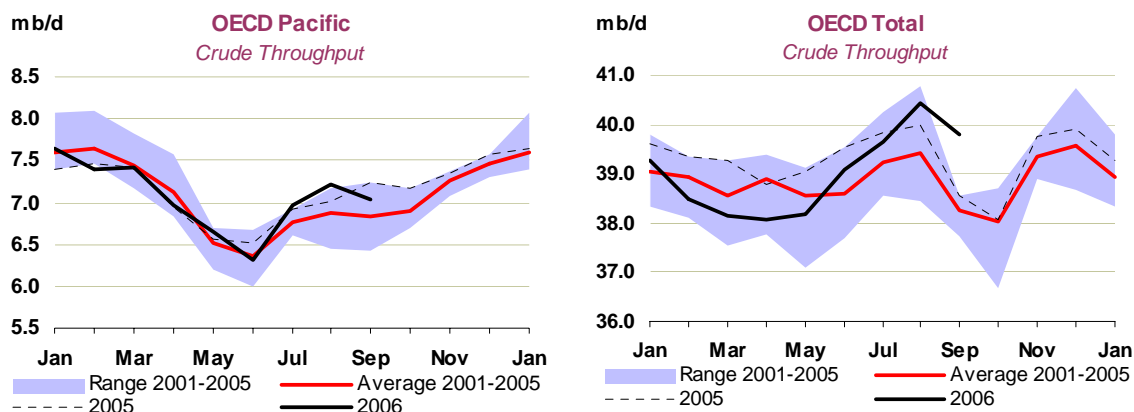
2 Based on crude throughput and current operable refining capacity

3 US\$0

US throughputs averaged 15.74 mb/d in September as the early-month peak in crude runs of 16 mb/d gave way to lower runs, as refiners started maintenance. As a result, average capacity utilisation slipped to 90.5% from August's 90.8%. However, US crude runs were some 1.77 mb/d above the September 2005 level with no curtailments from hurricanes to hamper operations. US refiners reported strong third-quarter financial results during October. Returns were high despite the decline in gasoline cracks since early August, with sour crude discounts and continued strength in diesel cracks supporting margins.



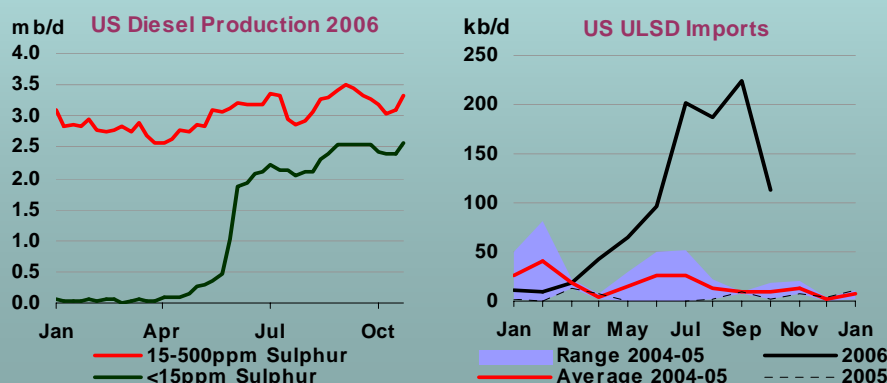
Weekly US data indicate that crude throughputs in October fell to 14.8 mb/d by the middle of the month, the lowest level since April this year. Average throughputs in October are expected to have declined by 0.7 mb/d to 15.1 mb/d, driven by an increase of almost 900 kb/d in refinery maintenance. Capacity offline during the month includes BP's 260 kb/d Carson refinery on the West Coast, a 200 kb/d crude unit at Sunoco's Philadelphia plant and some 275 kb/d at Valero refineries. Crude runs will also be slightly affected by the shutdown of Hawaii's two refineries following an earthquake in the middle of the month. US crude throughput recovered to 15.2 mb/d by early November, as maintenance work eased. Gasoline inventories declined over the course of October as expected, with imports dropping to their lowest level since last November and gasoline production dropping to its lowest level since April. November runs should increase as maintenance work is expected to decline by just over 300 kb/d ahead of peak winter heating oil demand.



According to preliminary estimations, Canadian September crude runs were 1.81 mb/d, 109 kb/d lower than August's upwardly revised (+161 kb/d) estimate and some 25 kb/d above September 2005's level. Industry reports suggest work at Suncor's Sarnia 70 kb/d refinery and Irving's 250 kb/d St John refinery accounts for the decline. Mexican crude runs also dipped slightly in September to 1.18 mb/d, a decline of 43 kb/d from August and 105 kb/d below last year's level.

ULSD – Not an Acronym for Un-Limited Supply Disruption

The introduction of ultra-low-sulphur diesel (ULSD) (less than 15 parts per million) continues to progress smoothly, with recent EIA data indicating that it now accounts for 2.5 mb/d, almost 80% of all distillate production below 500 ppm sulphur. In addition, ULSD imports have grown strongly and now account for as much as 200 kb/d of ULSD supply. The switch to ULSD has been so successful that some markets no longer have (higher-sulphur) off-road diesel available, forcing consumers to use ULSD. Furthermore, restrictions placed on the transportation of low-sulphur diesel (500 ppm) by some midstream and pipeline companies have further boosted ULSD market penetration. California's decision to only allow the sale of ULSD has effectively converted the West Coast to 100% ULSD. In the US Northeast, some concerns have emerged over the availability of ultra-low-sulphur kerosene (for which there is no mandated requirement) for winter diesel specification blending requirements, although alternative additives are available for this purpose. Also, recent reports indicate some limited product supply outages of ULSD at terminals served by the Magellan pipeline in the Midwest, although these are expected to be very short-lived. The potential for biodiesel to further boost supplies of ULSD suffered a setback when shippers on the Colonial pipeline banned shipments of biodiesel blends for fear of contaminating jet fuel supplies. Such a move may limit the use of biodiesel outside areas where it is produced, but may also promote exports to markets such as Europe.



Fuel Quality - Further Challenges Lie Ahead for the Global Refining Industry

The removal of sulphur from transportation fuels has been one of the largest challenges facing refiners for the past five to ten years. Stricter regulations on product quality have forced them to invest billions of dollars in improving product quality. Recent changes have been largely focused on OECD countries. Collectively, these markets account for approximately 70% of global gasoline consumption and 55% of gasoil and diesel demand. The balance of the decade will see an increase in the number of countries requiring transportation fuel to meet low and ultra-low-sulphur specifications. This suggests refiners will need to continue investing in hydrotreating and upgrading capacity.

In 2005, the member states of the European Union (EU) introduced the Euro-IV fuel standards, which reduced diesel sulphur levels to 50 parts per million (ppm) from the previous level of 350 ppm. Similarly, gasoline sulphur levels were reduced to 50 ppm from 150 ppm. In addition to tighter sulphur specifications, lower benzene, aromatics and olefins limits have all come into force, altering the way refiners blend gasoline. Sulphur-free diesel and gasoline (in Europe this is considered to be less than ten parts per million) is also required to be available in all EU countries on a balanced geographical basis, with 100% availability by 2009.

North American product specifications have tightened significantly in the past 12 months. The EPA regulations on gasoline sulphur content now require an average of 30 ppm, compared to the previous average requirement of 90 ppm. June witnessed the start of ultra-low-sulphur diesel (ULSD) production with a maximum of 15 ppm sulphur for 80% of on road diesel sales. In addition to these regulatory hurdles, the US has abandoned the use of MTBE in reformulated gasoline production and switched to use ethanol. The Mexican state monopoly Pemex recently announced plans to sell 30 ppm gasoline and 15 ppm diesel from next year. OECD Pacific product quality regulations have also tightened in recent years with Japan adopting 50ppm diesel in 2003, with refiners currently producing 10 ppm ULSD. Similarly, Korea is producing 10 ppm ULSD while Australia and New Zealand adopted a 50 ppm limit on diesel this year.

The pace of regulatory tightening is not set to diminish in the coming years. The US will further tighten sulphur specifications next year with the move to 500 ppm sulphur for off-road diesel and gasoil. A further transition to 15 ppm is planned for 2010, to coincide with the move to 100% of on road diesel sales being ULSD from the current mandated level of 80%.

