

12 July 2006

HIGHLIGHTS

- Benchmark NYMEX WTI crude futures rallied above \$75/bbl in early July driven by strong gasoline prices, refinery problems and geopolitical uncertainty. Supply constraints remain in Nigeria, although Iraq's northern pipeline is providing additional supplies. Headline-driven reactions to developments involving Iran's nuclear programme continue to have a major impact on market sentiment.
- World oil product demand growth is largely unchanged for 2006, at 1.21 mb/d, as weak 2Q06 OECD consumption is counterbalanced by Chinese demand strength. Demand projections for 2007 show growth of 1.57 mb/d based on recoveries in North America and Southeast Asia.
- Non-OPEC oil supply growth accelerates to 1.7 mb/d in 2007 from 1.1 mb/d in 2006. Supply (including biofuels) averages 53.0 mb/d next year. The FSU and Africa account for 60% of growth, and the Americas for 30%. New oilfields and an assumed rebound after severe 2005/2006 outages underpin the increase in 2007. The North Sea and OECD Pacific also see a temporary respite in 2007 from recent declines.
- OPEC June crude supply rose 200 kb/d from May to reach 29.8 mb/d after Iraqi exports resumed from Ceyhan. OPEC capacity is seen rising by 300 kb/d by end-2006 and a further 800 kb/d in 2007. Inclusion of biofuel supply and weaker demand trim the 'call on OPEC crude and stock change' to 28.8 mb/d for 2006. The 2007 call on OPEC ranges between 28.4-29.2 mb/d when allowing for non-OPEC slippage and statistical differences.
- OECD total industry oil stocks built by 42 mb in May to 2,673 mb, or 7 mb above last year. The build was centred in product inventories in North America, where increased refinery output added to supplies. In the Pacific, crude stocks rose on seasonal refinery maintenance, while milder weather contributed to a build in middle distillate inventories. OECD forward demand came to 54 days, on par with last month and a year ago.

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HAPPY 2007?

In July, the *Oil Market Report (OMR)* traditionally rolls forward its projections into the following year. Alongside this report, aside from the standard rollover, we are also providing a new annual supplement *Medium-Term Oil Market Report (MTOMR)* covering the outlook through to 2011. It is hoped that this report will provide a useful bridge between the *OMR* and the long-term analysis in the *World Energy Outlook (WEO)* for the industry, economists and policymakers.

The medium-term work has afforded the opportunity to look more in depth into certain areas. The five-year forward field-by-field supply projections are customarily produced as a feed to the *WEO*, but we have now added the other parts of the equation. Aside from extending the product-by-product demand projections from the OECD to a global perspective, we have also been expanding our work on the refining sector and biofuels. Combining the two has enabled us to track potential product supply issues.

The recent explosion of private-sector interest and government policy targets suggests that biofuels will grow rapidly in the coming years. As these are effectively a source of refined product supply, they have the potential to make a small, but significant, contribution to ease current product tightness. But they could also lead to some minor data quality issues. Biofuels are included within the country demand projections for the US, Brazil and for the others as an annual average in the non-OPEC supply section. There are two issues here - firstly that biofuels will not necessarily arrive in a steady flow throughout the year and secondly, as with any new dataset, there is the possibility that errors emerge in monthly submissions to the IEA.

Looking at the balances, the key underlying demand-side fundamentals in our 2007 projections are little changed. We assume marginally lower GDP growth, predominantly due to a moderation of strong growth in the US. However, the assumption of normal weather conditions results in a strong recovery in the US in the first quarter of 2007, following a particularly mild start to 2006. Furthermore, while high prices are expected to continue to temper global demand growth, the price-related impact will fall slightly as the year-on-year change moderates. In late 2005/early 2006, sharp rises in state-administered retail prices in some non-OECD countries depressed demand growth, but these effects should moderate in early 2007. Overall, the outlook shows demand growth rising from 1.2 mb/d in 2006 to 1.6 mb/d in 2007.

Non-OPEC supplies should make a further leap forward in 2007. Following zero growth in 2005, non-OPEC output rises by 1.1 mb/d in 2006 and by 1.7 mb/d in 2007. In growth terms, we expect that the large projected jump in Q4 2006 supplies will lead to strong year-on-year growth in the first three quarters of 2007, and the fourth quarter will again see the start-up of a large number of new projects. Biofuels are also included within the non-OPEC supply figure, rising from 700 kb/d in 2006 to 890 kb/d in 2007. Of this 190 kb/d increment, 70 kb/d comes from biodiesel and 55 kb/d and 22 kb/d respectively from ethanol in the US and Brazil.

Combined with a 300 kb/d increase in OPEC NGL supplies in 2007, supply growth is estimated at 2.0 mb/d in 2007, which should lead to a marginal decline in the call on OPEC from 28.8 mb/d to 28.4 mb/d. Non-OPEC supplies are of course subject to the usual proviso that they are projected on a 'business-as-usual' basis, from which there has on average been 300-400 kb/d of downside risk. Adjusting for this and the current eight-quarter miscellaneous-to-balance gives an adjusted call on OPEC of 29.2 mb/d. In reality, the actual call will most likely fall somewhere between the two.

Current high prices are also related to product supply tightness: OECD gasoline stocks as a percentage of forward demand were below their five-year average level in April and May, while OECD crude stocks were well above normal. But that may change. This report's refinery analysis shows 1.5 mb/d and 1.0 mb/d globally of new refinery capacity (including capacity creep) being added in 2006 and 2007 respectively, together with the cumulative addition of 1.0 mb/d of upgrading capacity. This should bolster product supplies, particularly of gasoline and middle distillate.

Overall, 2007 appears to show potential improvements in crude, biofuel and finished product supplies relative to demand. While this should, in theory, help to ease some price pressures, geopolitical issues will not go away. Further, it is difficult to see market nerves being calmed until the summer driving season is out of the way, the hurricane season is over and the anticipated surge in second half 2006 non-OPEC supplies materialises.

DEMAND

Summary

- **Global oil product demand** is expected to grow by 1.2 mb/d (1.4%) in 2006 to 84.8 mb/d. For 2007, demand should expand by 1.6 mb/d (1.8%) to 86.4 mb/d, based on a continued robust global economic outlook and the rebound of North American and non-OECD Asian demand. Nevertheless, this is well below the exceptional growth of 3.2 mb/d (4.0%) in 2004.

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)	84.6	82.4	83.2	84.1	83.6	84.9	83.3	84.7	86.3	84.8	86.7	84.9	86.1	87.7	86.4
Annual Change (%)	2.6	1.5	1.4	-0.1	1.3	0.4	1.0	1.8	2.6	1.4	2.1	2.0	1.7	1.7	1.8
Annual Change (mb/d)	2.1	1.2	1.1	-0.1	1.1	0.3	0.8	1.5	2.2	1.2	1.8	1.7	1.4	1.4	1.6
Changes from last month's report (mb/d)	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	0.0	-0.1	-0.1					

- **OECD oil product demand** should expand by 0.1 mb/d (0.3%) in 2006 to 49.7 mb/d. For 2007, demand is expected to increase by 0.4 mb/d (0.8%) to 50.0 mb/d. North America will account for the bulk of demand growth, in part because temperatures were unusually mild in 1Q06. First quarter 2007 demand is expected to exceed the weather-affected 1Q06 baseline by some 800 kb/d. By contrast, as Europe was unusually cold in 1Q06, its oil product demand is forecast to decline by 250 kb/d in 1Q07.

Global Oil Demand by Region
(million barrels per day)

	Demand		Annual Change			Annual Change (%)		
	2006	2007	2005	2006	2007	2005	2006	2007
North America	25.62	26.01	0.09	0.16	0.39	0.3	0.6	1.5
Europe	16.18	16.18	0.01	-0.01	0.00	0.0	-0.1	0.0
OECD Pacific	8.59	8.60	0.10	0.00	0.01	1.2	0.0	0.1
China	7.03	7.42	0.17	0.41	0.39	2.6	6.1	5.5
Other Asia	8.90	9.14	0.16	0.10	0.23	1.8	1.2	2.6
Subtotal Asia	24.52	25.15	0.43	0.51	0.63	1.8	2.1	2.6
FSU	3.85	3.88	0.05	0.05	0.03	1.3	1.3	0.8
Middle East	6.47	6.81	0.32	0.33	0.34	5.6	5.4	5.3
Africa	2.95	3.02	0.08	0.07	0.07	3.0	2.4	2.4
Latin America	5.21	5.32	0.13	0.10	0.11	2.7	2.0	2.1
World	84.80	86.37	1.11	1.21	1.57	1.3	1.4	1.8

- **Non-OECD oil product demand** is projected to rise by 1.1 mb/d (3.2%) in 2006 to 35.1 mb/d. For 2007, demand is forecast to increase by 1.2 mb/d (3.4%) to 36.3 mb/d. China and the Middle East will continue to expand at a rapid pace, and non-OECD Asia will rebound from a relatively weak 2006. Recent increases to administered retail prices in key consuming counties in non-OECD Asia temporarily slowed oil product demand growth, but growth should return as the region's economies continue their rapid expansion. Overall, non-OECD demand will account for 75% of global demand growth in 2007.

