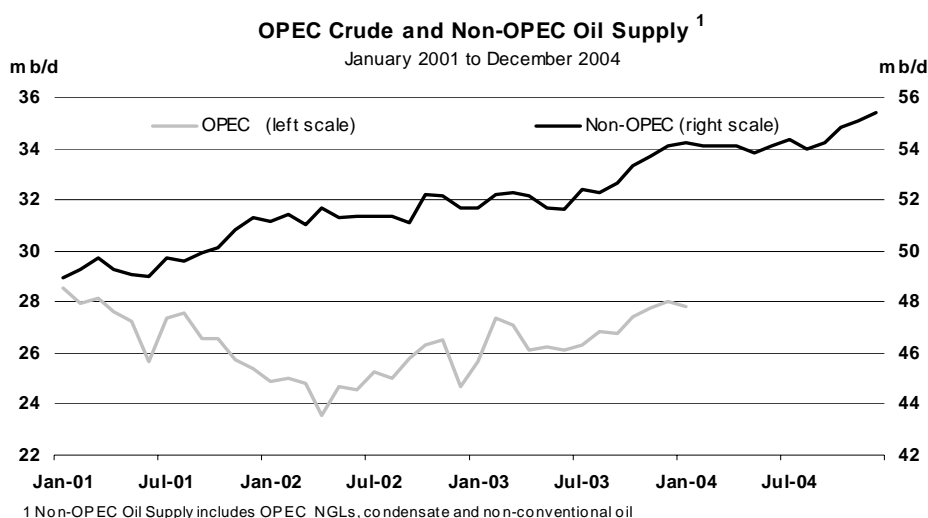


SUPPLY

Summary

- **World oil supply** levelled off in January at around 82.1 mb/d. Non-OPEC production increased by 130 kb/d, but this was countered by a 145 kb/d decline in total OPEC crude supply.
- World supply in January again showed healthy year-on-year growth, averaging nearly 4.8 mb/d higher than in January 2003. OPEC crude output stood 2.2 mb/d above last year, although the impact of disrupted Venezuelan supply last year distorts the picture. Non-OPEC production growth remains robust, estimated January production being 1.6 mb/d higher than in 2003, with FSU supply accounting for 1.0 mb/d and Africa nearly 400 kb/d. OECD production however remains close to year-ago, North American growth counterbalanced by decline from the North Sea and Australia.
- In January **non-OPEC supply** was 132 kb/d higher than in December. Continued strong Russian production growth, allied to a modest rebound in North Sea supply and an assumed recovery in deepwater Brazil output accounted for the increase. However, forecast non-OPEC supply for 2004 has been revised down by 90 kb/d, with Brazil, Yemen, Kazakhstan, US Gulf of Mexico and Australia all now showing a lower output profile.
- Total **OPEC crude supply** was revised up by 45 kb/d for December, with indications of higher than previously estimated supply from UAE, Iraq and Venezuela. December supply estimates for Iran and Indonesia have been lowered. In January, total OPEC output is thought to have averaged 27.9 mb/d. This was 145 kb/d lower than December, as a modest easing in supplies from Iran, Saudi Arabia, Kuwait, UAE and Algeria offset rising production from Iraq, Nigeria and Libya.
- **OPEC-10** supply averaged 1.3 mb/d above target in January, at 25.8 mb/d. Venezuela and Indonesia continued to undershoot versus target production levels, but amidst reports of continually tight US industry crude stocks and buoyant Far Eastern demand, other OPEC producers have sustained the Organisation's output at its highest levels since March 2001.
- Higher non-OECD demand, centred on non-OECD Asia and the Middle East, has led to an upward adjustment for the **"call on OPEC crude plus stock change"** for both 2003 and 2004, amounting to 100 kb/d and 400 kb/d respectively. A 100 kb/d reduction in non-OECD supply growth in 2004 also contributes to the adjusted call for this year. Nonetheless, the call still declines sharply in 2Q 2004 to 23.7 mb/d from an estimated 26.2 mb/d in 1Q. For 2004 as a whole, the call is expected to fall by 500 kb/d from 2003's 26.0 mb/d.



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

Note: Random events present downside risk to the non-OPEC production forecast contained in this Report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. No contingency allowance for random events is subtracted from the supply forecast. Although upside variations can occur, experience in recent years indicates that, roughly speaking, 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

January OPEC crude supply is estimated to have eased modestly, falling by 145 kb/d from an upward-revised December estimate of 28.0 mb/d. Total OPEC production is therefore assessed at 27.9 mb/d for January. A sharp fall in tanker loadings in the Gulf in the early part of January signalled the first let-up in rising OPEC production since September 2003. However, it is worth noting that tanker loadings were on the rise once again towards end January and into early-February. Nonetheless, January supply from Iran fell by around 100 kb/d, with Saudi Arabia, Kuwait and UAE all lowering supply by around 50 kb/d each. Oil export disruptions following the explosion at Algeria's Skikkda LNG facility also saw a 20 kb/d decline in crude supply there. In contrast, Iraq increased net production by 70 kb/d, while Nigeria (35 kb/d) and Libya (10 kb/d) also saw production increases. Spare capacity outside of Iraq reached 1.9 mb/d, although excluding Venezuela, Nigeria and Indonesia, each of which faces some constraint on production, the level is closer to 1.5 mb/d.