Elsewhere improvements are expected over the balance of the decade as the adoption of 10 ppm sulphur levels becomes mandatory in the EU. Ahead of these deadlines, some countries (e.g. Germany and the UK) have enforced tighter specifications or simply encouraged the early adoption of tighter specifications through tax incentives. Likewise Australia has recently announced a tax incentive to promote the production of 10 ppm from 1 January 2007, two years ahead of the required date of implementation.

Non OECD countries are also set to implement tighter environmental regulations:

- China adopted the Euro-II emission standard in mid 2005 and is anticipated to implement the Euro-III fuel standards in 2007 (a maximum of 350 ppm sulphur in diesel and 150 ppm in gasoline). Further improvements in 2010 will require refiners to meet Euro-IV fuel standards. However, Beijing and other major cities, such as Shanghai, typically adopt standards two years ahead of this schedule. The adoption of Euro-III specification in mid-2005 suggests we should expect Euro-IV specifications to be enforced at the beginning of 2008 and some reports indicate 50 ppm material will be on sale from mid-2007 onwards.
- Thailand moved to 350 ppm sulphur in 2003 and is expected to move to 50 ppm diesel in 2009.
- Vietnam, which currently has a 5,000 ppm limit, is set to introduce a 500 ppm sulphur specification in 2007 as an intermediate step before moving to 50 ppm in 2009.
- Taiwan adopted 50 ppm sulphur levels in diesel in 2005 and should move to 10 ppm in 2009.
- Middle Eastern countries are expected to tighten sulphur limits to 500 ppm from 2,000 ppm, or more, towards the end of the decade, although here progress is expected to be slow with little prospect of ULSD before the end of the decade in any of the region's major consuming countries.
- Russia has introduced laws to tighten product specifications, with the current 2,000 ppm limits in diesel expected to be tightened to 50 ppm by 2010.

OECD Europe

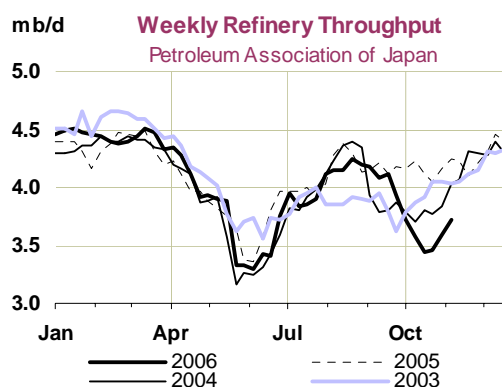
European crude throughputs averaged 14.04 mb/d in September, a decrease of 255 kb/d from August's upwardly revised (+86 kb/d) level of 14.30 mb/d and 232 kb/d below September 2005's level. The majority of the decline occurred in Germany (-268 kb/d) with maintenance work reportedly carried out at ConocoPhillips' 268 kb/d Wilhelmshaven and BP's 91 kb/d Lingen plants. Elsewhere the shutdown of Neste's 50 kb/d Naantali refinery and the partial turnaround at Statoil's Kalundborg plant account for much of the remaining offline capacity. We have revised down our estimate for offline capacity elsewhere in Europe in September as industry reports indicate that work at plants in France and the Netherlands were lighter than we had anticipated, with maintenance centred on upgrading and hydrotreating units as opposed to crude units. Consequently, crude runs were stronger than expected in Europe, and offline capacity is now thought to have been around 500 kb/d in both September and October. October crude runs should therefore have been around the 14 mb/d level, but are expected to increase over the remainder of the year in line with seasonal norms.

OECD Pacific

OECD Pacific crude throughputs declined by 193 kb/d in September to average 7.02 mb/d from the downwardly revised (-99 kb/d) August estimate of 7.22 mb/d. The decrease was centred in Japan where runs fell by 220 kb/d, to average 3.87 mb/d from August's downwardly revised (-130 kb/d) level of 4.09 mb/d. The decrease was mainly related to higher maintenance activity, which is estimated to have increased by 250 kb/d compared with August. Korean crude runs increased by 54 kb/d, to average 2.46 mb/d, which is just over 100 kb/d above the September 2005 level. Lower maintenance (-100 kb/d) was offset by the impact of economic run cuts which curtailed crude runs by 40 kb/d.

Weekly data from the Petroleum Association of Japan show that crude runs fell further in October, reaching a low of 3.44 mb/d in the middle of the month. Turnarounds at Showa Shell's Yokkaichi and Nippon Oil's Mizushima and Negishi plants contributed to offline capacity which averaged over 700 kb/d for the month. In November and December, there is almost no planned maintenance,

as refiners gear up for peak heating oil (kerosene) demand. However, economic run cuts are expected to increase in November following Nippon oil's announcement that it would keep crude runs at 943 kb/d due to weak demand for kerosene. We have assumed that this implies run cuts of around 150 kb/d compared with a baseline of 90% capacity utilisation. Taiwan's CPC is reported to have also cut planned crude runs for November, lowering its throughputs by 20% or 150 kb/d, in response to low margins, with export volumes expected to be curtailed from January. Korean refiners are expected to increase crude runs in November by around 105 kb/d from October's levels ahead of peak winter heating demand, reversing October runs cuts and the impact of maintenance.



OECD Refinery Yields

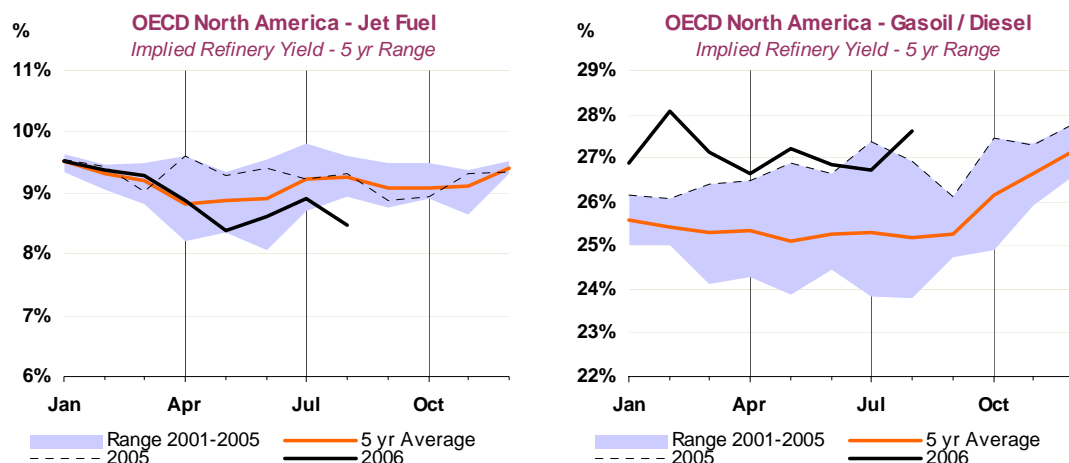
OECD refinery yield data for August show that gasoline and jet yields remained subdued compared with seasonal norms. Conversely gasoil and diesel yields continue to trend at the top of their five-year range, despite weak levels in the Pacific. OECD Fuel oil yields fell back slightly in August and are just beneath the five-year average.

North American gasoline yields slipped slightly to 44.7% in August, as weaker (-1% versus July) Canadian gasoline yields (39.5%) weighed on the average. European and Pacific gasoline yields remained low by historical comparisons, reflecting the structural decline in demand. Europe continues to export significant volumes to address the growing mismatch between installed capacity at refineries aimed at producing gasoline (and indeed the need for hydrogen which is a by-product of naphtha reforming) and the continued dieselisation of transport fuels.