Preliminary Inland Deliveries - May 2006¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
USA ³	9.33	0.8	1.66	6.0	2.99	1.0	1.09	-0.8	0.78	8.2	5.2	13.4	21.00	4.3
Mexico	0.73	10.8	0.06	3.4	0.36	13.8	0.00	na	0.26	-27.0	0.4	0.8	1.77	1.4
Japan	1.00	0.9	0.29	-7.7	0.56	0.7	0.35	-8.2	0.42	8.8	1.4	-7.2	3.99	-2.8
Korea	0.16	-1.2	0.06	9.1	0.40	0.0	0.03	-17.9	0.21	-5.9	1.1	12.2	1.96	5.5
France	0.25	-7.5	0.13	2.3	0.65	2.8	0.17	-12.3	0.04	0.3	0.5	-0.5	1.71	-1.5
Germany	0.54	-6.6	0.17	-9.4	0.60	2.6	0.45	1.1	0.11	7.2	0.5	6.6	2.36	0.1
Italy	0.31	-6.2	0.09	16.4	0.54	5.5	0.07	-3.8	0.12	-2.7	0.4	-2.0	1.55	0.4
Total	12.31	0.6	2.46	3.2	6.10	2.3	2.16	-3.1	1.94	-0.6	9.4	7.4	34.33	2.5

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

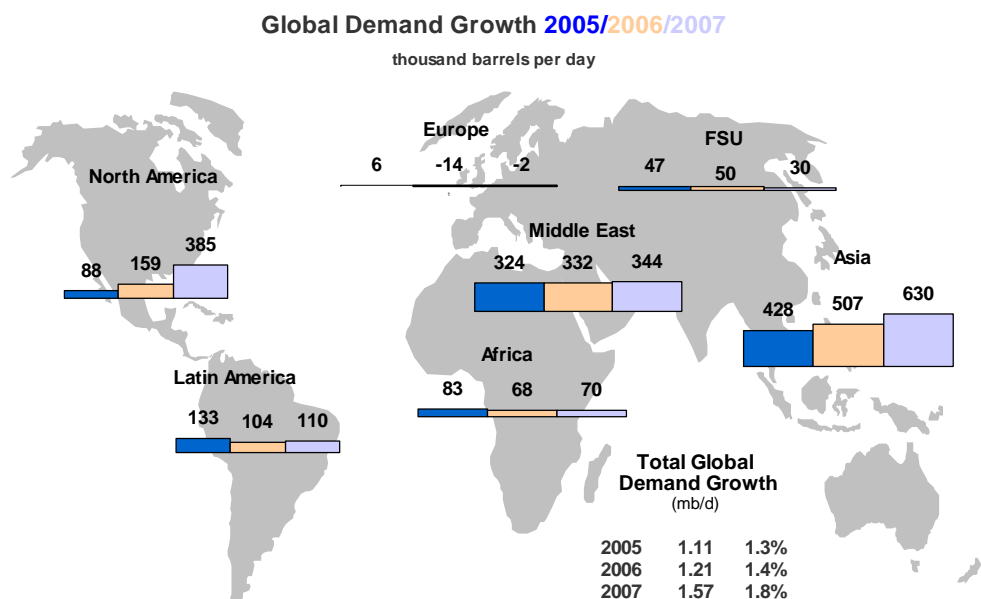
¹ Excludes refinery fuel and bunkers (except US).

² Includes direct use of crude oil.

³ Fifty states only. Diesel's share of total distillate is estimated.

Note: Monthly US demand data are subject to revision, as discussed in the Reports dated 13 July and 11 August 2005.

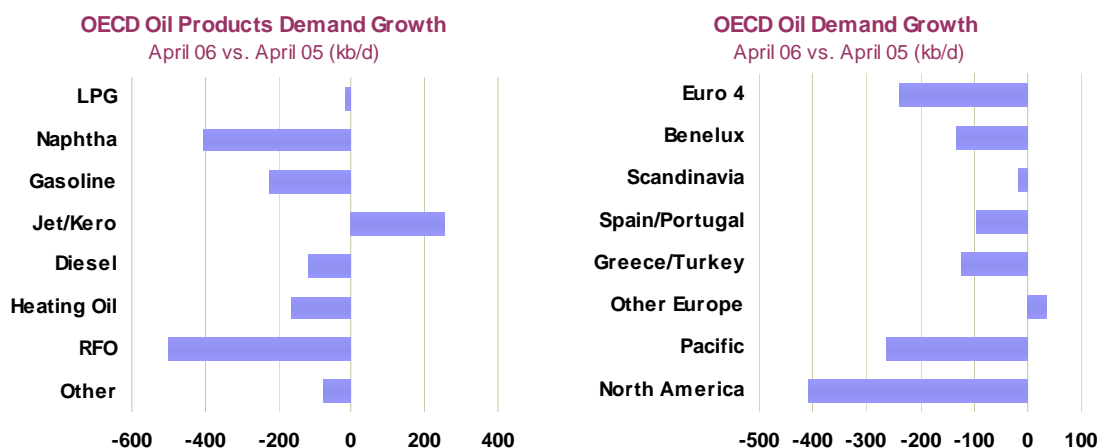
- **Under a regional comparison**, China will rise at the fastest pace (5.5%) in 2007, closely followed by the Middle East (5.3%). North America accounts for the largest share of oil product consumption, representing 30.1% of total world demand, compared with 8.6% for China and 7.9% for the Middle East. However, North America will account for only 25% of global demand growth in 2007, while China and the Middle East will account for almost half of global growth (46%).



OECD

Overview

Preliminary May 2006 inland delivery data suggest that North American demand was relatively buoyant, driven mostly by the US, where economic performance continues to exceed expectations (and to a lesser extent by Mexico). By contrast, oil product deliveries were relatively flat in major European countries – notably France, Germany and Italy – as a result of very weak gasoline demand and lower heating oil usage in line with relatively mild spring temperatures. In the Pacific, meanwhile, inland deliveries were reported to be quite weak in Japan but very strong in Korea.



Given changes to historical data – which affect the 2005 baseline – second quarter OECD demand has been revised down by 410 kb/d to 48.2 mb/d (-0.6% versus 2Q05). On the whole, 2006 demand is 200 kb/d lower than last month's *OMR*.

In 2007, OECD demand is expected to increase by 0.4 mb/d (0.8%). This projection is based on continued, relatively strong economic growth over the next year. Of course, this economic forecast – coming primarily from the IMF, the OECD and Consensus Economics – may be revised downwards as a result of growing economic imbalances and the lagged impact of high oil prices.

Total OECD Demand by Product

(million barrels per day)

	2005	2006	2Q05	3Q05	4Q05	1Q06	Feb 06	Mar 06	Apr 06	Latest month vs.	
										Mar 06	Apr 05
LPG & Ethane	4.69	4.66	4.31	4.31	4.73	4.99	5.24	4.80	4.40	-0.41	-0.02
Naphtha	3.21	3.19	3.13	3.24	3.09	3.18	3.26	3.05	2.86	-0.19	-0.41
Motor Gasoline	14.87	14.87	15.07	15.19	14.74	14.34	14.30	14.76	14.72	-0.04	-0.22
Jet & Kerosene	4.22	4.26	3.87	3.96	4.38	4.52	4.52	4.42	4.14	-0.28	0.26
Gas/Diesel Oil	13.06	13.21	12.66	12.75	13.40	13.74	13.86	14.20	12.53	-1.67	-0.28
Residual Fuel Oil	4.45	4.31	4.23	4.30	4.48	4.66	4.73	4.57	3.85	-0.71	-0.50
Other Products	5.05	5.16	5.27	5.38	5.03	4.72	4.62	4.79	4.86	0.07	-0.08
Total Products	49.53	49.66	48.54	49.13	49.86	50.15	50.53	50.60	47.37	-3.23	-1.25

Among the key fuels driving demand, diesel will continue to post relatively strong growth of 2.3% in 2007, down slightly from 2.9% in 2006. Jet fuel/kerosene demand should rise by 1.7% (compared to 1.0% in 2006), pulled upwards in part by the continued success of low-cost airlines. Meanwhile, gasoline demand will increase by only 0.4% in 2007 as growth is undermined by the dieselisation of the vehicle fleet in some areas, particularly Europe. Finally, demand for residual fuel oil will likely continue its long-term pattern of decline (-0.4% growth in 2007) as OECD countries broadly continue their switch to alternative fuels, including natural gas.

North America

US inland deliveries posted a year-on-year increase in May (4.3%), prompted by buoyant demand for jet fuel/kerosene (deliveries up by 6.0%) and residual fuel oil (8.2%). However, there are reasons to be cautious regarding the strength of US demand. Indeed, over the past few months preliminary US data have regularly been revised downwards. Most recently, April demand was revised down by 275 kb/d versus estimates based on preliminary data, with the largest revisions coming in LPG/ethane and 'other' products. Nonetheless, US gasoline consumption is expected to hold its ground during the driving season, growing by 1.3% year-on-year in 3Q06.

In Mexico, May inland deliveries grew by 1.4% versus year ago levels, reflecting strong economic performance in the second quarter of 2006. There is some concern that opposition protests following the closely fought presidential election will impinge upon current strong economic growth if demonstrations escalate.

For North America as a whole, second quarter 2006 demand now stands at 25.4 mb/d (+0.2% versus 2Q05). This is 100 kb/d lower than last month's *OMR*.

OECD North America Demand by Product

(million barrels per day)

	2005	2006	2Q05	3Q05	4Q05	1Q06	Feb 06	Mar 06	Apr 06	Latest month vs.	
										Mar 06	Apr 05
LPG & Ethane	2.80	2.83	2.55	2.58	2.81	2.98	3.13	2.91	2.69	-0.22	0.13
Naphtha	0.45	0.43	0.48	0.50	0.30	0.36	0.37	0.36	0.34	-0.02	-0.16
Motor Gasoline	10.61	10.70	10.74	10.77	10.58	10.35	10.28	10.63	10.58	-0.05	-0.04
Jet & Kerosene	1.93	1.95	1.89	1.93	1.97	1.87	1.88	1.90	1.94	0.04	0.09
Gas/Diesel Oil	5.08	5.17	5.02	4.93	5.14	5.35	5.35	5.57	4.95	-0.62	-0.10
Residual Fuel Oil	1.57	1.45	1.46	1.61	1.62	1.44	1.35	1.46	1.19	-0.27	-0.31
Other Products	3.01	3.10	3.19	3.18	3.02	2.78	2.67	2.78	2.89	0.11	-0.02
Total Products	25.46	25.62	25.34	25.50	25.43	25.13	25.03	25.60	24.57	-1.03	-0.41

In 2007, North American oil product demand is projected to rise by 0.4 mb/d (1.5%), driven in part by expectations of continued strong economic growth. Temperatures were also extraordinarily mild in 1Q06, contributing to a 440 kb/d (1.7%) year-on-year decline in North American demand. As a consequence, assuming normal weather patterns, demand growth should rebound (3.2%) in 1Q07.