OPEC Crude Production

(million barrels per day)

	1 Nov 2003 Target	Jan 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs Jan 2004 Production	Production vs. Target
Algeria	0.78	1.13	1.20	0.07	0.35
Indonesia	1.27	0.98	1.10	0.12	-0.29
Iran	3.60	3.85	4.00	0.15	0.25
Kuwait ²	1.97	2.25	2.30	0.05	0.28
Libya	1.31	1.48	1.50	0.03	0.16
Nigeria	2.02	2.35	2.50	0.16	0.33
Qatar	0.64	0.75	0.85	0.10	0.12
Saudi Arabia ^{2,3}	7.96	8.50	9.50	1.00	0.54
UAE	2.14	2.31	2.45	0.14	0.17
Venezuela ⁴	2.82	2.22	2.35	0.13	-0.60
Subtotal	24.50	25.81	27.75	1.94	1.31
<i>excl. Venezuela, Nigeria, Indonesia</i>				<i>1.54</i>	
Iraq ⁵		2.04	2.80	0.76	
Total		27.85	30.55	2.70	

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

2. Includes half of Neutral Zone production

3. Saudi Arabia's capacity can reach 10.5 mb/d within 90 days

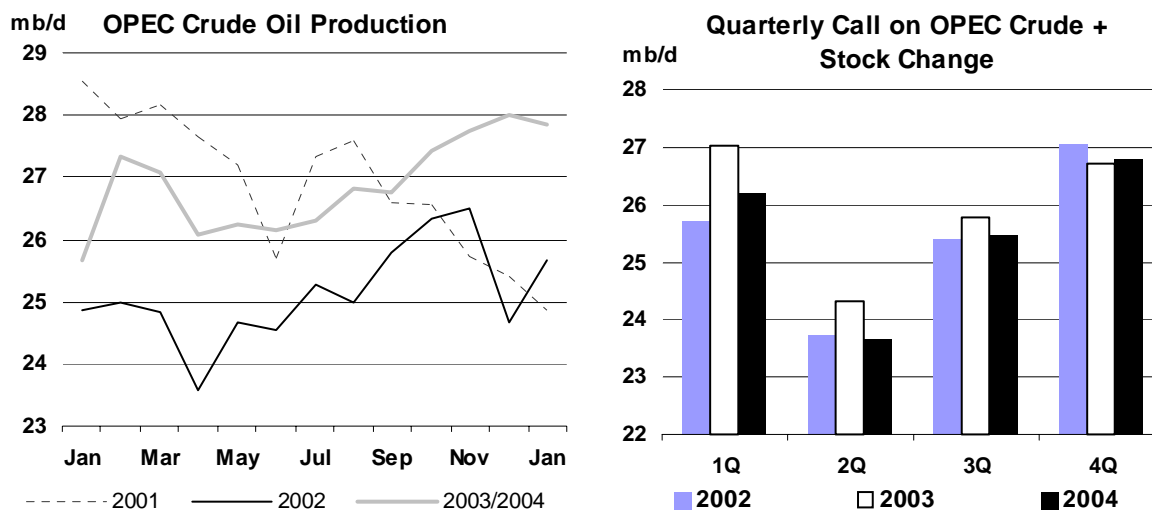
4. Excludes upgraded Orinoco extra-heavy oil, which averaged 378 kb/d in January

5. Iraqi capacity represents pre-war estimate

Production from the OPEC-10 (excluding Iraq) in January averaged 25.8 mb/d. Despite the easing in OPEC production from December levels, this was still 1.3 mb/d above the target in place since November. Saudi Arabia, Algeria and Nigeria each produced more than 300 kb/d above quota, although this was counterbalanced by Venezuela and Indonesia who collectively produced 900 kb/d below their target level. At the time of writing prior to OPEC's meeting held on 10 February, target production levels themselves appear to have lost much meaning, and there is an implicit sanctioning of production leakage. However, the importance of individual target levels will re-emerge as and when OPEC decides to rein-in production once again. The effective apportionment of any future production cuts will be complicated by prevailing production capabilities at that time and their relationship to the existing target allocation.

Barring an unforeseen surge in demand or disruption to supply, OPEC may need to revisit their production target for the second quarter, unless they are content to see stocks build markedly. This Report has upgraded global demand for both 2Q04 and the year by 300 kb/d and downgraded non-OPEC supply by nearly 100 kb/d. But at the same time the Report highlights a build-up of oil in

transit and the fact that OECD stocks are already trending towards more comfortable levels. Table 1 shows the call on OPEC crude plus stock change falling to 23.7 mb/d in 2Q 2004. Even adding in a “normal” 2Q stock build of 1 mb/d, allowing for a possible repeat of last spring’s non-OPEC supply disruptions (for illustration, 500 kb/d off non-OPEC supply) and no further rise in Iraqi output, OPEC’s room to manoeuvre may be limited.



Aside from Iraq, where production rose by 70 kb/d, and Iran where production is thought to have fallen by 100 kb/d as previously high export liftings eased, January changes in production from individual OPEC members were less than 50 kb/d. **Saudi Arabia** cut back slightly but production remains at 8.5 mb/d and liftings picked up again after mid-January. Shipping arm Vela booked seven spot VLCCs for second half February loading, destined mainly for the US. However, it is unclear whether this represents incremental oil or merely a logistical shift, with its own vessels en route to or returning from eastern destinations. Supply out of the **UAE** also fell back by 40 kb/d, from an upward revised December base. Production now looks to have surged more markedly than originally thought in December, after the end of maintenance at offshore fields running through November. As in the case of Saudi Arabia, January’s drop may have been short lived and Asian buyers will reportedly see full-term liftings in February. Production in **Kuwait** is assessed down by 50 kb/d in January, with no sign that refinery outages resulted in incremental export volumes for the month as a whole.