Jet/kero yields remain under pressure in North America, dropping below the five year range to 8.5%, which is against the seasonal trend of rising jet/kero yields. The shortfall is driven by low yields in the US and Canada, both of whom have introduced ULSD from 1 June. It is worth noting that ULSD cracks were stronger than jet fuel for US refiners, providing them with an incentive to maximise ULSD production at the expense of jet/kero. Conversely, European and Pacific jet yields increased and are both above their

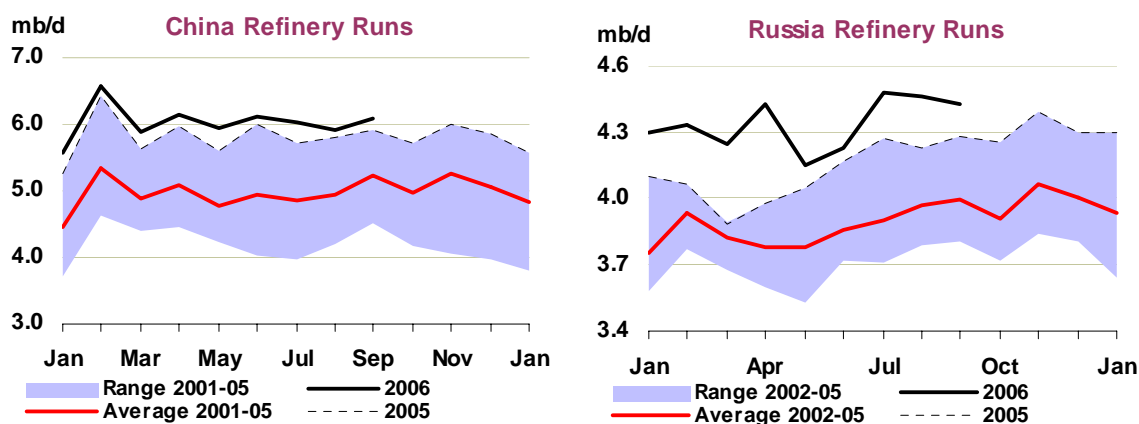
respective five-year ranges. On a crack basis, European and Asian jet fuel crack values were above ULSD and gasoil in August, supporting a bias towards the lighter product.

The flip side of the jet/kero yields is evident in gasoil and diesel yields, which continue to trend well above the five-year average despite weakness in the Pacific region. North American gasoil/diesel yields leapt to 27.6% compared with a five-year average of 25.2%. European yields slipped slightly but remain, at 40.2%, the highest of the three OECD regions. The Pacific saw very weak gasoil/diesel yields following the seasonal peak in June, which is driven by Korean tax changes.



Non-OECD Throughput

Chinese crude runs increased by 180 kb/d in September to an average of 6.1 mb/d, representing growth of 3.4% from 2005. Several of PetroChina's refineries returned from August maintenance, boosting September crude runs. In addition, the start-up of the Hainan refinery has increased runs, with additional gains anticipated towards the end of the year. Chinese crude runs are expected to have fallen by 80 kb/d in October as planned maintenance at Sinopec's Zhenhai plant and run cuts by WEPEC curtail throughputs. Indian data suggest that crude runs reached 2.9 mb/d in September. The commissioning of Essar's Vadinar refinery now expected in November, with a target throughput of around 150 kb/d. A further increase in crude runs is planned for the first quarter of next year when the plant starts up its catalytic cracker.

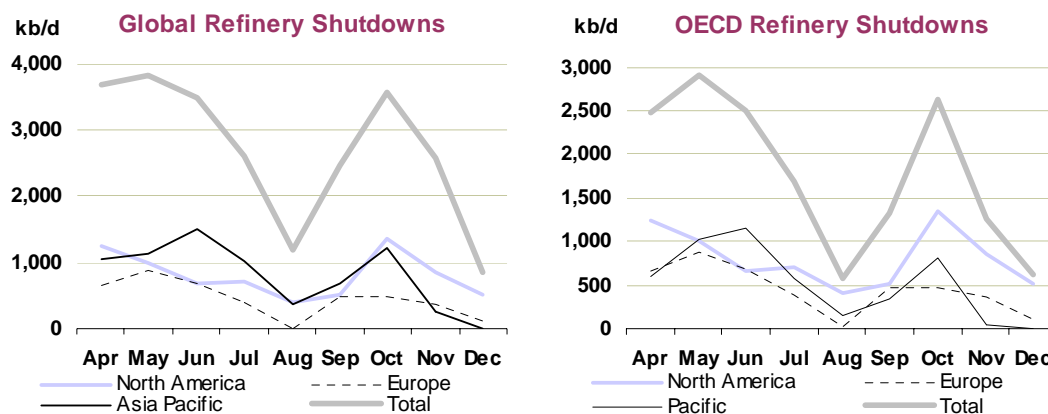


Russian crude runs dipped slightly in September to 4.43 mb/d from August's level of 4.46 mb/d. The volume of crude sent to Russian refineries is estimated to have increased by 5% in October as Russian oil companies seek to optimise the various uses for their crude in light of changes to the tax regulations. Tax rates on crude exports increased on 1 October to \$238/mt from \$216/mt, while product exports still attract lower rates of \$93/mt for fuel oil and \$172/mt for light products. This change has improved the economics of domestic product sales and product exports compared with crude exports. Consequently, increased crude runs in October are likely, with the possibility of further increases during November. Revisions to crude taxes from 1 December will reduce some of

the benefit to Russian oil companies in exporting products rather than crude, but this is not expected to curtail product exports by itself.

Offline Refinery Capacity

Offline capacity estimates for the fourth quarter have increased for refineries in the OECD and on a global basis. OECD offline distillation capacity is estimated to have been 1.3 mb/d in September, a decrease of 330 kb/d from last month's report, following delays to several planned turnarounds and a smaller than anticipated reduction in crude runs at other refineries. Consequently, October's OECD estimate has been revised up to 2.7 mb/d from last month's estimate of 2.2 mb/d. In November, offline capacity in the OECD is expected to decline to 1.6 mb/d and to fall further in December to 600 kb/d. North American offline capacity is currently estimated at 1.35 mb/d in October, falling to 1.0 mb/d in November and 500 kb/d in December.



Global offline capacity is now thought to have averaged 3.7 mb/d in October up from 2.8 mb/d last month. September's estimate is reduced to 2.5 mb/d from 2.8 mb/d due to the delayed start of some maintenance and smaller impact of other work.