On a product-by-product basis, US middle distillate demand will remain relatively strong in 2007. Diesel consumption is expected to increase by 2.3% and jet fuel/kerosene demand should rise by 1.7%, in line with strong economic performance. Residual fuel oil will reverse its steep 2006 fall (-9.6%) and grow by 3.6% in 2007. In general, US fuel oil demand is stagnant, but the first half of 2006 saw an unusually large drop in demand, as natural gas prices eased following mild temperatures, thereby discouraging fuel oil consumption.

Europe

Preliminary May 2006 inland delivery data for **Germany** and **Italy** show that oil product demand was relatively flat when compared to the same month of the previous year (0.1% and 0.4% growth, respectively). A pronounced decline in gasoline demand (-6.6% and -6.2%, respectively) was offset by strong gasoil/diesel demand growth (1.9% and 4.3%). **France's** inland deliveries, meanwhile, fell by 1.5%, in part due to much lower consumption of heating oil (-12.3%), driven by relatively mild temperatures.

OECD Europe Demand by Product

(million barrels per day)

	2005	2006	2Q05	3Q05	4Q05	1Q06	Feb 06	Mar 06	Apr 06	Latest month vs.	
										Mar 06	Apr 05
LPG & Ethane	1.00	0.97	0.90	0.91	1.04	1.08	1.15	1.03	0.89	-0.14	-0.04
Naphtha	1.18	1.16	1.14	1.15	1.21	1.17	1.19	1.16	1.08	-0.08	-0.11
Motor Gasoline	2.65	2.56	2.74	2.75	2.56	2.43	2.44	2.52	2.58	0.06	-0.15
Jet & Kerosene	1.24	1.28	1.22	1.33	1.23	1.24	1.20	1.31	1.25	-0.06	0.07
Gas/Diesel Oil	6.10	6.18	5.80	6.07	6.34	6.47	6.57	6.62	5.74	-0.88	-0.15
Residual Fuel Oil	1.82	1.82	1.78	1.70	1.80	2.06	2.17	2.03	1.67	-0.36	-0.14
Other Products	1.48	1.48	1.55	1.63	1.46	1.28	1.25	1.33	1.44	0.11	-0.06
Total Products	15.48	15.45	15.14	15.55	15.64	15.73	15.97	16.00	14.65	-1.35	-0.58

Second-quarter 2006 OECD European demand averaged 14.9 mb/d (-1.5% versus 2Q05). This is 180 kb/d lower than last month's *OMR*, mostly because of large revisions to UK data.

Looking to 2007, OECD European demand is expected to decline slightly to 15.4 mb/d (-0.1%). Differences across countries will be driven in large part by disparities in economic growth, interfuel substitution and fuel efficiency. Despite these variations, common themes emerge, notably the continued trend towards further dieselisation of Europe's car fleet and the substitution of natural gas in place of fuel oil. As such, diesel demand is expected to grow significantly (2.7%), while gasoline demand should fall by 3.2%. Similarly, fuel oil consumption will decline by 1.9% in 2007 (provided no major droughts occur in Southern Europe, which could prompt higher fuel oil demand to compensate for limited hydropower generation).

Pacific

Preliminary inland delivery data suggest that **Japanese** demand declined by 2.8% year-on-year in May. This was in part due to weather-related factors: on the one hand, warmer-than-normal temperatures in northern Japan depressed heating oil usage; on the other, poor weather during most of the month spoiled the traditional Golden Week holiday, reducing gasoline consumption to abnormally low seasonal levels as many drivers chose to stay at home.

OECD Pacific Demand by Product

(million barrels per day)

	2005	2006	2Q05	3Q05	4Q05	1Q06	Feb 06	Mar 06	Apr 06	Latest month vs.	
										Mar 06	Apr 05
LPG & Ethane	0.89	0.86	0.86	0.82	0.88	0.93	0.96	0.87	0.82	-0.05	-0.11
Naphtha	1.58	1.60	1.50	1.58	1.58	1.65	1.71	1.53	1.43	-0.10	-0.14
Motor Gasoline	1.61	1.62	1.59	1.66	1.61	1.56	1.58	1.60	1.56	-0.04	-0.04
Jet & Kerosene	1.04	1.02	0.75	0.70	1.19	1.42	1.45	1.21	0.95	-0.25	0.10
Gas/Diesel Oil	1.87	1.86	1.84	1.75	1.91	1.92	1.93	2.01	1.83	-0.18	-0.03
Residual Fuel Oil	1.05	1.04	0.98	0.98	1.07	1.16	1.21	1.08	1.00	-0.08	-0.05
Other Products	0.55	0.59	0.53	0.57	0.55	0.67	0.69	0.68	0.53	-0.15	0.00
Total Products	8.59	8.59	8.06	8.07	8.79	9.29	9.53	8.99	8.14	-0.85	-0.26

By contrast, **Korea's** inland deliveries surged by 5.5% in May 2006 compared to the same period in the previous year. This is in sharp contrast to the first four months of the year, where demand declined year-on-year. The May demand rebound can be attributed to two factors: first, a relatively weak May 2005 baseline and, second, strong naphtha demand growth (6.1%), mostly due to less intensive petrochemical plant maintenance than that observed in May 2005.

Second quarter 2006 OECD Pacific demand stands at 7.9 mb/d (-1.9% versus 2Q05), 140 kb/d below last month's *OMR*. With respect to 2007, OECD Pacific oil product demand should rise slightly to 8.6 mb/d (0.1% growth versus 2006). Japanese demand will continue to decline (-0.7%), in part due

to diminishing direct crude burning for power generation. By contrast, Korean demand may rebound (1.3%) from a very weak 2006 baseline, when demand declined by 0.1%.

Non-OECD

China

Preliminary indications suggest that China's apparent demand – defined as the sum of domestic refinery output and net product imports with adjustments for direct crude burning, smuggling and unreported refinery output – rose by 11% in May. This increase is driven by the country's continued strong economic performance and possibly by refiners' increased willingness to supply the market in anticipation of late May's rise in administered retail prices. The May 2005 baseline was also somewhat weak, so relatively strong growth had been anticipated.

China Demand by Product

	Demand			Annual Change		Annual Change (%)	
	2005	2006	2007	2006	2007	2006	2007
	(thousand barrels per day)						
LPG & Ethane	638	645	656	6	11	1.0	1.7
Naphtha	774	894	982	120	88	15.5	9.9
Motor Gasoline	1091	1177	1257	86	80	7.9	6.8
Jet & Kerosene	238	260	282	23	21	9.6	8.2
Gas/Diesel Oil	2127	2266	2407	139	141	6.5	6.2
Residual Fuel Oil	787	746	733	-41	-14	-5.2	-1.9
Other Products	966	1039	1101	74	62	7.6	6.0
Total Products	6621	7028	7418	407	390	6.1	5.5

Chinese apparent demand growth is projected to remain strong over the second half of 2006 and throughout 2007, with transportation fuels (which account for about 40% of total demand) rising by approximately 6-8%. Naphtha will also post robust demand growth of about 10%. By contrast, LPG and fuel oil consumption will be stagnant to declining year-on-year (1.9% and -1.6%, respectively, over the 18 month period). Both fuels are subject to interfuel substitution with high prices. Fuel oil should see less demand from electricity generation as China continues to add non-oil-fired power generation and transmission capacity.

China Crude & Product Trade

	(thousand barrels per day)										
	2004	2005	2Q2005	3Q2005	4Q2005	1Q2006	Mar 06	Apr 06	May 06	Latest month vs. Apr 06	May 05
Net Imports/(Exports) of:											
Crude Oil	2346	2387	2541	2294	2407	2872	2697	2773	2684	-89	278
Products & Feedstocks	661	480	375	445	599	512	553	659	554	-105	402
Gasoil/Diesel	43	-19	-27	-40	-3	-10	-30	-4	-15	-11	10
Gasoline	-125	-130	-161	-155	-55	-107	-104	-63	-72	-9	111
Heavy Fuel Oil	506	418	395	397	402	406	414	447	468	21	207
LPG	201	194	179	216	182	146	149	217	226	9	111
Naphtha	-33	-35	-67	-25	1	-15	-15	-18	-58	-40	-3
Jet & Kerosene	16	11	5	2	30	43	106	20	12	-8	19
Other	52	41	51	49	42	49	33	60	-7	-67	-53
Total	3008	2867	2916	2739	3006	3384	3250	3432	3237	-194	681

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

Overall, China's apparent oil product demand is seen growing by 5.5% to 7.4 mb/d in 2007. There have been reports that the government is contemplating further increases to administered retail prices, with the possibility of a 15-20% increase by the end of the year, depending on the direction of international market prices. This could certainly temper demand growth. At the same time, some market participants have speculated that China may be filling its strategic storage, although there are no official pronouncements in this area.