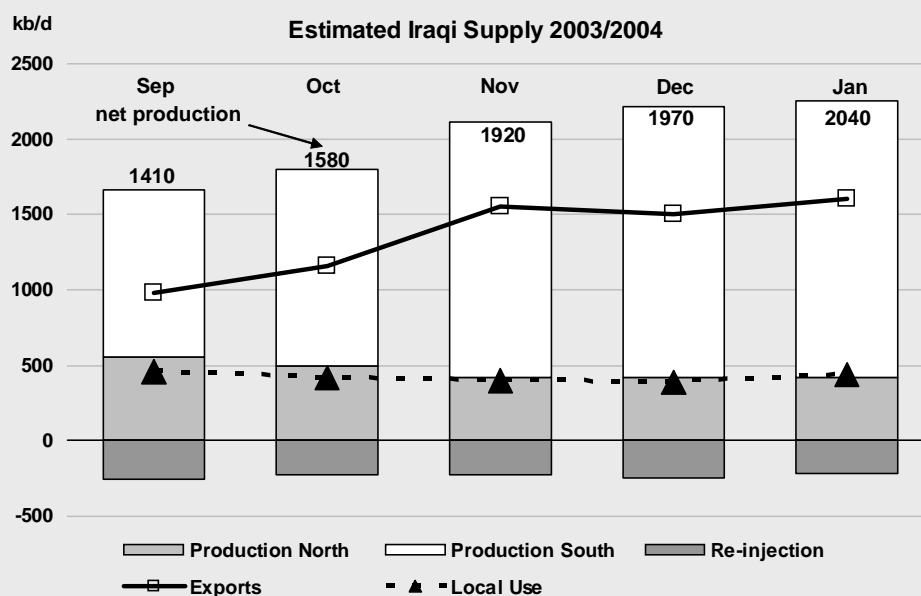
Algerian supply is estimated off by 20 kb/d in January, partly as a result of a prolonged outage at the Skikkda export terminal. This followed a 19 January explosion at the Skikkda LNG facility that led to the closure of both the adjacent refinery and the export terminal. Both were back in action by early-February. The export terminal had also been hit by loading delays prior to the accident. However, the overall impact on crude exports was limited as supplies were believed diverted to alternative export outlets.

In contrast to the situation in the Arab Gulf, west African crude liftings increased and **Nigerian** production is estimated to have risen by 35 kb/d. Increased security in the Warri area of the Niger Delta has encouraged Shell and ChevronTexaco to begin work on re-opening flow stations shut-in nearly a year ago following ethnic unrest. However, the two companies reportedly have nearly 150 kb/d of production still shut in. For its part, ChevronTexaco announced that some 12-18 months would be required to reactivate certain facilities due to vandalism and looting. While this is a slower resumption than assumed in previous issues of this Report, Nigerian production capacity is left unchanged as production build-up from offshore areas seems to have been more rapid than expected. A national strike over fuel tax increases was suspended on the day it began, 21 January, after government agreed to stop collecting the tax. Threats of further industrial action and ethnic unrest in Nigeria persist, although no imminent impact upon crude production is anticipated.

Iraq – Supply Levelling Off?

Iraq has pushed net production from a monthly low of less than 200 kb/d last April to just over 2.0 mb/d in January. Progress in the seven months to November was rapid, production increasing by on average 250 kb/d each month. However, supply is now levelling off, as domestic and export outlets for crude hit bottlenecks. Crude is still being re-injected at the northern fields as local refinery operations remain disrupted and pipeline routes to the north and south remain prone to security breaches. Southern production rose to an estimated 1.84 mb/d in January, but its sustainability will depend on successful reactivation of water injection facilities. Thereafter, any substantial increase in southern production awaits an expansion of (or diversification from) what is currently the sole operating export terminal, at Basrah.

The January target of 1.8 mb/d for exports was missed by 200 kb/d because of weather-related loading delays. Sustainable capacity of Basrah export facilities was thought to be 1.6 mb/d but these may have been de-bottlenecked to around 1.8 mb/d. Loadings temporarily increased to, or slightly above, this level late in 2003. Oil Minister Ibrahim Bahr al-Uloum has said that efforts are underway to boost February exports to 1.7 mb/d, although this contradicts earlier Coalition Provisional Authority (CPA) claims suggesting exports flat at 1.6 mb/d until March. Either way, short term upside for southern supply appears limited. A second tanker terminal on the Gulf at Khor al-Amaya has an operable capacity of around 400 kb/d but the CPA suggests that no decision on its reactivation is likely until April, over-turning earlier reports of its imminent re-instatement.



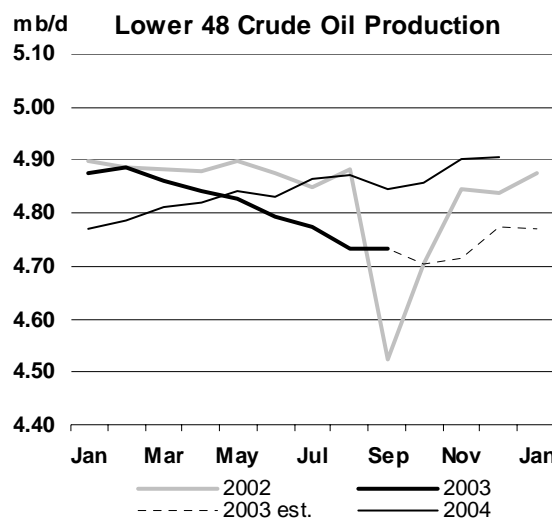
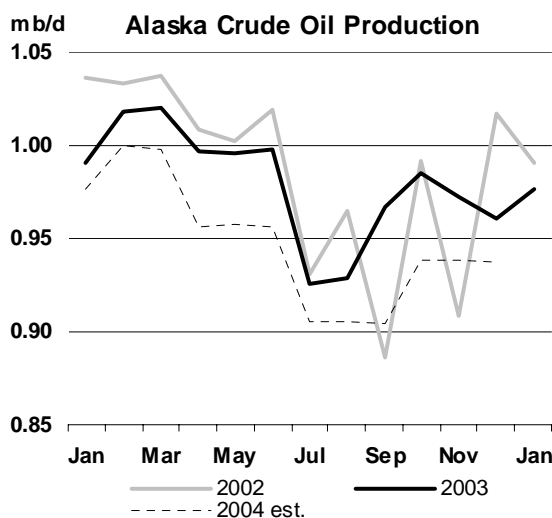
On-off speculation surrounding a re-start to Iraq's northern export pipeline to Ceyhan persisted in January, culminating in reports that this was possible within days. The pipeline is thought likely to operate at initial levels of around 400-500 kb/d, rising later to 800 kb/d. Repairs after earlier sabotage attacks are believed completed but the CPA reported in early February that continuing attacks on the line will preclude its reactivation for at least another month. Oil industry officials were more pessimistic, reporting a more likely late-summer restart. Sending Kirkuk crude south for export via the strategic line (now operable at half its 700-800 kb/d capacity) faces similar security obstacles and requires pumping and storage enhancement at the southern export facilities.