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

	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
OECD DEMAND																	
North America	24.5	25.4	25.6	25.3	25.6	25.5	25.5	25.1	25.1	25.5	26.0	25.4	25.7	25.4	25.9	26.1	25.8
Europe	15.4	15.5	15.6	15.2	15.6	15.7	15.5	15.7	15.1	15.4	15.7	15.5	15.6	15.1	15.5	15.7	15.5
Pacific	8.6	8.5	9.4	8.1	8.1	8.8	8.6	9.3	7.9	7.9	8.9	8.5	9.2	7.8	8.0	8.8	8.5
Total OECD	48.6	49.3	50.7	48.6	49.2	50.0	49.6	50.1	48.0	48.8	50.6	49.4	50.5	48.3	49.4	50.6	49.7
NON-OECD DEMAND																	
FSU	3.6	3.8	3.8	3.7	3.8	3.9	3.8	3.9	3.7	3.9	4.1	3.9	4.0	3.7	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	5.5	6.4	6.6	6.4	6.6	6.8	6.6	6.8	7.1	7.0	7.3	7.0	7.2	7.4	7.4	7.6	7.4
Other Asia	8.1	8.6	8.9	8.9	8.6	8.7	8.8	8.9	8.9	8.7	8.9	8.9	9.1	9.1	8.9	9.2	9.1
Latin America	4.7	5.0	5.0	5.1	5.2	5.1	5.1	5.1	5.2	5.3	5.2	5.2	5.2	5.3	5.4	5.3	5.3
Middle East	5.4	5.8	6.0	6.1	6.4	6.0	6.1	6.3	6.4	6.7	6.4	6.5	6.7	6.8	6.8	6.9	6.8
Africa	2.7	2.8	2.9	2.9	2.8	2.9	2.9	3.0	3.0	2.9	3.0	2.9	3.0	3.0	2.9	3.0	3.0
Total Non-OECD	30.7	33.1	33.9	33.9	34.1	34.1	34.0	34.6	35.0	35.0	35.7	35.1	35.9	36.1	36.0	37.0	36.2
Total Demand¹	79.3	82.4	84.5	82.4	83.3	84.1	83.6	84.8	83.0	83.9	86.3	84.5	86.4	84.4	85.4	87.6	85.9
OECD SUPPLY																	
North America	14.6	14.6	14.5	14.7	13.7	13.8	14.1	14.2	14.2	14.3	14.5	14.3	14.7	14.4	14.3	14.4	14.5
Europe	6.3	6.1	5.9	5.7	5.4	5.5	5.6	5.5	5.1	5.0	5.3	5.2	5.5	5.2	5.1	5.4	5.3
Pacific	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Total OECD	21.6	21.2	20.9	20.9	19.7	19.8	20.3	20.2	19.8	19.9	20.4	20.1	20.8	20.3	20.1	20.5	20.4
NON-OECD SUPPLY																	
FSU	10.3	11.2	11.5	11.5	11.7	11.9	11.6	11.7	12.0	12.2	12.2	12.0	12.4	12.5	12.6	12.8	12.6
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Other Asia	2.6	2.7	2.7	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.8	2.7
Latin America	4.0	4.1	4.2	4.4	4.3	4.3	4.3	4.4	4.4	4.4	4.6	4.4	4.6	4.6	4.7	4.8	4.7
Middle East	2.0	1.9	1.9	1.9	1.9	1.8	1.9	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	3.0	3.4	3.5	3.6	3.8	3.9	3.7	4.0	3.9	4.1	4.2	4.0	4.3	4.4	4.6	4.8	4.5
Total Non-OECD	25.6	27.0	27.5	27.7	28.2	28.5	28.0	28.4	28.6	29.0	29.2	28.8	29.6	29.8	30.2	30.6	30.0
Processing Gains ²	1.8	1.8	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Other Biofuels ³	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Total Non-OPEC ⁴	49.1	50.1	50.5	50.6	49.8	50.3	50.3	50.7	50.5	50.9	51.7	51.0	52.7	52.3	52.6	53.3	52.7
OPEC																	
Crude ⁵	27.1	28.9	29.3	29.8	30.0	29.9	29.8	29.9	29.8	30.0							
NGLs	3.7	4.2	4.4	4.4	4.5	4.5	4.5	4.6	4.7	4.7	4.7	4.7	4.8	4.8	4.9	5.0	4.9
Total OPEC	30.8	33.1	33.7	34.2	34.5	34.5	34.2	34.5	34.5	34.7							
Total Supply⁶	79.8	83.2	84.2	84.8	84.3	84.7	84.5	85.2	85.0	85.6							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.1	0.1	-0.1	0.9	0.2	-0.5	0.1	0.0	0.6	1.1							
Government	0.2	0.1	0.1	0.3	0.0	-0.1	0.1	0.0	0.1	0.0							
Total	0.3	0.2	0.1	1.2	0.2	-0.6	0.2	0.0	0.7	1.2							
Floating Storage/Oil in Transit	0.2	0.0	-0.4	0.1	0.0	0.1	-0.1	0.1	-0.1	0.3							
Miscellaneous to balance ⁷	0.1	0.6	0.0	1.1	0.9	1.1	0.8	0.3	1.3	0.3							
Total Stock Ch. & Misc	0.6	0.8	-0.4	2.4	1.0	0.6	0.9	0.4	1.9	1.8							
Memo items:																	
Call on OPEC crude + Stock ch. ⁸	26.5	28.1	29.7	27.4	29.0	29.3	28.8	29.5	27.9	28.2	29.8	28.8	28.9	27.3	27.9	29.2	28.3
Total Demand ex. FSU	75.7	78.6	80.7	78.7	79.5	80.2	79.8	80.9	79.3	80.0	82.1	80.6	82.4	80.7	81.5	83.4	82.0
Total demand exc. FSU (% ch) ⁹	1.9	3.9	2.4	1.6	1.6	0.2	1.5	0.2	0.8	0.6	2.4	1.0	1.9	1.7	1.9	1.6	1.8

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 Biofuels from sources outside Brazil and US.

⁴ Non-OPEC supplies include crude oil, condensates, NGL and non-conventional sources of supply such as synthetic crude, ethanol and MTBE.

⁵ 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

⁶ As of the March 2006 OMR, Venezuelan Orinoco heavy crude production is included within Venezuelan crude estimates. Orimulsion fuel remains within the OPEC NGL & non-conventional category, but Orimulsion production will reportedly cease from January 2007.

⁷ Comprises crude oil, condensates, NGLs, oil from non-conventional sources and other sources of supply

⁸ Includes changes in non-reported stocks in OECD and non-OECD areas

⁹ Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs

⁹ 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)

	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
OECD DEMAND																	
North America	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-	0.1	-	-
Europe	-	-	-	-	-	0.1	-	-	-	-	-	-	0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-0.1	-0.1	-0.1	-0.1
Total OECD	-	-	0.1	-	0.1	0.1	0.1	-	-	-0.2	-	-0.1	-	-0.1	-	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.2	0.1	-	-	-0.1	-0.1	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-0.1	-	-	-	-	-0.1	-	-	-	-	-	0.1	-0.2	0.2	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-0.1	-	-	-	-	-0.1	-	-0.1	0.1	-	-0.1	-	-0.4	0.2	-0.1
Total Demand	-	-	-	-	0.1	0.1	-	-0.1	-	-0.3	0.1	-0.1	-0.1	-	-0.4	0.2	-0.1
OECD SUPPLY																	
North America	-	-	0.1	0.1	-0.1	0.1	-	-	-	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	0.1	0.1	-0.1	0.1	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-0.1	-0.1	-0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-0.1	-0.3	-0.1	-0.2	-0.1	-0.1	-0.2	-0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Total Non-OPEC	-	-	0.1	0.1	-0.1	0.1	-	-	-	-	-0.2	-	-	0.1	0.2	-	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Total Supply	-	-	0.1	0.1	-0.1	0.1	-	-	-	-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	-0.1	-	-	0.1	-	-	-	-	-	-	-	-	-
Total Stock Ch. & Misc	-	-	0.1	-	-0.2	0.1	-	0.1	-	0.2	-	-	-	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-0.1	-	0.2	-0.1	-	-0.1	-	-0.3	0.3	-	-0.1	-0.1	-0.5	0.2	-0.1
Total Demand ex. FSU	-	-	-	-	0.1	0.1	-	-0.1	-	-0.3	-	-0.1	-0.1	-0.1	-0.4	0.2	-0.1