Other Non-OECD

Based on preliminary data and estimates, **India** will post strong 2Q06 oil product demand growth (5.7%) compared to the same quarter in 2005, boosted by May's 8.7% year-on-year increase. The May spike was driven in large part by a surge in diesel and gasoline demand, which may be explained in part by the fact that retailers, motorists and farmers anticipated an early June hike in administered

prices, filling their tanks in advance. Diesel demand growth will likely be less vigorous during the rest of the year, although it will be supported seasonally by harvest-driven consumption, thus rising by 4.0% in 3Q06 and 3.5% in 4Q06. Crucially, LPG and kerosene prices were not altered. This is due to political and social considerations; in India, kerosene is considered as the 'fuel of the poor'.

With respect to 2007, India's oil product demand will increase by 2.8%, to 2.7 mb/d. It is worth noting that the spike in naphtha demand observed since March is likely to prove temporary, since naphtha is relatively expensive vis-à-vis natural gas, especially in fertilizer production. Therefore, naphtha demand is projected to decline by 3.8% next year (compared to a rise of 1.8% in 2006). For **Other Asia** as a whole, 2007 oil product demand should grow by 2.6% to reach 9.1 mb/d.

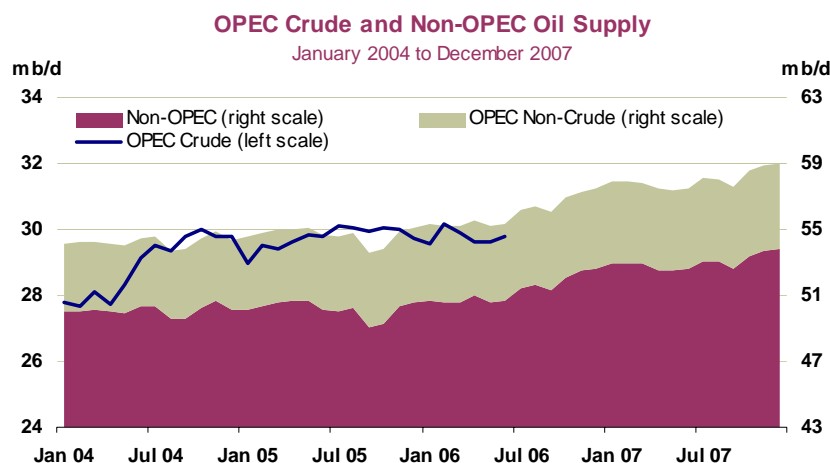
Regarding other regions, **Latin American** demand will rise by 0.1 mb/d (2.1%) in 2007, to 5.3 mb/d. Regional demand will be pushed by Brazilian growth of 2.4%, to 2.3 mb/d. Note that the success of Brazil's ethanol program helps explain why forecasts for gasoline and diesel demand growth are relatively weak (1.8% and 1.9%, respectively). However, it can be argued that some of the weakness is related to gasoline adulteration, which is obviously difficult to measure.

Furthermore, the **FSU's** 2007 apparent demand (the difference between crude production and net exports of crude and products) should remain relatively stagnant at 3.9 mb/d (+0.8%). By contrast, **Middle East** demand will grow by a very robust pace (5.3%) to 6.8 mb/d next year, as the region's economies benefit both from high oil prices – which have filled government coffers and hence allowed higher spending – and a demographic spur – as the region's population is mostly young and increasingly eager (and able) to consume.

SUPPLY

Summary

- **Non-OPEC oil supply growth in 2007** is projected to accelerate to 1.7 mb/d, taking total supply to 53.0 mb/d. This compares to anticipated growth of 1.1 mb/d in 2006 and a non-OPEC total of 51.3 mb/d. Growth is concentrated in the second half of 2006 and first half of 2007. This reflects not only a spike in expected new field start-ups, but also an assumed rebound from depressed supply levels evident in the corresponding periods of 2005 and 2006. The FSU and Africa generate a combined 60% of total 2007 non-OPEC growth, with the Americas providing a further 30%. The North Sea and OECD Pacific also see temporary respite in 2007 after recent sharp declines.
- **OPEC gas liquids and non-conventional supply** continues to show robust growth in 2007. Baseline supplies for 2005/2006 have been revised up by some 270 kb/d, with this year's total now seen at 4.7 mb/d. Growth in 2007 amounts to 280 kb/d, similar to the expected 2006 increment. Qatar provides 90 kb/d of next year's increase, with 20-40 kb/d of growth also coming from each of Algeria, Iran, Saudi Arabia and the UAE.
- **World oil supply** in June gained 315 kb/d from May to average 85.2 mb/d. This was 715 kb/d higher than June 2005, with OECD production down by 620 kb/d, OPEC total oil supply up 225 kb/d, and non-OECD plus other supplies running 1.1 mb/d higher versus year-ago levels. Month-on-month gains in June came from the US GOM, Canada, Russia, Azerbaijan, China and Sudan, while North Sea maintenance trimmed European supply by 175 kb/d. OPEC crude supply was 200 kb/d higher than in May, largely due to renewed exports from northern Iraq.
- **Non-OPEC supply** (now including global biofuels) projections for 2006 have been revised up by 90 kb/d to 51.3 mb/d. This results from the inclusion of 155 kb/d of biofuels supply not previously included in *OMR* balances. Otherwise, conventional oil supply estimates for 2006 are trimmed by 65 kb/d. Weaker assessments for Angolan and Canadian output and for Malaysian NGL supply outstrip upward revisions for the US, Mexico and the UK.
- **OPEC crude supply** for June is estimated up by 200 kb/d from May, at 29.8 mb/d. Rising supply from Iraq accounted for 160 kb/d of the increase, while Nigeria, Iran and Saudi Arabia also saw supply nudge higher from recently suppressed levels. Maintenance work and field outages saw production from Algeria, Indonesia, UAE and Venezuela fall by a collective 155 kb/d. Downward revisions to May supply amount to 230 kb/d, centred on Iran, Nigeria, Saudi Arabia and Algeria.
- **June OPEC spare capacity** came to 3.0 mb/d, although effective spare capacity, excluding Indonesia, Iraq, Nigeria and Venezuela, is closer to 2.0 mb/d. Over 500 kb/d of Nigerian capacity remains shut-in due to security concerns and pipeline outages in the Niger Delta. Furthermore, global refinery upgrading constraints suggest that real OPEC spare capacity at times may be lower still. Nonetheless, OPEC capacity could increase to 33.1 mb/d by end-2006 from 32.8 mb/d now.
- **The 'call on OPEC crude and stock change'** for 2006 is revised down by 0.5 mb/d to 28.8 mb/d after incorporating global biofuel supply estimates and weaker OECD demand. However, the call is seen rising progressively through the rest of this year to 29.1 mb/d by 4Q. Strong non-OPEC supply and OPEC gas liquids growth in 2007 exceed expected 1.6 mb/d demand growth, leading to slippage in the call to 28.4 mb/d. However, a higher call is possible if adjustments are made for downside non-OPEC supply risk and the miscellaneous-to-balance factor.



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.

This month's Supply section is abridged to concentrate on the broad non-OPEC outlook for 2007 and the trends in June OPEC crude supply. More detailed national and regional supply commentary can be found in the companion document, Medium-Term Oil Market Report (MTOMR).

The 2007 Outlook for Non-OPEC Supply

After a near-static performance in 2005, non-OPEC oil supply is expected to grow by 1.1 mb/d in 2006 to average 51.3 mb/d, with growth accelerating to 1.7 mb/d in 2007, for an annual average of 53.0 mb/d. OPEC non-crude liquids, primarily derived from natural gas, also show robust growth which comes in at 255 kb/d for 2006 and 280 kb/d for 2007. Although still a marginal component of the world market at 5.0 mb/d by 2007, OPEC NGLs are nonetheless on course to have grown by 60%, or 1.85 mb/d, in the 2000-2007 period.

World Oil Supply 2004-2007

(million barrels per day)

	2004	2005	2006	2007	04 vs 03	05 vs 04	06 vs 05	07 vs 06
North America	14.58	14.09	14.30	14.56	-0.04	-0.49	0.21	0.26
Europe	6.08	5.61	5.38	5.36	-0.25	-0.47	-0.22	-0.02
Pacific	0.58	0.58	0.54	0.62	-0.08	0.00	-0.05	0.09
Total OECD	21.23	20.28	20.22	20.54	-0.36	-0.96	-0.06	0.32
Former USSR	11.23	11.64	12.09	12.61	0.89	0.41	0.45	0.52
East Europe	0.17	0.16	0.15	0.13	-0.01	-0.01	-0.01	-0.01
China	3.48	3.62	3.70	3.73	0.07	0.13	0.09	0.03
Other Asia	2.70	2.67	2.72	2.75	0.14	-0.03	0.06	0.02
Latin America	4.08	4.30	4.47	4.72	0.04	0.22	0.17	0.25
Middle East	1.93	1.86	1.80	1.75	-0.12	-0.07	-0.06	-0.05
Africa	3.37	3.67	4.10	4.60	0.34	0.30	0.43	0.49
Total Non-OECD	26.96	27.92	29.04	30.29	1.36	0.96	1.13	1.25
Processing Gains	1.83	1.86	1.90	1.92	0.03	0.03	0.04	0.02
Other Biofuels	0.07	0.12	0.15	0.26	0.01	0.04	0.04	0.11
Total Non-OPEC	50.10	50.17	51.31	53.01	1.04	0.08	1.14	1.70
OPEC Crude	28.91	29.76	na	na	1.80	0.85	na	na
OPEC NGL & Non-Conv.	4.15	4.46	4.72	5.00	0.49	0.31	0.25	0.28
Total OPEC	33.06	34.23	na	na	2.29	1.16	na	na
Total Supply	83.16	84.40	na	na	3.33	1.24	na	na

na = not available

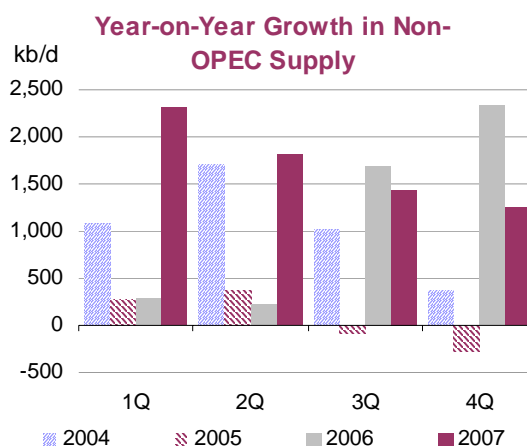
In general we see the 2006 and 2007 profile as a reversion to more normal non-OPEC supply trends after the exceptionally weak performance evident since the second half of 2004. The slow-down in non-OPEC supply in the two years since mid-2004 has resulted from a number of factors which are not necessarily symptomatic of a longer-term trend. Taking 2005 as a guide, the relative underperformance of non-OPEC supply compared to early expectations (off by 1.1 mb/d in the case of OMR projections) can be ascribed to the following reasons:

- Heavier than normal hurricane outages affecting North American supply accounted for 0.5 mb/d;
- New field start-up delays in North America, the North Sea, Brazil, Sudan and others accounted for a further 0.3 mb/d;
- A temporary cessation of oilfield investment affecting the assets of Russian producers Yukos and Sibneft cut 0.2 mb/d off Russian supply compared to initial expectations;
- A balance of 0.1 mb/d was attributable to unexpected outages, political events, extended maintenance and faster than expected decline rates.