Earlier plans to hit 2.8 mb/d of production by April, including 700 kb/d of northern Kirkuk crude, now look overly ambitious. An end-2003 production target of 3 mb/d could in theory result from the activation of 400 kb/d of incremental export capacity at both the Ceyhan line and one or other of the southern terminals, plus 100-200 kb/d of incremental offtake by Iraq's refineries. But with the potential for an escalation in violence ahead of the transfer of power to a transitional government on 30 June, forecasting likely short term Iraqi supply remains a highly uncertain occupation.

OECD

North America

US – January Alaska actual, others estimated: January US crude production ran marginally higher than December as Alaskan and Gulf of Mexico (GOM) output added over 40 kb/d to counteract decline elsewhere. In Alaska, the Alpine and North Star fields recovered after December disruptions, although renewed maintenance work at Alpine in late-January and a turbine problem at the Milne Point field did hold total Alaskan output some 30 kb/d below our January estimates. Latest weekly data also suggest a rebound in NGL production after a dip in December. Further growth in US supply is expected over the next few months with a rise in production following new field starts in the GOM (*see item below*). However US oil supply has been revised down overall by 30 kb/d for 2003 and 85 kb/d for 2004, largely due to faster decline rates at established fields in the Gulf of Mexico.



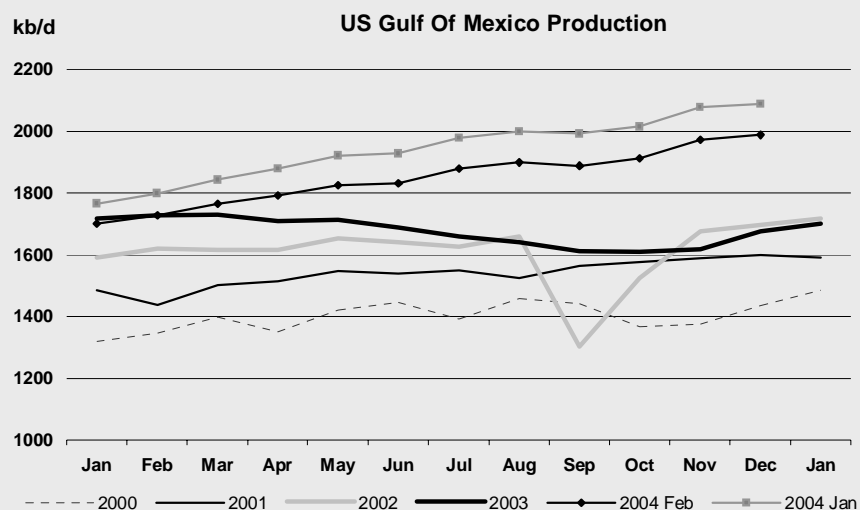
Canada – December Newfoundland and syncrude actual, others November actual: Latest indications point to conventional crude output in December having fallen by some 20 kb/d versus November, largely on the basis of reduced supply from the Hibernia and Terra Nova fields offshore Newfoundland. However, a sharp surge in synthetic crude production as the Syncrude unit returned from a 30-day outage is likely to have pushed total Canadian oil supply up by some 90 kb/d in December. January oil output is thought to have levelled off at 3.16 mb/d, with higher assumed supply from offshore Newfoundland countering lower synthetic production.

Overall, the forecast for Canadian supply in 2004 is unchanged from last month, with growth of 100 kb/d centred on rising syncrude and bitumen output. However, recent revisions to Canadian data through November point to slightly lower bitumen output but higher NGL supply. These revisions have been carried through 2004. Longer-term supply growth potential from the Alberta oil sands resources is seen as dependent to a large extent upon adequate pipeline access to (US) export markets and to the economics of gas supply/demand in Canada, since oil sands exploitation is relatively energy intensive.