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

	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
Demand (mb/d)																
North America	25.37	25.61	25.33	25.58	25.48	25.50	25.12	25.08	25.51	25.98	25.43	25.70	25.41	25.87	26.09	25.77
Europe	15.48	15.62	15.17	15.56	15.70	15.51	15.72	15.06	15.42	15.72	15.48	15.59	15.06	15.51	15.68	15.46
Pacific	8.49	9.45	8.06	8.07	8.79	8.59	9.30	7.87	7.89	8.90	8.49	9.19	7.85	8.01	8.81	8.46
Total OECD	49.35	50.68	48.56	49.22	49.96	49.60	50.14	48.01	48.83	50.59	49.39	50.48	48.32	49.39	50.58	49.69
FSU	3.76	3.82	3.71	3.79	3.89	3.80	3.88	3.71	3.88	4.14	3.91	3.97	3.72	3.92	4.12	3.94
Europe	0.70	0.77	0.71	0.66	0.72	0.72	0.79	0.72	0.67	0.73	0.73	0.79	0.74	0.68	0.74	0.74
China	6.42	6.56	6.45	6.63	6.77	6.60	6.75	7.05	6.96	7.28	7.01	7.16	7.38	7.38	7.63	7.39
Other Asia	8.62	8.90	8.85	8.65	8.72	8.78	8.88	8.93	8.70	8.95	8.86	9.06	9.13	8.94	9.18	9.08
Latin America	4.96	4.96	5.12	5.18	5.10	5.09	5.07	5.20	5.27	5.22	5.19	5.17	5.30	5.39	5.32	5.29
Middle East	5.79	5.96	6.10	6.36	6.05	6.12	6.29	6.43	6.70	6.38	6.45	6.69	6.79	6.78	6.93	6.80
Africa	2.79	2.90	2.91	2.79	2.90	2.88	2.97	2.98	2.86	2.97	2.94	3.05	3.04	2.92	3.05	3.01
Total Non-OECD	33.05	33.87	33.86	34.06	34.15	33.99	34.62	35.03	35.05	35.67	35.10	35.90	36.10	36.01	36.98	36.25
World	82.40	84.55	82.42	83.28	84.11	83.59	84.76	83.04	83.88	86.27	84.49	86.38	84.42	85.40	87.56	85.94
of which:																
US50	20.73	20.84	20.65	20.92	20.79	20.80	20.49	20.60	20.93	21.18	20.80	20.98	20.82	21.17	21.26	21.06
Euro4	8.27	8.25	7.95	8.26	8.21	8.17	8.37	7.90	8.08	8.20	8.14	8.23	7.86	8.13	8.17	8.10
Japan	5.29	6.00	4.94	5.03	5.46	5.35	5.96	4.78	4.80	5.47	5.25	5.76	4.70	4.87	5.40	5.18
Korea	2.16	2.40	2.07	2.01	2.23	2.18	2.28	2.03	2.02	2.32	2.16	2.34	2.06	2.06	2.31	2.19
Mexico	2.00	2.04	2.11	2.06	2.10	2.08	2.08	2.01	1.98	2.14	2.05	2.10	2.07	2.08	2.16	2.10
Canada	2.30	2.36	2.24	2.25	2.23	2.27	2.18	2.14	2.26	2.29	2.22	2.24	2.19	2.27	2.30	2.25
Brazil	2.15	2.12	2.18	2.25	2.21	2.19	2.17	2.19	2.27	2.26	2.22	2.21	2.23	2.30	2.29	2.26
India	2.57	2.72	2.59	2.47	2.56	2.59	2.74	2.70	2.50	2.65	2.64	2.79	2.76	2.56	2.71	2.70
Annual Change (% per annum)																
North America	3.5	1.4	1.0	0.5	-0.9	0.5	-1.9	-1.0	-0.3	2.0	-0.3	2.3	1.3	1.4	0.4	1.4
Europe	0.3	0.7	0.7	0.6	-1.3	0.2	0.7	-0.7	-0.9	0.1	-0.2	-0.8	0.0	0.5	-0.2	-0.1
Pacific	-1.6	2.3	2.3	-0.5	0.6	1.2	-1.6	-2.4	-2.2	1.3	-1.2	-1.2	-0.3	1.5	-1.0	-0.3
Total OECD	1.5	1.3	1.2	0.4	-0.8	0.5	-1.1	-1.1	-0.8	1.3	-0.4	0.7	0.7	1.1	0.0	0.6
FSU	4.7	8.7	-0.2	0.0	-2.7	1.3	1.6	-0.1	2.5	6.4	2.7	2.3	0.3	0.9	-0.4	0.8
Europe	2.2	2.1	2.1	1.7	1.6	1.9	2.5	1.4	1.6	1.6	1.8	0.7	1.7	1.7	1.4	1.4
China	15.8	4.4	-1.3	5.4	2.7	2.8	2.9	9.4	5.0	7.6	6.2	6.1	4.6	6.0	4.8	5.4
Other Asia	6.8	4.3	2.4	2.5	-1.6	1.8	-0.2	0.9	0.7	2.6	1.0	2.1	2.2	2.7	2.6	2.4
Latin America	5.8	3.1	3.0	2.4	2.1	2.7	2.2	1.5	1.6	2.3	1.9	1.8	1.9	2.3	1.9	2.0
Middle East	6.9	5.7	5.8	5.6	5.3	5.6	5.4	5.4	5.4	5.6	5.4	6.5	5.6	1.2	8.6	5.4
Africa	4.1	3.3	3.3	2.5	2.7	3.0	2.4	2.3	2.4	2.4	2.4	2.7	2.0	2.4	2.5	2.4
Total Non-OECD	7.7	4.7	2.1	3.3	1.3	2.8	2.2	3.4	2.9	4.5	3.3	3.7	3.0	2.8	3.7	3.3
World	3.9	2.7	1.6	1.6	0.1	1.4	0.3	0.8	0.7	2.6	1.1	1.9	1.7	1.8	1.5	1.7
Annual Change (mb/d)																
North America	0.85	0.35	0.26	0.13	-0.23	0.13	-0.49	-0.24	-0.07	0.50	-0.07	0.58	0.33	0.36	0.11	0.35
Europe	0.05	0.11	0.11	0.09	-0.20	0.03	0.10	-0.11	-0.14	0.02	-0.03	-0.13	0.00	0.08	-0.04	-0.02
Pacific	-0.14	0.21	0.18	-0.04	0.06	0.10	-0.15	-0.19	-0.18	0.11	-0.10	-0.11	-0.02	0.12	-0.09	-0.03
Total OECD	0.75	0.67	0.56	0.19	-0.38	0.25	-0.54	-0.55	-0.39	0.63	-0.21	0.34	0.31	0.56	-0.01	0.30
FSU	0.17	0.31	-0.01	0.00	-0.11	0.05	0.06	0.00	0.09	0.25	0.10	0.09	0.01	0.04	-0.02	0.03
Europe	0.02	0.02	0.01	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
China	0.88	0.28	-0.09	0.34	0.18	0.18	0.19	0.61	0.33	0.52	0.41	0.41	0.33	0.42	0.35	0.38
Other Asia	0.55	0.37	0.20	0.21	-0.14	0.16	-0.02	0.08	0.06	0.23	0.09	0.19	0.20	0.23	0.24	0.21
Latin America	0.27	0.15	0.15	0.12	0.11	0.13	0.11	0.08	0.08	0.12	0.10	0.09	0.10	0.12	0.10	0.10
Middle East	0.37	0.32	0.34	0.34	0.31	0.32	0.32	0.33	0.34	0.34	0.33	0.41	0.36	0.08	0.55	0.35
Africa	0.11	0.09	0.09	0.07	0.08	0.08	0.07	0.07	0.07	0.07	0.07	0.08	0.06	0.07	0.07	0.07
Total Non-OECD	2.37	1.53	0.70	1.09	0.43	0.94	0.75	1.17	0.99	1.53	1.11	1.28	1.07	0.96	1.30	1.15
World	3.12	2.20	1.26	1.28	0.05	1.19	0.21	0.62	0.59	2.16	0.90	1.62	1.38	1.52	1.29	1.45
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	-	0.05	-0.01	0.08	0.04	0.04	0.01	-0.01	-0.04	-	-0.01	-0.01	-	0.07	0.03	0.03
Europe	-	0.03	0.02	0.01	0.06	0.03	-	0.02	0.01	-	0.01	0.05	0.01	0.01	-	0.02
Pacific	-	-	-	-	-	-	-	-	-0.15	-0.05	-0.05	-0.03	-0.06	-0.07	-0.06	-0.06
Total OECD	-	0.08	0.01	0.09	0.10	0.07	0.01	0.01	-0.17	-0.05	-0.05	0.01	-0.05	0.01	-0.03	-0.01
FSU	-	-	-	-	-	-	-	-0.01	-	0.04	0.01	0.01	0.01	0.01	0.01	0.01
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-0.03	-0.02	-0.02	-0.02	-0.02	-0.02	-0.02	-0.03	-0.16	0.09	-0.03	-0.04	-0.05	-0.13	0.05	-0.04
Other Asia	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.01	-0.02	-0.02	-0.01	-0.05	-	-0.03	-0.02	-0.02
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-0.01	-0.03	-	-0.01
Middle East	-	-0.07	0.05	0.03	-0.01	-	-0.08	0.05	0.05	-0.01	-	-0.01	0.06	-0.23	0.19	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-0.04	-0.09	0.02	-	-0.04	-0.03	-0.11	0.01	-0.14	0.10	-0.03	-0.09	0.01	-0.41	0.23	-0.06
World	-0.04	-0.02	0.03	0.09	0.06	0.04	-0.10	0.02	-0.31	0.06	-0.08	-0.08	-0.05	-0.39	0.20	-0.08
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.01	0.06	0.01	0.13	0.11	0.08	-0.08	-0.02	-0.40	-0.01	-0.13	0.02	-0.07	-0.08	0.15	0.01