OMR projections are made under a 'business-as-usual' set of assumptions. Therefore, typical seasonal average weather and maintenance-related disruptions are accounted for but exceptional disruptions are not. As noted in the caveat at the start of this section every month, no account is taken of factors which, by definition, are not possible to forecast. Experience has shown that these factors can reduce non-OPEC supply in a given year by 300-400 kb/d.

Clearly, some of the factors which weighed so heavily on 2005 non-OPEC supply could recur. However, their 2005 coincidence and extent seem statistically unlikely to recur in 2006 and 2007. Therefore, production recovery from facilities adversely affected during late 2004 and through to 2005 represents a large part of the strong growth expected for 2006 and 2007. There is a parallel here with oil demand. Weak global oil demand growth in 2003 contributed to surging growth rates in 2004. This was followed by 'weaker-than-expected' demand growth in 2005, although some forecasters (this Report included) correctly predicted a downside adjustment in 2005 after the artificially inflated growth of 2004. In much the same way, the strong non-OPEC growth expected for the second quarter of 2006 and early 2007 is itself partially a 'rebound' effect from earlier suppressed supply.

There has also been a tendency in some quarters to attribute the expected rebound in 2006 and 2007 non-OPEC supply to recent high prices. However, given that major upstream investment projects typically have lead times of between five and seven years, projects coming on stream in 2006 are likely to have been sanctioned sometime between 1999 and 2001, or even earlier in the case of projects that have experienced long delays. Projections contained in the *MTOMR* covering a longer time horizon through to 2011 do incorporate some of the supply upside prompted by price increases in the last two to three years. On a limited basis, some new investment projects have been accelerated as a result of higher prices and some marginal satellite developments are taking place. Certainly an upsurge in drilling and capital spending in 2005 and 2006 is likely to support volume growth in the medium term if tightness in raw materials, service capacity and labour can be overcome.



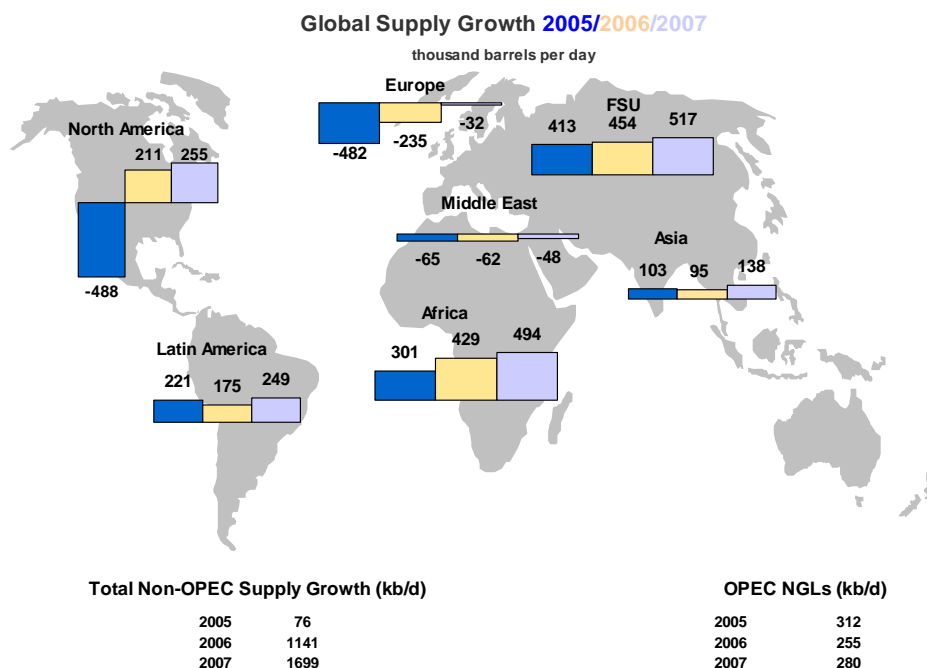
That said, there does appear to be a pronounced peak in new field start-ups within non-OPEC countries affecting 2006-2008. Collectively, the expected peak volumes of oil resulting from new projects coming on stream in 2006, 2007 and 2008 amounts to 3.2 mb/d, 3.4 mb/d and 2.6 mb/d respectively, although clearly peak production can occur several months or in some cases years after initial field start-up. As discussed in detail in the *MTOMR*, tightness in drilling and service capacity could well delay some of this new capacity, although for now we would not see this potential downside lying outside the traditional 300-400 kb/d caveat.

Regionally, 2007 non-OPEC supply growth is centred on many of the same areas that are generating increases this year. FSU production is seen increasing by some 515 kb/d, after 455 kb/d of growth in 2006. This is equivalent to 30% of the total non-OPEC increment. Russian growth remains close to 2.8%, and, at 270 kb/d year-on-year, matches expected increases in export capacity for 2007. Rising Caspian Sea volumes from BP and the AIOC consortium generate 200 kb/d of supply growth from Azerbaijan, with total production reaching 835 kb/d, a 31% increase compared to 2006. After a sluggish year in 2006, growth in supply from Kazakhstan accelerates to 4% in 2007, centred on the Tengiz project.

Africa is responsible for a further 29% of non-OPEC growth in 2007, with regional supply averaging 4.6 mb/d, up by some 12% from 2006. Deepwater Angola generates an extra 315 kb/d of supply in 2007 to reach output of 1.75 mb/d. Meanwhile, a build up in supplies from fields brought on stream by Asian NOCs during 2006 in Sudan generates a further 130 kb/d of supply growth. Total Sudanese supply is seen averaging 620 kb/d in 2007. Offshore, Equatorial Guinea and Mauritania collectively add 60 kb/d next year, taking production to new highs of 395 kb/d and 75 kb/d respectively.

Both North America and Latin America see supply increase by around 250 kb/d in 2007, a collective 30% contribution to the rise in non-OPEC output. All of the increase in **Latin America** comes from Brazil, where nine new deepwater developments with start-up between mid-2006 and end-2007 have a significant impact on 2007 supply. Total Brazilian oil supply, including alcohol fuels, breaks

through 2 mb/d in 2007. From **North America**, another 250 kb/d of incremental supply comes from the US Gulf of Mexico (GOM). Like Brazil's Campos Basin, the GOM is a key source of new deepwater oil supply for both the short- and medium-term outlook period. Capital intensive deepwater projects are always subject to time and cost overruns. However, even a relatively conservative view on start-up and build-up from the Gulf's two key 2007 increments – the Thunder Horse and Atlantis fields – generates significant incremental oil. A 140 kb/d rise in 2007 Canadian oil supply to 3.4 mb/d is dependent upon a more trouble-free year for both Albertan syncrude production and offshore Newfoundland supply. A spate of unscheduled outages has affected both during 2005 and the first half of 2006.



While less visible in terms of incremental supply, an important component of the non-OPEC 2007 rebound comes from the **North Sea**. Relentless decline in recent years from this maturing province could be stemmed temporarily due to a limited number of significant new field developments for which start-up is 'bunched' into late 2006 and early 2007. The UK's Buzzard field in the Forties system will eventually reach 180 kb/d, while around 150 kb/d of new production comes from the Volve, Alvheim and Klegg developments within Norway's Sleipner/Frigg production system. However, the levelling off in 2007 of North Sea supply could prove temporary with decline setting in again for the medium term.

Revisions to 2006 Non-OPEC Estimates

The biggest single change compared to last month's Report is the inclusion of biofuel supply estimates for countries other than Brazil, the USA and Germany (for which a combined 500 kb/d-plus is already included in the *OMR*). Analysis undertaken for the *MTOMR* highlights global supply of ethanol and biodiesel, net of US/Brazil, rising from 22 kb/d in 2000 to 74 kb/d in 2004, 118 kb/d in 2005 and 154 kb/d in 2006. This includes estimated ethanol volumes by 2006 of 10 kb/d or more each in China, the EU, Thailand, India and Colombia. Global biodiesel supply rises from 15 kb/d in 2000 to 40 kb/d in 2004, 72 kb/d in 2005 and 84 kb/d in 2006. Production is centred in Germany (40 kb/d) and in France and the USA (with around 10 kb/d each).