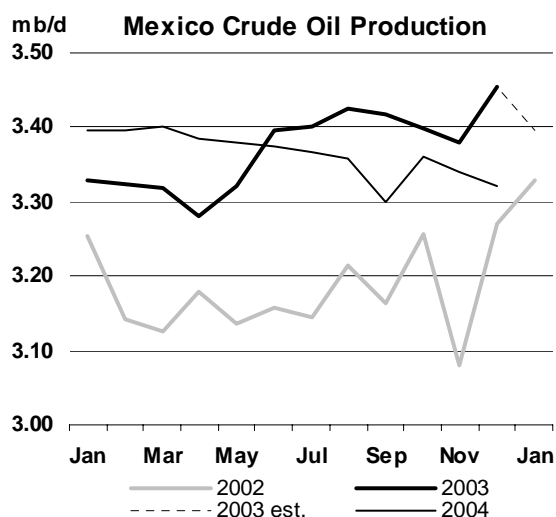
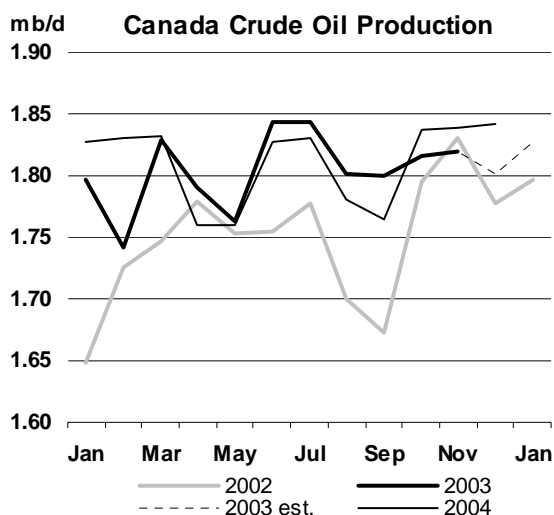
US Gulf of Mexico Growth Trend Set to Resume

US Gulf of Mexico (GOM) production in 2003 followed a generally downward trend after hitting a high of 1.7 mb/d in the first quarter. The trend is surprising at first glance, given the absence of the storm-related outages so prominent in autumn 2002 and the fact that 2003 saw seven significant new field start-ups. Hurricane Claudette in July 2003 signalled an earlier-than-usual start to the storm season but amounted to a monthly average loss of only some 60 kb/d. Subsequent autumn outages however were limited and GOM output was therefore spared the 400 kb/d and 150 kb/d storm-related losses seen in September and October 2002 respectively.

Two factors underpin the weaker performance seen since early in 2003. Firstly, underlying decline rates from established, shallower water fields in the area appear to have been running higher than anticipated. The production profile for 2004 has been adjusted downwards accordingly from last month's Report (*see chart, below*). Secondly, the timing of 2003's new field start-ups was overwhelmingly skewed to the fourth quarter. Firm data for the GOM is only available through September, when production had fallen to 1.6 mb/d, but output should have picked up again in 4Q with the start up of the Gunnison, Habanero, Matterhorn, Medusa, NaKika and Princess fields. Collectively, these fields may have added some 20 kb/d to 4Q 2003 production, but they should be contributing around 300 kb/d by the second half of this year as peak production levels are reached.



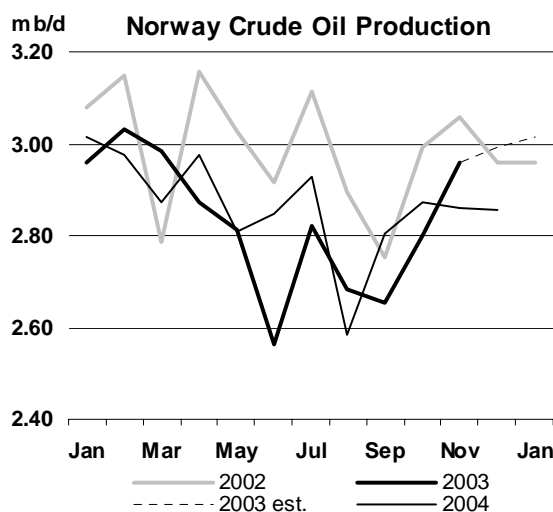
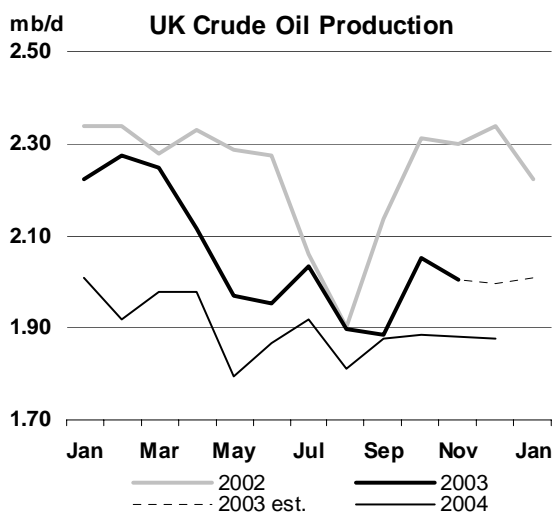
A further six new fields starting up over the course of 2004 (Devil's Tower, Front Runner, Llano, Mad Dog, Magnolia and Marco Polo) generate a further 110 kb/d of growth, albeit offset by decline elsewhere in the Gulf. Even allowing for steeper decline rates from older fields therefore, US GOM production growth looks set to reclaim the 100-150 kb/d annual growth seen during 1997-1999 and again in 2001. Production should average 1.85 mb/d in 2004. The growth trend has been spurred by royalty relief for new deepwater developments introduced in 1996. A new generation of independent operators has joined the established majors, frequently focussing attention on blocks close to existing infrastructure and tying-back new discoveries to those facilities. Many of their fields are relatively small, in a sub-50 mb range. However, a limited number of giant fields with 500 mb-plus, such as BP's Thunder Horse and Atlantis and Shell's Great White will also contribute to production growth in the second half of the decade. Estimates by US government agencies have variously placed GOM production hitting 2.5 mb/d sometime in the 2006-2009 period, helping offset a static-to-declining trend for production elsewhere in the US.