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2005	2006	2007	2Q06	3Q06	4Q06	1Q07	2Q07	Aug 06	Sep 06	Oct 06
OPEC											
Crude Oil											
Saudi Arabia	9.06			9.02	8.95				8.97	8.86	8.76
Iran	3.88			3.78	4.05				4.05	3.85	3.75
Iraq	1.81			1.99	2.04				2.00	2.05	1.92
UAE	2.46			2.63	2.65				2.65	2.65	2.63
Kuwait	2.13			2.22	2.20				2.20	2.21	2.22
Neutral Zone	0.58			0.58	0.57				0.57	0.58	0.58
Qatar	0.80			0.82	0.83				0.84	0.82	0.82
Nigeria	2.40			2.19	2.24				2.27	2.19	2.24
Libya	1.64			1.70	1.73				1.72	1.75	1.75
Algeria	1.34			1.36	1.34				1.33	1.35	1.35
Venezuela	2.71			2.61	2.51				2.52	2.55	2.51
Indonesia	0.94			0.91	0.87				0.86	0.87	0.86
Total Crude Oil	29.76			29.80	29.98				29.97	29.71	29.37
Total NGLs ¹	4.46	4.69	4.89	4.66	4.72	4.75	4.79	4.82	4.73	4.70	4.74
Total OPEC	34.23			34.46	34.70				34.70	34.41	34.12
NON-OPEC²											
OECD											
North America	14.14	14.29	14.45	14.19	14.32	14.48	14.72	14.37	14.33	14.33	14.47
United States	7.32	7.36	7.46	7.36	7.41	7.46	7.58	7.51	7.43	7.34	7.48
Mexico	3.76	3.71	3.59	3.77	3.69	3.62	3.62	3.61	3.70	3.69	3.64
Canada	3.06	3.22	3.40	3.06	3.22	3.40	3.52	3.25	3.21	3.30	3.35
Europe	5.60	5.23	5.30	5.13	4.97	5.30	5.46	5.24	4.81	4.89	5.05
UK	1.83	1.68	1.70	1.66	1.51	1.72	1.82	1.70	1.33	1.60	1.64
Norway	2.97	2.80	2.85	2.70	2.74	2.82	2.88	2.79	2.72	2.61	2.64
Others	0.80	0.76	0.75	0.77	0.73	0.76	0.75	0.75	0.75	0.68	0.76
Pacific	0.58	0.57	0.68	0.50	0.64	0.64	0.67	0.66	0.65	0.64	0.63
Australia	0.54	0.53	0.64	0.46	0.60	0.60	0.63	0.62	0.62	0.60	0.59
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	20.33	20.10	20.44	19.83	19.93	20.42	20.85	20.27	19.79	19.86	20.15
NON-OECD											
Former USSR	11.64	12.04	12.58	12.02	12.20	12.22	12.36	12.53	12.30	12.11	12.14
Russia	9.48	9.69	9.97	9.67	9.78	9.76	9.83	9.94	9.83	9.76	9.76
Others	2.16	2.35	2.61	2.35	2.42	2.45	2.53	2.59	2.47	2.35	2.38
Asia	6.30	6.39	6.45	6.38	6.36	6.41	6.44	6.43	6.32	6.34	6.40
China	3.62	3.69	3.72	3.70	3.68	3.69	3.71	3.71	3.69	3.65	3.69
Malaysia	0.77	0.74	0.74	0.71	0.74	0.73	0.74	0.73	0.74	0.73	0.73
India	0.78	0.79	0.80	0.79	0.78	0.80	0.80	0.80	0.76	0.78	0.79
Others	1.13	1.18	1.19	1.18	1.16	1.18	1.19	1.19	1.14	1.18	1.18
Europe	0.16	0.15	0.13	0.15	0.14	0.14	0.14	0.14	0.14	0.14	0.14
Latin America	4.30	4.44	4.66	4.42	4.43	4.56	4.61	4.61	4.40	4.43	4.51
Brazil	1.99	2.12	2.33	2.08	2.09	2.23	2.28	2.28	2.08	2.10	2.19
Argentina	0.78	0.77	0.76	0.78	0.78	0.77	0.77	0.76	0.78	0.78	0.77
Colombia	0.53	0.53	0.53	0.54	0.53	0.53	0.53	0.53	0.51	0.53	0.53
Ecuador	0.53	0.54	0.56	0.55	0.55	0.55	0.55	0.56	0.55	0.55	0.55
Others	0.47	0.48	0.48	0.47	0.48	0.48	0.49	0.48	0.48	0.48	0.47
Middle East³	1.86	1.75	1.69	1.75	1.73	1.71	1.71	1.70	1.73	1.72	1.72
Oman	0.79	0.74	0.71	0.74	0.73	0.72	0.71	0.71	0.73	0.73	0.72
Syria	0.46	0.42	0.38	0.42	0.41	0.40	0.39	0.38	0.41	0.41	0.41
Yemen	0.42	0.40	0.41	0.39	0.39	0.39	0.42	0.41	0.39	0.39	0.39
Africa	3.72	4.02	4.53	3.88	4.08	4.16	4.31	4.41	4.08	4.15	4.05
Egypt	0.70	0.69	0.68	0.68	0.69	0.69	0.69	0.68	0.69	0.69	0.69
Angola	1.25	1.40	1.72	1.33	1.45	1.41	1.53	1.60	1.45	1.44	1.32
Gabon	0.23	0.23	0.23	0.24	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Others	1.54	1.69	1.90	1.63	1.71	1.83	1.86	1.90	1.70	1.79	1.81
Total Non-OECD	27.97	28.79	30.04	28.59	28.95	29.20	29.57	29.82	28.98	28.90	28.96
Processing Gains ⁴	1.86	1.90	1.92	1.89	1.88	1.92	1.92	1.92	1.88	1.88	1.92
Other Biofuels ⁵	0.12	0.18	0.34	0.18	0.18	0.18	0.34	0.34	0.18	0.18	0.18
TOTAL NON-OPEC	50.28	50.96	52.74	50.49	50.94	51.71	52.68	52.35	50.82	50.81	51.20
TOTAL SUPPLY	84.51			84.95	85.64				85.52	85.22	85.32

¹ Includes condensates reported by OPEC countries, oil from non-conventional sources, e.g. Venezuelan Orimulsion (but not Orinoco extra-heavy oil), and non-oil inputs to Saudi Arabian MTBE. Orimulsion production will reportedly cease from January 2007.

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.

⁵ Comprises Fuel Ethanol and Biodiesel supply from outside Brazil and US.