Regarding conventional oil, OECD North American 2006 supply is revised up by some 15 kb/d. A 50 kb/d upward revision going forward for the **US**, centred on the Gulf of Mexico, and a 10 kb/d adjustment based on May actual data for **Mexico** offset a 45 kb/d downward revision deriving from **Canadian** syncrude supply. Higher US baseline supply data, allied to a smoothing of decline rate trends undertaken as part of the medium-term forecasting exercise underpin the US revision. Outages affecting Shell and Syncrude Canada's units underpin the syncrude revisions. A 20 kb/d upward adjustment for Europe is mainly due to higher UK baseline estimates.

Aggregate FSU estimates are largely unchanged from last month. However, **Russian** supply is revised down by 10 kb/d for 2006 on the basis of a slower assumed build-up from the Sakhalin 1 project. In contrast production from **Azerbaijan** is revised up by 15 kb/d to reflect stronger performance from the offshore ACG fields and the inclusion from October of condensate production from Shah Deniz (previously included from February 2007).

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last Month's OMR			This Month's OMR			This Month vs. Last Month		
	2005	2006	06 vs. 05	2005	2006	06 vs. 05	2005	2006	06 vs. 05
North America	14.09	14.29	0.19	14.09	14.30	0.21	0.00	0.02	0.02
Europe	5.64	5.41	-0.24	5.61	5.38	-0.22	-0.04	-0.02	0.01
Pacific	0.58	0.53	-0.05	0.58	0.54	-0.05	0.00	0.01	0.01
Total OECD	20.32	20.22	-0.10	20.28	20.22	-0.06	-0.04	0.00	0.04
Former USSR	11.64	12.09	0.45	11.64	12.09	0.45	0.00	0.00	0.00
Europe	0.16	0.15	-0.01	0.16	0.15	-0.01	0.00	0.00	0.00
China	3.62	3.70	0.09	3.62	3.70	0.09	0.00	0.00	0.00
Other Asia	2.73	2.78	0.05	2.67	2.72	0.06	-0.06	-0.06	0.00
Latin America	4.29	4.46	0.17	4.30	4.47	0.17	0.01	0.01	0.00
Middle East	1.86	1.80	-0.06	1.86	1.80	-0.06	0.00	0.00	0.00
Africa	3.67	4.13	0.45	3.67	4.10	0.43	0.00	-0.02	-0.02
Total Non-OECD	27.96	29.11	1.14	27.92	29.04	1.13	-0.05	-0.06	-0.02
Processing Gains	1.86	1.90	0.04	1.86	1.90	0.04	0.00	0.00	0.00
Other Biofuels	0.00	0.00	0.00	0.12	0.15	0.04	0.12	0.15	0.04
Total Non-OPEC	50.14	51.23	1.08	50.17	51.31	1.14	0.03	0.09	0.06

OMR = Oil Market Report

For **Angola**, 2006 output is revised down 25 kb/d following lower indicated supplies for May and June due to extended maintenance, and with a deferral of start-up at the Dalia field to December from an earlier assumption of September.

OPEC Crude Supply in June

OPEC crude supply for June is estimated to have risen by 200 kb/d from May, at 29.8 mb/d. The resumption of northern exports from Iraq via Ceyhan underpinned the rise and accounted for 160 kb/d of the total OPEC increase. A partial rebound in supply from Nigeria, Iran and Saudi Arabia in June followed recent supply disruptions or voluntary output cuts. Maintenance work and unscheduled field outages saw production from Algeria, Indonesia, UAE and Venezuela fall by a combined 150 kb/d. Evidence of lower exports and/or lower domestic refinery operations in Iran, Nigeria, Saudi Arabia and Algeria lead to a 230 kb/d downward revision to May OPEC supply, now assessed at 29.6 mb/d.

OPEC Crude Production

(million barrels per day)

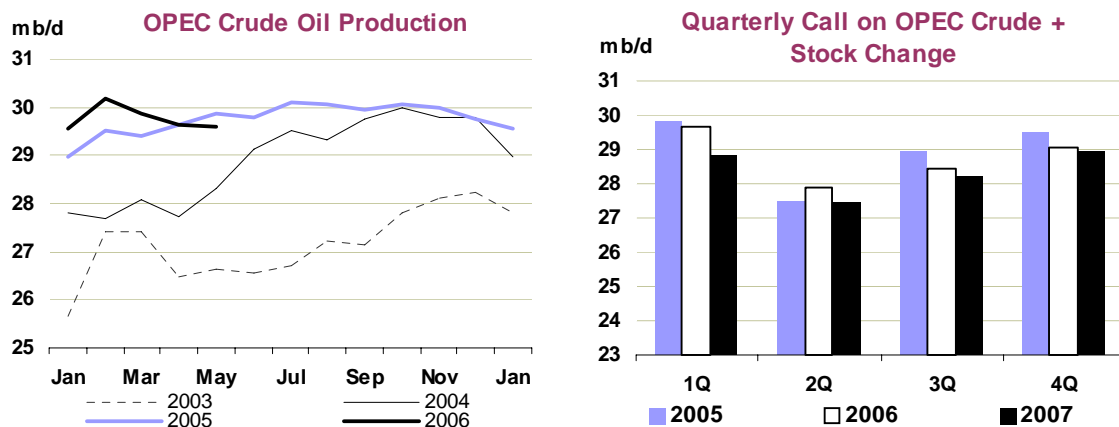
	1 July 2005 Target	June 2006 Production	Sustainable Production Capacity ¹	Spare Capacity vs June 2006 Production	Production vs. Target	Capacity end- 2006	Capacity end- 2007
Algeria	0.89	1.33	1.37	0.04	0.44	1.40	1.38
Indonesia	1.45	0.90	0.99	0.09	-0.55	1.00	0.98
Iran	4.11	3.75	4.00	0.25	-0.36	3.97	4.24
Kuwait ²	2.25	2.51	2.60	0.09	0.26	2.60	2.68
Libya	1.50	1.70	1.72	0.02	0.20	1.77	1.80
Nigeria	2.31	2.29	2.60	0.31	-0.02	2.88	2.90
Qatar	0.73	0.83	0.85	0.03	0.10	0.89	1.01
Saudi Arabia ²	9.10	9.35	10.80	1.45	0.25	10.80	10.91
UAE	2.44	2.56	2.70	0.14	0.12	2.72	2.90
Venezuela ³	3.22	2.51	2.70	0.19	-0.71	2.61	2.62
Subtotal	28.00	27.73	30.33	2.61	-0.27	30.63	31.42
Iraq		2.07	2.50	0.44		2.50	2.50
Total		29.79	32.83	3.04		33.13	33.92
<i>(excluding Iraq, Nigeria, Venezuela., Indonesia</i>				<i>2.02)</i>			

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

² Includes half of Neutral Zone Production

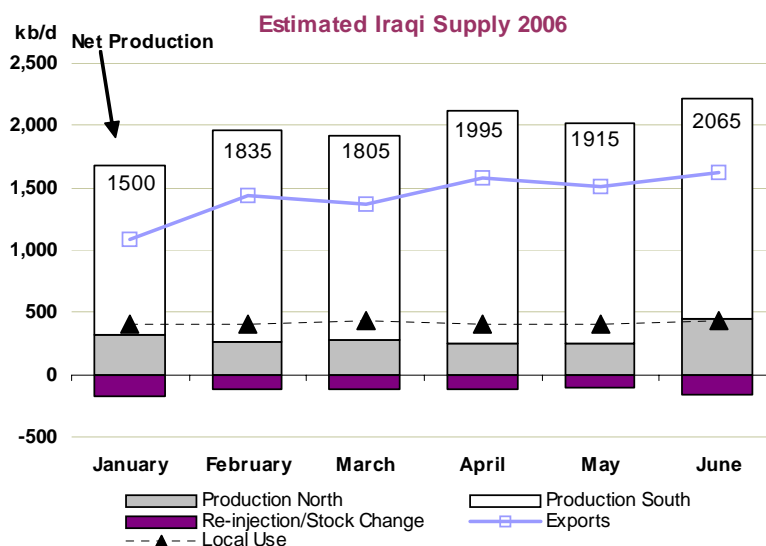
³ Includes Orinoco extra-heavy oil assumed at 530 kb/d in June

Sustainable production capacity for OPEC remains at last month's level of 32.8 mb/d. However, modest upward revisions for Indonesia, Libya and Qatar offset a reduction of 50 kb/d for Venezuela. Adjustments reflect a reassessment of baseload capacity levels rather than specific increments occurring in the last month. Nominal spare capacity stands at 3.0 mb/d, and effective spare capacity, excluding Indonesia, Iraq, Nigeria and Venezuela, is nearer 2.0 mb/d. Over 0.5 mb/d of production remains shut-in after ethnic unrest in the Niger Delta, while Iraq, Indonesia and Venezuela all face potential problems in boosting short-term production and exports. In addition, some 1.8 mb/d of spare capacity held by Saudi Arabia, Iran and Kuwait comprises largely heavy/sour crude which would struggle to find broad-based demand were it to be offered to the market.



That said, increments to OPEC capacity over the next 18 months look to be relatively light and sweet, at least compared to prevailing OPEC quality levels. Increases from Libya, Nigeria, Saudi Arabia and the UAE comprise some 60% of the total expected 1.0 mb/d capacity increment. The streams concerned (Murban and Arab Light respectively in the case of UAE and Saudi Arabia) are light and/or sweet both within an overall OPEC context and within each producer's own production mix. Further analysis of crude quality trends for both OPEC and non-OPEC producers will be included as a supplement to a forthcoming *OMR*.