Mexico – December actual: December production of crude from Mexico reached 3.45 mb/d, marginally below targeted end-year production of 3.5 mb/d. Heavy crude production was up by 70 kb/d versus November while crude exports were flat at 1.86 mb/d, a level sustained since May 2003. However December saw a shift in exports away from the Atlantic Basin and towards Asia. 2003 saw the strongest production growth (+204 kb/d) since 1996. Rising supplies of heavy crude from the Cantarell field accounted for the bulk of the rise as a secondary recovery project using nitrogen injection reached fruition. Concerns remain over the sustainability of higher output from Cantarell, with renewed decline as early as late-2004 having been suggested. However, the sharp rise seen in total 2003 Mexican production suggests that our earlier forecast of a 50 kb/d decline for 2004 may have been overly pessimistic. This has been revised, with production now held flat around 3.4 mb/d through mid-year, declining to 3.35 mb/d by end year. Overall this suggests average Mexican production remaining at 3.37 mb/d for 2004, slightly lower than Pemex's latest forecast of 3.45 mb/d.

North Sea

UK – December estimate: November UK offshore production remained at around 2.0 mb/d, with production since 2Q 2003 having averaged well below the 2.3 mb/d of last winter. There is widespread consensus that 2004 will see continued UK oil production decline, although estimates vary within a range of 100-200 kb/d for the extent of the decline. This Report sees total liquids declining by 120 kb/d in 2004 compared with an estimated 225 kb/d drop in 2003. The slowing decline pre-supposes that the extended outages, scheduled and un-scheduled, seen through much of 2003 represented exceptional down-time rather than a new, more disruption-prone trend for North Sea operations. For now we have assumed that a combination of new field start-ups and expansions in late-2003 and 2004 (which should add a combined 125 kb/d to 2004 production) plus a lower level of field outages will be sufficient to lessen decline in 2004. There could however be downside risk for the existing forecast, becoming more evident as maintenance schedules become clearer.

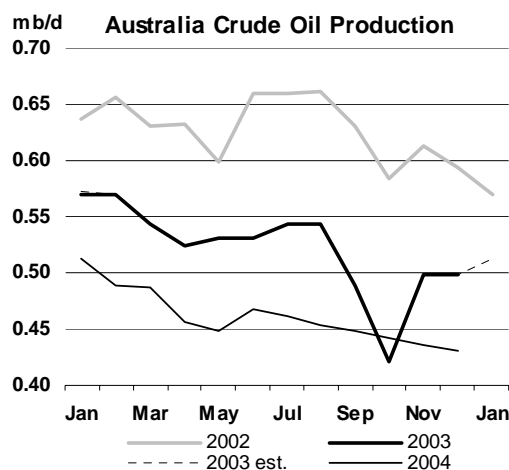


The UK Offshore Operators Association has recently suggested that 2005 and 2010 production targets agreed with government under 1999's "pilot" report could be missed despite recent levels of capital expenditure in excess of a targeted GBP 3 billion per year. Drilling activity on the UKCS reportedly dropped to a total of 240 wells in 2003 from 293 in 2002 and 342 in 2001. The Association has called for increased exploration effort, greater sharing of existing production infrastructure, the application of best practice by new independent operators picking up assets from established major companies and a lightening of the regulatory and fiscal regime. In this context, the UK Government announced in January a proposal for enhanced exploration write-offs for new operators once production begins and has introduced more flexible licenses for frontier areas.

Norway – November actual, December provisional: Final data for November crude production came in around 15 kb/d below earlier estimates, but provisional indications for both December and January show crude output running 50-75 kb/d higher than the 2.9 mb/d indicated in last month's Report. Total liquids supply for 4Q 2003 has been revised up by some 40 kb/d in light of November/December data and this now-higher output profile is assumed carried through 2004, notably for the Statfjord/Gullfaks system. BP in January announced first oil produced from the Valhall Flank North platform, earlier than the previously estimated March start-up. Higher early-2004 production from these sources offsets a downward adjustment to production from the Ekofisk system for 3Q 2004, with a two week shut-down announced for August/September by operators ConocoPhillips. Total Norwegian oil production is now forecast to show growth of some 45 kb/d in 2004, with new field developments reversing the 75 kb/d decline seen in 2003. As in the case of the UK however, there is downside risk to this forecast if the field outages and heavier than usual maintenance programmes seen in 2003 are repeated.

Asia Pacific

Australia – December Actual: Data through 4Q 2003 confirm a generally lower than expected trend in Australian liquids production. NGL production for the quarter is revised down 11 kb/d as a result, and crude by 29 kb/d. The forecast for total oil production for 2004 has been adjusted down by 15 kb/d. Cooper Basin crude and NGL supply in January and February was also adversely affected by a fire at Santos Ltd's Moomba gas processing plant which broke out on 1 January. It is assumed however that overall production decline slows in 2004 in the absence of a repeat of the extended maintenance, unscheduled outages and new field start-up problems that afflicted production from the Carnarvon Basin in particular during 2003. Australian liquids production is now forecast to decline by 45 kb/d in 2004 versus a 100 kb/d decline in 2003.



Former Soviet Union (FSU)

Russia – December actual, January provisional: This Report's retains the earlier forecast that oil production growth from Russia will slow modestly to 600 kb/d in 2004 from 825 kb/d in 2003. In fact, year-on-year growth in December and January averaged 870 kb/d and 890 kb/d respectively, the latter despite a drop in crude export levels. The projection for output in 2004 takes account of export capacity expansion projects (concentrated at Baltic Ports and other northern routes) and the producer companies' own plans for production in 2004. We have generally applied a conservative "filter" as regards the latter, setting growth for 2004 at or below the companies' target levels. It is worth noting however that both Lukoil and BP-TNK have recently announced upgraded expansion plans for 2004, while Yukos has reiterated existing production growth targets despite ongoing government investigation and the apparent unravelling of the Yukos-Sibneft merger. Concerns were raised that government moves to clamp down on oil sector fiscal and operational loopholes, together with plans for higher oil taxation, might have a significant impact upon production and exports in the short term. Although future investment in new producing areas could be adversely affected, the potential for rapid short-term production growth from existing areas, employing improved reservoir management techniques, remains. Changes in the tax regime are unlikely to come into force until 2005 and recent comments from the President and the Economics Ministry suggest any increase in the overall tax burden for oil companies may be capped around \$3 billion.