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			
	May2006	Jun2006	Jul2006	Aug2006	Sep2006*	Sep2003	Sep2004	Sep2005	4Q2005	1Q2006	2Q2006	3Q2006
North America												
Crude	461.7	456.9	457.6	454.9	457.4	398.0	391.3	433.1	0.26	0.07	-0.07	0.01
Motor Gasoline	242.3	241.6	238.9	237.9	246.5	228.7	234.6	227.0	0.10	0.07	-0.01	0.05
Middle Distillate	195.9	199.9	209.6	219.1	231.3	206.3	195.4	198.5	0.16	-0.20	0.06	0.34
Residual Fuel Oil	49.7	52.3	52.5	52.4	52.8	40.9	41.2	42.0	0.03	0.07	0.02	0.01
Total Products ³	658.4	669.5	687.4	703.1	727.5	655.6	653.9	662.7	-0.04	-0.26	0.38	0.63
Total ⁴	1267.5	1273.9	1300.4	1319.6	1345.6	1215.4	1206.0	1256.1	0.01	-0.20	0.38	0.78
Europe												
Crude	346.6	338.3	350.1	333.6	323.7	317.8	333.1	339.8	-0.13	0.19	-0.07	-0.16
Motor Gasoline	104.0	100.4	98.5	102.0	103.9	109.1	111.2	103.8	0.09	-0.01	-0.12	0.04
Middle Distillate	261.3	256.2	262.7	269.2	266.8	251.6	250.6	258.7	-0.02	-0.11	0.11	0.11
Residual Fuel Oil	73.6	75.2	74.6	76.5	77.6	71.4	77.0	75.4	-0.02	-0.04	0.06	0.03
Total Products ³	540.9	533.0	540.3	553.7	554.2	535.3	541.0	538.2	0.07	-0.16	0.04	0.23
Total ⁴	961.5	944.2	964.7	961.7	951.4	925.7	945.1	953.1	-0.08	0.04	-0.06	0.08
Pacific												
Crude	185.5	181.1	175.9	173.4	176.9	183.9	168.7	168.1	-0.12	0.15	0.11	-0.05
Motor Gasoline	24.8	24.6	23.4	23.7	24.3	23.9	23.9	22.8	0.00	0.02	0.00	0.00
Middle Distillate	67.0	69.8	75.4	80.8	85.7	83.2	74.8	77.9	-0.18	-0.01	0.10	0.17
Residual Fuel Oil	24.5	23.1	25.1	24.6	23.9	23.2	21.3	23.9	-0.04	-0.01	0.04	0.01
Total Products ³	180.5	183.1	192.5	203.0	212.2	204.3	186.2	191.5	-0.26	0.00	0.17	0.32
Total ⁴	438.1	435.5	440.2	449.3	462.2	459.2	429.6	432.0	-0.42	0.16	0.30	0.29
Total OECD												
Crude	993.8	976.3	983.5	962.0	958.1	899.6	893.0	941.0	0.01	0.41	-0.03	-0.20
Motor Gasoline	371.1	366.6	360.8	363.6	374.7	361.7	369.7	353.6	0.19	0.08	-0.12	0.09
Middle Distillate	524.2	525.9	547.7	569.1	583.8	541.2	520.8	535.1	-0.05	-0.33	0.27	0.63
Residual Fuel Oil	147.8	150.6	152.2	153.5	154.2	135.5	139.5	141.3	-0.03	0.02	0.12	0.04
Total Products ³	1379.9	1385.7	1420.1	1459.9	1493.9	1395.1	1381.0	1392.4	-0.24	-0.42	0.58	1.18
Total ⁴	2667.1	2653.7	2705.2	2730.6	2759.2	2600.3	2580.6	2641.2	-0.49	0.00	0.63	1.15

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			
	May2006	Jun2006	Jul2006	Aug2006	Sep2006*	Sep2003	Sep2004	Sep2005	4Q2005	1Q2006	2Q2006	3Q2006
North America												
Crude	688.6	687.9	687.9	687.8	687.8	624.4	670.3	693.7	-0.10	0.02	0.02	0.00
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	171.9	173.4	174.5	174.5	174.5	151.3	157.9	166.4	0.01	0.04	0.04	0.01
Products	233.1	236.3	235.8	237.3	237.3	211.3	207.8	237.6	0.02	-0.03	0.00	0.01
Pacific												
Crude	380.5	380.9	382.2	380.8	380.7	382.8	384.9	382.1	-0.01	-0.01	0.00	0.00
Products	11.7	11.8	11.8	11.8	11.8	10.3	11.0	11.2	0.00	0.00	0.00	0.00
Total OECD												
Crude	1241.0	1242.1	1244.6	1243.1	1243.1	1158.5	1213.1	1242.1	-0.10	0.04	0.06	0.01
Products	246.8	250.1	249.7	251.2	251.2	223.6	220.9	250.8	0.02	-0.04	0.01	0.01
Total ⁴	1488.7	1493.2	1495.3	1495.3	1495.2	1383.1	1434.9	1493.8	-0.08	0.01	0.07	0.02

* 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 barrels¹ and 'days')

	End September 2005		End December 2005		End March 2006		End June 2006		End September 2006 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	170.5	77	178.1	82	169.7	79	167.9	-	-	-
Mexico	52.8	25	43.9	21	41.7	21	42.1	-	-	-
United States ⁴	1706.3	82	1699.6	83	1693.7	83	1731.6	-	-	-
Total⁴	1951.7	77	1943.7	78	1927.2	77	1963.7	77	2035.4	78
Pacific										
Australia	34.1	37	32.7	36	35.5	39	38.9	-	-	-
Japan	637.9	117	612.1	103	620.1	130	627.2	-	-	-
Korea	145.4	65	134.9	59	137.4	68	155.4	-	-	-
New Zealand	7.9	48	7.2	44	6.8	45	6.7	-	-	-
Total	825.3	94	786.8	85	799.8	102	828.2	105	854.7	96
Europe⁵										
Austria	19.8	68	20.4	72	18.7	66	19.2	-	-	-
Belgium	30.3	51	28.6	45	27.3	52	30.4	-	-	-
Czech Republic	16.7	78	18.8	98	19.6	90	19.5	-	-	-
Denmark	20.5	111	20.3	102	19.5	99	20.4	-	-	-
Finland	27.3	123	25.1	113	26.7	120	30.5	-	-	-
France	191.4	97	195.6	93	196.2	104	188.7	-	-	-
Germany	275.8	105	282.6	111	279.9	110	281.4	-	-	-
Greece	34.6	75	33.1	69	35.4	92	34.9	-	-	-
Hungary	17.1	104	17.6	120	20.8	127	17.6	-	-	-
Ireland	13.2	65	11.6	55	13.1	72	12.6	-	-	-
Italy	137.0	77	132.0	71	131.5	81	126.0	-	-	-
Luxembourg	0.8	12	0.8	11	0.9	15	1.0	-	-	-
Netherlands	115.7	115	116.4	116	120.5	121	123.1	-	-	-
Norway	30.2	108	30.7	123	21.9	91	21.8	-	-	-
Poland	33.8	69	35.2	79	35.5	74	35.7	-	-	-
Portugal	26.8	82	25.7	78	24.7	83	24.7	-	-	-
Slovak Republic	5.1	59	6.5	83	8.3	102	7.7	-	-	-
Spain	131.7	84	128.6	79	130.2	84	129.2	-	-	-
Sweden	34.6	95	38.0	102	38.4	109	39.6	-	-	-
Switzerland	38.9	137	37.7	128	37.7	144	39.3	-	-	-
Turkey	50.9	77	51.1	100	51.6	79	51.6	-	-	-
United Kingdom	105.8	58	96.3	52	97.8	53	100.0	-	-	-
Total	1358.0	87	1352.3	86	1356.4	90	1354.9	88	1364.3	87
Total OECD	4135.0	83	4082.9	82	4083.4	85	4146.8	85	4254.4	84
DAYS OF IEA Net Imports⁶	-	116	-	114	-	115	-	116	-	-

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

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

3 End June 2006 and September 2006 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			Total		
	Government ¹ controlled	Industry	Government ¹ controlled	Industry	Industry	
	<i>Millions of Barrels</i>			<i>Days of Fwd. Demand²</i>		
3Q2003	3983	1383	2600	80	28	53
4Q2003	3928	1411	2517	79	28	50
1Q2004	3888	1423	2465	81	30	51
2Q2004	3974	1429	2545	81	29	52
3Q2004	4016	1435	2581	80	29	51
4Q2004	3999	1450	2548	79	29	50
1Q2005	4006	1462	2543	82	30	52
2Q2005	4118	1494	2624	84	30	53
3Q2005	4135	1494	2641	83	30	53
4Q2005	4083	1487	2596	82	30	52
1Q2006	4083	1487	2596	85	31	54
2Q2006	4147	1493	2654	85	31	54
3Q2006	4254	1495	2759	84	30	55

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 2Q2006 and 3Q2006 (when latest forecasts are used).