Iraqi supply (net of field reinjection and deliveries into storage) in June increased by 160 kb/d to 2.08 mb/d. This was the first time since September 2005 that net production had broken through the 2 mb/d barrier and was also the highest level for both production and exports (1.64 mb/d) since October 2004. Improved security on the northern pipeline to Ceyhan was credited with the increase, as this facilitated the lifting of some 3.1 mb (105 kb/d) from Ceyhan by tanker during June. A further 1 mb sold to Turkish refiner Tupras for pipeline delivery was believed deferred into July. Including this pipeline crude, by early July a total of 5.5 mb of Kirkuk crude was due for lifting, suggesting July northern exports of at least 175 kb/d. Northbound pipeline flows in early July were reported at around 300 kb/d and state marketer SOMO is in discussions with potential buyers about renewed term sales of Kirkuk beginning in August.



Southern exports from Basrah averaged just over 1.5 mb/d in June (with similar volumes scheduled for July). Cross-border exports into Syria account for another 10 kb/d. The smaller terminal of Khor al-Amaya in the south remains out of operation after a fire in late May, although it had been shipping only some 100 kb/d prior to the incident. Crude refined within Iraq, plus direct burn for power generation came to 440 kb/d in June.

It is too early to say whether Iraqi supply has taken an irreversible upward step. The apparently sustainable flow of crude to Ceyhan is a hopeful sign, although the rate of recent shipments has reportedly derived in part from low refinery throughputs at Baiji. The Oil Minister Husain al-Shahristani recently cited current production as 2.5 mb/d, with targets of 2.7 mb/d by end-2006, 4 mb/d by 2010 and 6 mb/d by 2012. While these targets are undoubtedly attainable based purely on Iraq's huge resource base, ongoing security concerns, undermaintained infrastructure and the absence of a sound investment framework suggest actual supply could lag these levels. It is worth noting that in late 2004, the then government envisaged production averaging 3.5 mb/d in 2006.

Nigerian supply is estimated to have risen by 95 kb/d in June, albeit from a downwardly revised May base of 2.2 mb/d. Latest reports suggest that domestic refinery crude runs may be only around 110 kb/d after attacks by militants in March effectively disabled the Warri and Kaduna refineries. Notional refining capacity stands at 445 kb/d but long-standing operational problems mean that utilisation rates have generally struggled to exceed 50% in recent years. June exports are estimated at just under 2.2 mb/d, a rise of 100 kb/d from May. On the production side, increased supply in June came from newer offshore fields as Shell production from the Bonny and Forcados systems remains at less than half of installed 890 kb/d capacity. Existing outages were augmented in June by militants' attacks on a gas-processing facility in the Cawthorne Channel and by a pipeline leak in Nembe Creek which curbed 50 kb/d of Bonny flows. The latter portion of production was reported to be back on stream in late June.

Saudi supply in June is estimated at 9.35 mb/d, up by 50 kb/d from a downward-adjusted May level. April appears to have been a low point for Saudi supply, estimated by this Report at around 9.2 mb/d. Provisional tanker data for both Saudi Arabia itself and the broader AG region suggest a modest uptick in May and June liftings. However, ongoing refinery outages may well have curbed domestic crude runs in both months, thus keeping Saudi crude supply well below early-year peaks. Early indications are that refinery maintenance will ease in July (both domestically and on a global basis) and that Saudi spot tanker bookings are moving sharply higher. While not conclusive, these pointers suggest that supply could move markedly higher in July. It appears that the bulk of any increase could be headed to Atlantic Basin markets, with refinery maintenance still ongoing in Asia. Moreover, there are reports that Chinese buyers may extend recent 10% cuts in their 500 kb/d term purchases into July and August after refiners encountered problems in dealing with relatively heavy/sour crude.

Moves by the Kingdom to expand capacity continue apace. Active drilling rig numbers have reached 100, with a target of 121 by end-year. Development of up to 500 kb/d of production at the Khursaniyah field is now reported to be scheduled for completion by June 2007. The capacity numbers for 2007 included in the table above are based on a more conservative, earlier estimate of late-2007 completion. This raises the prospect that end-2007 Arab Light supplies could be some 200-300 kb/d higher than shown here.

Original estimates for May **Iranian** crude supply, as in previous months, have been undermined by lower consolidated export data. Exports of 2.2 mb/d are 120 kb/d below original estimates, resulting in a revised supply-based proxy for production of 3.7 mb/d. The diversion of heavy/sour crude into floating offshore storage underpins some of the confusion surrounding Iranian supply. Wellhead production may in fact be running closer to capacity 4.0 mb/d levels. Latest indications point to up to 10 vessels holding some 20 million barrels of crude, much of this being heavy, sour Soroush/Nowruz production which has been difficult to market. There were indications of some of this crude being lifted in June and also talk of forthcoming sales to the domestic Bandar Abbas refinery, with Soroush/Nowruz to be blended with condensate. More general indications for June Iranian exports are mixed but, on balance, suggest a modest rise in overall supply, albeit held in check by refinery maintenance. June supply therefore nudges higher to 3.75 mb/d.

Venezuelan supply in June was pulled down by maintenance at the Hamaca syncrude unit which normally processes 190 kb/d of heavy 9° API Orinoco crude into 180 kb/d of 26°API synthetic crude. However, some 90 kb/d of un-upgraded crude was reported to have been sold in blended form. As a result, total Venezuelan crude supply is assessed off by 90 kb/d at 2.51 mb/d in June, although output

is expected to recover in July. Joint venture projects for incremental conventional crude production continue to suffer from delays. Expansion of Exxon Mobil's La Ceiba project and first oil from ConocoPhillip's Corocoro field are in this Report assumed to be pushed back into 2007.

Separate from OPEC crude supply estimates, upward revisions have been made to assessed levels of OPEC gas liquids supply. These adjustments begin to make a material impact on the global supply/demand balance from 2002 onwards, when they begin to amount to 0.1 mb/d or more. This follows detailed analysis of supply trends undertaken for the *MTOMR* and revisions compared to last month's *OMR* can be summarised as follows:

**OPEC Gas Liquids Supply:
Revisions to last month's Oil Market Report**

	(thousand barrels per day)				
	2002	2003	2004	2005	2006
Qatar	65	85	110	125	135
United Arab Emirates	35	60	95	120	105
Algeria	10	25	25	25	20
Libya/Nigeria	-5	-5	0	5	5
Total	105	165	230	275	265

Estimates for absolute levels of OPEC gas liquids capacity by country through to 2011 are contained in the *MTOMR*, while historical data and the forecast through to 2007 can be found in the *Monthly Oil Data Service (MODS)*.

OECD STOCKS

Summary

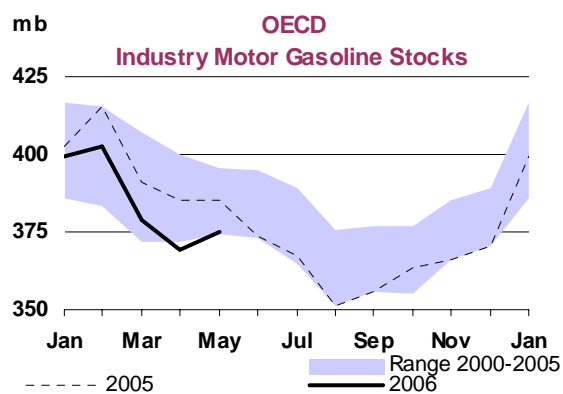
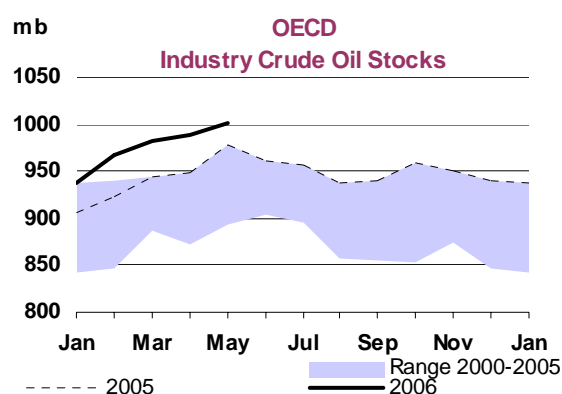
- **OECD total industry oil stocks** built by 42 mb in May to 2,673 mb, or 7 mb above last year. The build was centred in product inventories in North America, where increased refinery output added to supplies. In the Pacific, crude stocks rose as refinery maintenance reduced throughputs and middle distillates increased due to seasonally lower demand. European stocks were relatively unchanged in comparison. Days of forward demand cover came to 54 days for the OECD as a whole, on par with last month and a year ago.

Preliminary Industry Stock Change in May 2006 and First Quarter 2006

	May (preliminary)				First Quarter 2006			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	-0.11	0.19	0.38	0.46	0.10	0.23	0.15	0.47
Gasoline	0.19	-0.03	0.01	0.17	0.08	-0.01	0.03	0.10
Distillates	0.19	-0.04	0.29	0.44	-0.21	-0.09	0.00	-0.30
Residual Fuel Oil	-0.03	-0.04	0.09	0.02	0.07	-0.04	-0.01	0.01
Other Products	0.39	0.01	-0.04	0.36	-0.18	-0.01	0.01	-0.19
Total Products	0.75	-0.10	0.34	0.99	-0.24	-0.16	0.02	-0.37
Other Oils ¹	-0.06	-0.03	0.00	-0.09	-0.02	0.05	0.01	0.04
Total Oil	0.57	0.06	0.73	1.36	-0.16	0.12	0.18	0.14

¹ Other oils includes NGLs, feedstocks, and other hydrocarbons

- **OECD industry crude stocks** increased by 14 mb in May to 1,002 mb. The build was centred in Japan, and to a lesser extent in Europe, where refinery maintenance reduced crude demand. North American crude oil inventories fell by 3.5 mb, largely due to a fall in Mexican stocks. Downward revisions to the April baseline left total OECD crude stocks 25 mb above year-ago levels, with the persistent contango in crude oil encouraging crude storage.
- **OECD industry gasoline stocks** increased by 5 mb in May to 375 mb. The build came in the US following record imports, averaging more than 1.5 mb/d and a rebound in refinery runs. The increase was largely centred in conventional, finished gasoline inventories on the US East Coast. While RBOB for blending with alcohol stocks also saw large increases, these were mostly offset by a decrease in other blending components. In June, US-50 gasoline stocks trended sideways. Although US gasoline stocks have recovered to their five-year average on a volumetric basis, in terms of forward demand cover, they are still at the bottom of their five-year range.
- **OECD industry middle distillate stocks** built by close to 14 mb in May, with increases in the Pacific and North America. Middle distillates rose in both Japan and Korea as seasonally lower demand offset lower refinery output due to maintenance. In the US an increase in ultra-low-sulphur diesel (ULSD) stocks offset a decline of the same magnitude in regular diesel, while heating oil built on seasonally lower demand. European inventories were relatively unchanged in comparison, but continue to trend above their historical range.