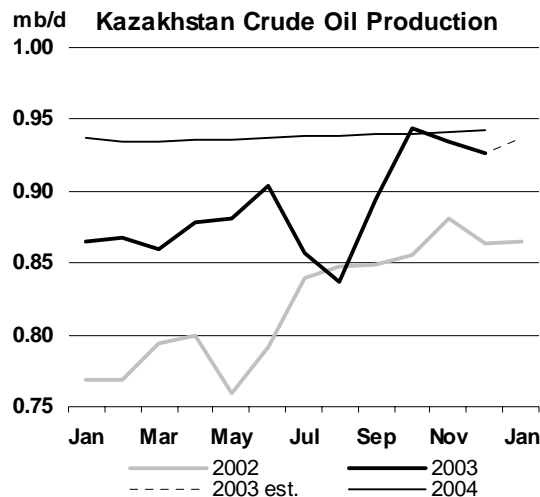
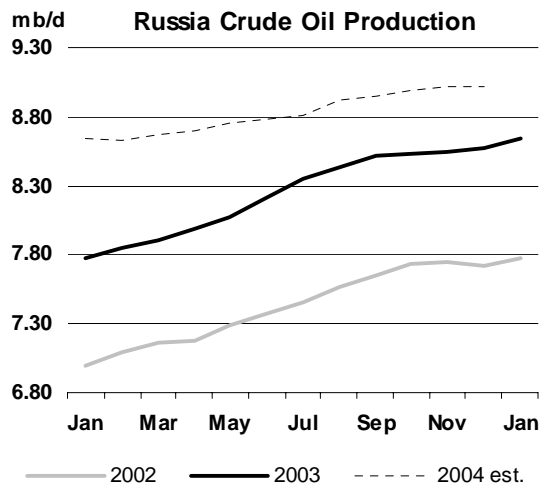
FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2002	2003	1Q03	2Q03	3Q03	4Q03	Revised		Prelim.	Latest month vs.	
							Nov 03	Dec 03	Jan 04	Dec 02	Jan 03
Black Sea Exports	2.52	2.81	2.61	3.00	2.96	2.69	2.62	2.79	2.46	-0.33	-0.01
Baltic Exports	2.02	2.49	2.17	2.61	2.57	2.60	2.75	2.59	2.96	0.37	1.00
Total Seaborne	4.54	5.30	4.78	5.61	5.52	5.29	5.36	5.38	5.42	0.04	0.99
Druzhba Pipeline	1.04	1.03	1.03	1.01	1.02	1.08	1.08	1.08	1.08	0.00	-0.01
Other	0.35	0.47	0.39	0.46	0.51	0.50	0.33	0.53	0.48	-0.05	-0.10
Total Exports	5.93	6.80	6.21	7.08	7.05	6.87	6.77	6.99	6.98	-0.01	0.88
Imports	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.00
Total Net Exports	5.92	6.79	6.19	7.06	7.04	6.86	6.76	6.98	6.97	-0.02	0.88
Crude	4.04	4.68	4.27	4.76	4.85	4.82	4.68	4.95	4.66	-0.29	0.42
<i>of which: Russian Crude</i>	<i>3.02</i>	<i>3.24</i>	<i>2.99</i>	<i>3.21</i>	<i>3.36</i>	<i>3.38</i>	<i>3.36</i>	<i>3.50</i>	<i>3.30</i>	<i>-0.21</i>	<i>0.37</i>
Products	1.89	2.13	1.94	2.32	2.20	2.05	2.09	2.04	2.32	0.28	0.46

Sources: Petro-Logistics, IEA estimates

Total net exports of crude and products from the FSU are estimated to have levelled off in January, with declines in crude shipments being offset by higher products exports. Black Sea exports fell by around 350 kb/d, with bad weather closing several ports for nearly a week, but Baltic shipments rose by an equivalent amount. Although there was a sharp recovery in Black Sea sailings late in January, exports there could remain constrained in February, not least due to continued bottlenecks facing vessels transiting the Turkish Straits. The overall trend of Russian exports away from the Black Sea and towards northern outlets was again emphasised in the past month. Reporting that it expected its own pipeline system to expand by 600 kb/d in 2004, Transneft also indicated that expansion of the Baltic Pipeline System to 840 kb/d would be completed by end-February, earlier than previously suggested. Russian plans to reverse the flow of crude south via Ukraine from Brody to Odessa on the Black Sea were thwarted with an early-February announcement by Ukraine that it will use the pipeline instead to move Caspian crude northwards into central Europe.