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

	2003	2004	2005	3Q05	4Q05	1Q06	2Q06	Jun 06	Jul 06	Aug 06	Year Earlier	
											Aug 05	change
Saudi Light & Extra Light												
North America	0.64	0.55	0.46	0.41	0.52	0.51	0.68	0.57	0.62	0.68	0.31	0.37
Europe	1.00	1.03	0.90	0.92	0.91	0.83	0.80	0.84	0.75	0.69	0.98	-0.29
Pacific	1.18	1.24	1.31	1.25	1.37	1.40	1.33	1.20	1.28	1.30	1.19	0.10
Saudi Medium												
North America	0.83	0.80	0.81	0.58	0.81	0.65	0.61	0.50	0.67	0.61	0.48	0.13
Europe	0.11	0.11	0.16	0.20	0.16	0.17	0.14	0.15	0.13	0.13	0.19	-0.06
Pacific	0.24	0.23	0.26	0.27	0.32	0.38	0.35	0.35	0.36	0.35	0.33	0.02
Saudi Heavy												
North America	0.30	0.22	0.17	0.20	0.16	0.21	0.21	0.28	0.18	0.24	0.18	0.07
Europe	0.19	0.23	0.23	0.27	0.26	0.14	0.22	0.25	0.22	0.18	0.28	-0.10
Pacific	0.16	0.15	0.25	0.26	0.29	0.25	0.20	0.19	0.20	0.24	0.26	-0.02
Iraqi Basrah Light²												
North America	0.44	0.71	0.60	0.56	0.59	0.44	0.60	0.72	0.60	0.60	0.31	0.29
Europe	0.09	0.21	0.23	0.24	0.31	0.24	0.29	0.23	0.37	0.42	0.15	0.26
Pacific	0.03	0.12	0.06	0.06	0.06	0.08	0.09	0.14	0.03	0.13	0.06	0.07
Iraqi Kirkuk												
North America	0.06	0.02	..	..	..	..	..	..	..	0.03	..	..
Europe	0.12	0.08	0.05	0.13	0.03	..	..	..	0.06	0.03	0.07	-0.04
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.19	0.24	0.20	0.16	0.22	0.20	0.27	0.30	0.40	0.23	0.20	0.03
Pacific	0.17	0.16	0.15	0.14	0.15	0.19	0.12	0.03	0.08	0.08	0.16	-0.08
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.59	0.57	0.63	0.71	0.57	0.48	0.57	0.72	0.76	0.48	0.68	-0.20
Pacific	0.69	0.65	0.62	0.52	0.63	0.64	0.48	0.35	0.52	0.49	0.43	0.06
Venezuelan Light & Medium												
North America	0.69	0.67	0.82	0.79	0.81	0.76	0.68	0.59	0.61	0.49	0.84	-0.35
Europe	0.02	0.01	0.04	0.06	0.07	0.12	0.15	0.22	0.06	0.10	0.13	-0.03
Pacific	0.00	..	..	..	..	..	..	..	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.60	0.88	0.72	0.66	0.56	0.72	0.72	0.73	0.66	0.78	0.77	0.00
Europe	0.06	0.05	0.06	0.08	0.06	0.08	0.05	0.05	0.05	0.07	0.10	-0.02
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	1.32	1.36	1.27	1.17	1.25	1.26	1.24	1.26	1.33	1.35	1.36	-0.01
Europe	0.16	0.16	0.17	0.16	0.18	0.13	0.20	0.21	0.17	0.19	0.15	0.05
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
Mexican Isthmus												
North America	0.00	..	0.03	0.02	0.10	0.09	0.03	0.01	0.01	0.00	0.01	-0.01
Europe	0.00	0.01	0.03	0.02	0.05	0.01	0.00	..	..	..	0.01	..
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
Russian Urals												
North America	0.14	0.12	0.13	0.16	0.09	..	0.16	0.24	0.10	0.22	0.18	0.04
Europe	1.62	1.86	1.77	1.76	1.69	1.68	1.83	1.90	1.62	1.68	1.86	-0.18
Pacific	0.00	0.01	0.00	0.01	..	..	..	..	0.03	..	..	..
Nigerian Light⁴												
North America	0.63	0.80	0.90	0.94	0.90	0.87	0.79	0.78	0.84	0.85	0.94	-0.09
Europe	0.41	0.28	0.35	0.41	0.41	0.28	0.27	0.30	0.44	0.46	0.46	0.00
Pacific	0.08	0.11	0.05	0.07	0.02	0.09	0.03	0.06	0.03	..	0.04	..
Nigerian Medium												
North America	0.17	0.23	0.17	0.13	0.15	0.19	0.17	0.23	0.22	0.02	0.19	-0.17
Europe	0.06	0.04	0.07	0.08	0.07	0.08	0.08	0.13	0.05	0.10	0.08	0.02
Pacific	0.01	0.01	0.01	..	..	..	..	..	..	0.03	..	..

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

IEA North America includes United States and Canada.

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

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

² Iraqi Total minus Kirkuk.

³ Iranian Total minus Iranian Light.

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

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

	2003	2004	2005	3Q2005	4Q2005	1Q2006	2Q2006	Jun-06	Jul-06	Aug-06	Year Earlier	
											Aug-05	% change
Crude Oil												
North America	8069	8431	8384	8251	8101	7740	8265	8640	8479	8607	8471	2%
Europe	9096	9478	9792	10070	9954	9382	9771	10246	10205	10150	9939	2%
Pacific	6711	6659	6801	6643	6967	7399	6511	5947	6624	6768	6657	2%
Total OECD	23876	24569	24978	24964	25022	24521	24546	24832	25308	25524	25067	2%
LPG												
North America	27	24	18	18	30	8	8	10	16	20	11	80%
Europe	193	225	248	222	249	280	242	253	205	224	212	6%
Pacific	541	541	527	500	486	651	575	547	545	643	455	41%
Total OECD	760	790	793	740	764	939	825	809	766	887	678	31%
Naphtha												
North America	67	99	110	151	76	41	49	36	47	74	160	-54%
Europe	305	282	273	295	281	342	272	250	255	372	249	49%
Pacific	770	769	746	693	760	692	731	844	830	797	715	12%
Total OECD	1142	1150	1129	1140	1116	1074	1052	1130	1132	1243	1123	11%
Gasoline³												
North America	669	794	1016	1046	1148	1113	1365	1279	1120	1344	941	43%
Europe	150	137	165	208	120	194	148	197	178	32	248	-87%
Pacific	70	105	102	93	90	86	145	160	93	66	109	-39%
Total OECD	888	1035	1283	1346	1358	1393	1658	1636	1392	1442	1299	11%
Jet & Kerosene												
North America	97	101	130	139	268	79	191	139	175	234	91	156%
Europe	271	293	375	450	371	319	382	432	328	437	476	-8%
Pacific	102	77	66	48	49	131	39	38	43	40	38	3%
Total OECD	470	471	571	637	687	529	612	609	546	711	606	17%
Gasoil/Diesel												
North America	126	123	142	99	267	210	173	128	159	190	105	81%
Europe	652	751	845	807	867	1073	927	808	972	722	753	-4%
Pacific	73	74	79	79	83	80	94	96	64	73	73	0%
Total OECD	850	947	1066	984	1217	1363	1193	1032	1195	985	931	6%
Heavy Fuel Oil												
North America	326	453	525	566	610	481	320	371	317	325	540	-40%
Europe	398	405	490	526	473	521	489	542	466	388	536	-28%
Pacific	88	76	85	90	82	122	105	107	91	94	82	14%
Total OECD	812	935	1100	1182	1166	1124	915	1019	874	806	1158	-30%
Other Products												
North America	680	872	1005	1166	1049	972	1162	1149	1279	1334	1050	27%
Europe	690	676	781	797	787	888	861	840	940	862	767	12%
Pacific	235	256	247	225	263	271	208	185	269	263	222	18%
Total OECD	1605	1805	2033	2188	2099	2131	2231	2174	2488	2459	2039	21%
Total Products												
North America	1991	2466	2947	3185	3447	2903	3268	3112	3113	3520	2898	21%
Europe	2657	2767	3177	3305	3148	3619	3321	3321	3344	3037	3241	-6%
Pacific	1879	1898	1852	1728	1812	2032	1896	1977	1935	1976	1695	17%
Total OECD	6527	7132	7976	8217	8407	8554	8485	8410	8393	8534	7834	9%
Total Oil												
North America	10061	10897	11332	11436	11548	10643	11533	11752	11593	12127	11369	7%
Europe	11753	12246	12970	13375	13102	13001	13092	13566	13549	13188	13180	0%
Pacific	8590	8558	8653	8370	8779	9431	8407	7924	8559	8743	8352	5%
Total OECD	30403	31700	32954	33181	33429	33075	33031	33242	33701	34058	32901	4%

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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