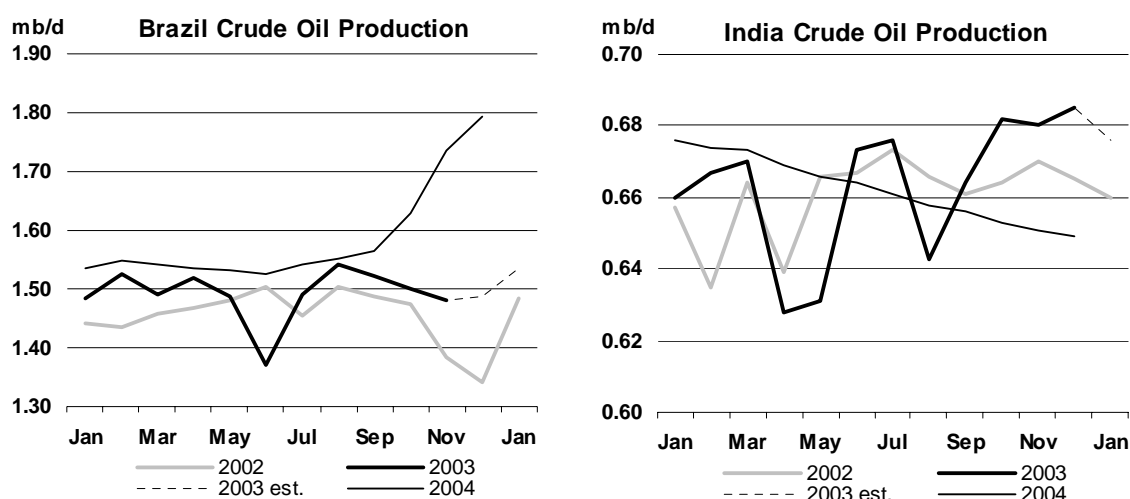


Kazakhstan – December actual: Total liquids production for Kazakhstan levelled off in December, with crude from the Tengiz field and condensate from Karachaganak a combined 35 kb/d lower than estimated in last month's Report. A slower build in Karachaganak production is now expected until CPC pipeline exports begin at end-1Q. A downward revision has also been made to forecast Tengiz production in line with operator Tengizchevroil's own estimate of 266 kb/d for 2004. Total Kazakh production is now projected at 1.14 b/d this year, a rise of 113 kb/d from 2003 but 17 kb/d less than forecast last month.

The preferred export route for Kazakh oil in the longer term remains open to question. Russian moves to increase tax off-take for shipments via the Russian section of the Caspian Pipeline Consortium (CPC) pipeline to Novorossiysk appear at odds with a desire to divert Kazakh production away from the more southerly, rival BTC project. The Baku-Tbilisi-Ceyhan pipeline project now appears on course for completion in early-2005 following agreement on loan finance in early February.

Other Non-OPEC

Brazil – November actual, December provisional: Final November data showed output 20 kb/d lower than estimated last month. Provisional data for December from Petrobras also indicate lower supply, due to maintenance at the offshore Campos Basin Jubarte field. Other offshore production outside the Campos Basin is also running 10 kb/d below earlier estimates for 4Q. Total Brazilian crude production for 2003 has been revised down by 7 kb/d and by 19 kb/d for 2004. However, output should rise sharply after mid-year, with start-up of new Campos Basin facilities at the Marlim Sul, Albacore Leste, Barracuda and Caratinga fields. To accommodate rising Campos supply, Petrobras unveiled plans for a pipeline to Sao Paulo. However, in an attempt to force Petrobras to build a refinery in Rio de Janeiro, state authorities there increased taxation on large scale pipelines.



India – December actual: Production in December held steady at 685 kb/d of crude. This leaves total production for 2003 unchanged from 2002 levels. Modestly rising supply from the Bombay High and other offshore fields compensated for decline onshore. This trend is set to continue, offshore production in 2004 stabilising at end-2003 levels, and offsetting continued decline onshore for the year as a whole. The widely reported discovery by UK independent Cairn Energy of 50-200 million barrels in the western state of Rajasthan is unlikely to add to production until 2006 at the earliest.

Other Countries: Minor revisions have been made to production for 2004 in a number of other non-OPEC producers. **Malaysian** production is revised up by 7 kb/d based on data through December 2003. Production for **Myanmar** in 2003 is revised up to 20 kb/d based on government reports, but has been held flat at these levels in the absence of details behind plans for a 50% increase in 2004. A 7 kb/d downward revision to **Argentine** production in 4Q 2003, based on data to November, has also been applied to 2004 output. Downward revisions are applied to **Yemen** (9 kb/d in 2003, 31 kb/d in 2004), reflecting faster implied decline at Masila and East Shabwa. Production in **Equatorial Guinea** is revised down 6 kb/d for 2004, with a slower build in condensate from Marathon's Alba field.

Revisions to Non-OPEC Oil Supply

	(million barrels per day)								
	Last month's OMR			This month's OMR			This month v last month		
	2003	2004	04 vs. 03	2003	2004	04 vs. 03	2003	2004	04 vs. 03
North America	14.71	14.95	0.24	14.70	14.92	0.22	-0.01	-0.03	-0.02
Europe	6.32	6.27	-0.05	6.32	6.29	-0.03	0.00	0.02	0.01
Pacific	0.66	0.62	-0.04	0.65	0.60	-0.05	-0.01	-0.02	-0.01
Total OECD	21.69	21.84	0.15	21.67	21.81	0.14	-0.02	-0.03	-0.01
Former USSR	10.31	11.07	0.75	10.31	11.05	0.74	0.00	-0.02	-0.01
Europe	0.17	0.17	-0.01	0.17	0.17	-0.01	0.00	0.00	0.00
China	3.41	3.39	-0.02	3.41	3.39	-0.01	0.00	0.00	0.00
Other Asia	2.48	2.53	0.05	2.49	2.55	0.06	0.01	0.01	0.01
Latin America	3.93	4.11	0.19	3.92	4.09	0.17	-0.01	-0.02	-0.02
Middle East	2.00	1.94	-0.06	1.99	1.91	-0.08	-0.01	-0.03	-0.02
Africa	3.06	3.47	0.40	3.06	3.46	0.40	0.00	0.00	0.00
Total Non-OECD	25.37	26.69	1.32	25.36	26.63	1.27	-0.01	-0.06	-0.05
Processing Gains	1.80	1.83	0.03	1.80	1.83	0.03	0.00	0.00	0.00
Total Non-OPEC	48.86	50.36	1.50	48.84	50.27	1.44	-0.03	-0.09	-0.06

OMR = Oil Market Report