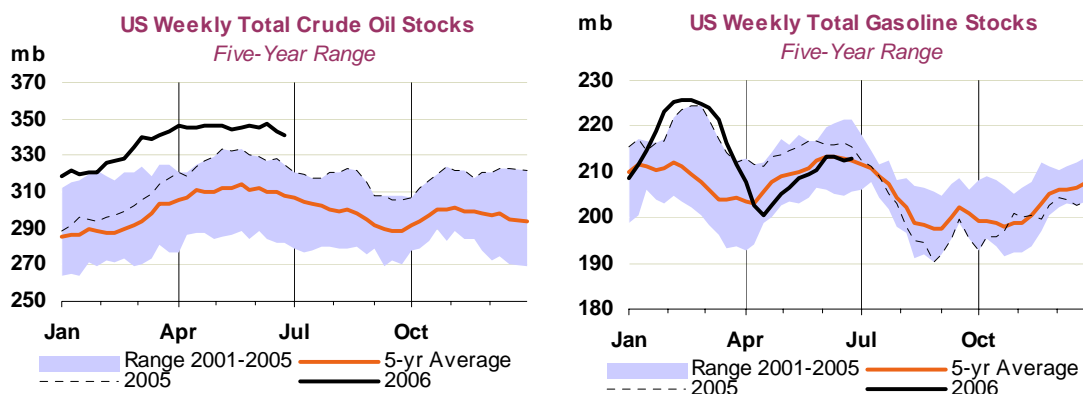


OECD Industry Stock Changes in May 2006

OECD North America

North American crude oil stocks fell by 3.5 mb in May due to a stockdraw in Mexico. US crude stocks however trended sideways in May, despite sharply higher refinery intake. US-50 throughputs were close to 500 kb/d higher than in April, but an even larger monthly rise in crude imports offset the increase in demand. Regionally, a stockdraw of 3.6 mb on the Gulf Coast was offset by increases elsewhere.

In June, US-50 crude stocks fell by 5 mb as refiners completed maintenance work. The stockdraw occurred largely on the Gulf Coast, and to a lesser extent the East Coast, but was partly offset by modest builds elsewhere. The decline was mitigated by high imports, supported by a widening of the Brent/WTI differential. After having traded at a discount to Brent in April and first half of May, WTI regained its premium in the second half of May and in June, reopening for spot arbitrage shipments. Four-week average imports came close to 10.7 mb/d, 150 kb/d higher than the same period last year and about 250 kb/d higher than a month earlier. Refinery runs increased throughout most of June (despite dipping in the last week of the month due to logistical glitches on the Gulf Coast). Four-week average crude runs came to 16 mb/d, more than 500 kb/d higher than in May, but still almost 300 kb/d below the same period last year.



North American product stocks increased by 23 mb in May, the build stemming entirely from the US. Gasoline and middle distillates added about 6 mb each while the volatile 'other products' category increased by more than 12 mb. The increase resulted from higher throughputs as refiners completed maintenance or returned from unscheduled outages, as well as record high gasoline imports and seasonally lower distillate demand. At 661 mb, total North American product inventories are 6 mb below last year.

In June, US-50 product stocks rose further, in line with increased refinery runs. The largest increase in inventories was seen for other products and in particular propane/propylene which built by 7.5 mb. Total distillate stocks also saw large gains, increasing by almost 7 mb, as builds in ULSD continued to offset draws in regular diesel. ULSD built by nearly 12 mb in June to 22 mb as refiners, terminal operators and retailers prepared to switch over to lower-sulphur regulations. Heating oil stocks built by 6 mb, in line with seasonal trends.

US gasoline inventories built by close to 3 mb in June, with increases both in finished gasoline and blending components. Although imports were down sharply from the record levels seen in May, at 1.2 mb/d, they were still more than 120 kb/d higher than in the same period last year. Over the last four-week period, gasoline demand has averaged 9.5 mb/d, 1.4% higher than the same period last year. Although US gasoline stocks have recovered to their five-year average on a volumetric basis, in terms of forward demand cover they are still at the bottom of their five-year range.

OECD Europe

European crude stocks built by 6 mb in May to 346 mb or 10 mb below last year. Lower refinery runs and ample regional supplies led to increases in Norway, the Netherlands and the UK. Throughputs were lower, in particular in Italy and the Netherlands, as unscheduled outages reduced runs and lowered crude demand. At the same time, regional supplies seemed ample as North Sea production rebounded from a maintenance-reduced level in April. A widening WTI/Brent spread in June, in

large part due to increased crude demand in the US, will likely support increased spot arbitrage shipments out of Europe in June and July.

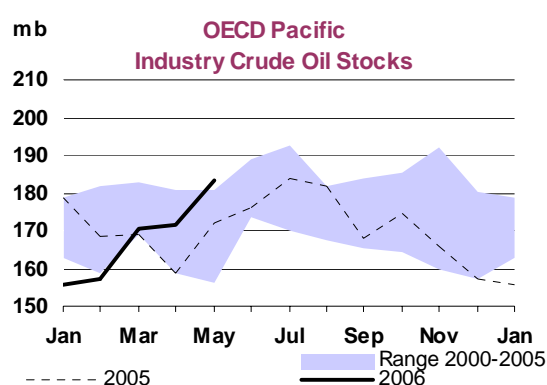
European product stocks fell by 3 mb in May, with all main product categories declining by about 1 mb each. The bulk of the decline came in the Netherlands where refinery throughputs continued to lag year-ago levels as problems at the Pernis refinery in Rotterdam persisted. German heating oil stocks increased to 47% of capacity by the end of May, from 44% the previous month. Given high absolute prices, it seems unlikely that consumers intentionally increased stocks at this time of the year, suggesting discrepancies between inland deliveries and demand. IPE gasoil futures remained in firm contango, however, providing favourable economics for storing product.

OECD Pacific

In the Pacific, crude stocks built by 12 mb in May to 183 mb. The additions were centred in Japan, where refinery maintenance reached its seasonal peak, outpacing lower imports. Refiners are rebuilding depleted stocks ahead of the seasonal ramp-up in throughputs which normally runs through July and August. Further supporting the build, crude purchases by utilities were lower in May, due mostly to reduced electricity demand in the shoulder period between winter and summer.

Weekly data from the Petroleum Association of Japan show that onshore crude stocks fell by 5 mb in June in line with increased throughputs. By the first of July, utilization rates had rebounded to 87.9% of capacity, from only 69.1% at the end of May. Korean crude stocks held relatively flat in May, nudging higher by 1.6 mb. The build came in offshore vessel stocks and despite increased refinery runs as imports were sustained at high levels.

OECD Pacific product inventories built by 11 mb in May to reach 183 mb, or 5 mb above last year. The build came in both Japan and Korea, and was driven by middle distillates. Japanese stocks increased by 5 mb despite maintenance-reduced runs as seasonally low demand lagged year-ago levels. Weekly data show that kerosene and gasoil continued to climb in June, while gasoline, jet, fuel oil and unfinished products declined. Korean product stocks rose by 6 mb in May. The build was centred in middle distillates (and fuel oil) due to low domestic demand and higher refinery output. Korean refinery output is set to slow in June as scheduled maintenance reaches its peak.



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

Total OECD industry inventories built by 42 mb in May, to 2,673 mb, or 7 mb above last year. For total oil, only Europe continues to trend below year ago levels, as lower product and other oil stocks in North America are offset by a relatively comfortable crude oil cushion. Days of forward demand cover came to 54 for the OECD as a whole, on par with last year and with April. On a regional basis, cover equalled 49 days for North America, 63 days for Europe and 54 days for the Pacific.

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

	(million barrels)				(Days of Forward Demand)				
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total	
Crude Oil	24.0	-10.1	11.1	25.0	0.2	-1.0	1.5	0.0	
Total Products	-5.5	-8.6	4.5	-9.7	<i>Versus 2004</i>	2.6	2.1	2.1	2.3
Other Oils ¹	-5.5	-1.4	-1.2	-8.2	<i>Versus 2003</i>	1.6	2.3	-0.5	1.3
Total Oil	12.9	-20.2	14.4	7.2	Total Products	-0.4	-0.4	0.5	-0.3
<i>Versus 2004</i>	96.3	33.2	20.6	150.1	<i>Versus 2004</i>	1.2	1.3	1.8	1.3
<i>Versus 2003</i>	112.8	42.7	8.8	164.2	<i>Versus 2003</i>	-0.1	1.2	-0.8	0.1

¹ includes feedstocks, NGLs and other hydrocarbons

Preliminary April stock data for OECD countries was, in aggregate, mostly unchanged, as upward revisions to product inventories were cancelled out by downward revisions to crude. The crude revisions, totalling 17 mb, were centred in the Pacific, as Japanese inventories were revised down by 10 mb once changes in offshore stocks were added to preliminary estimates. Canadian crude stocks were once again revised down, this month by 7 mb, although upward revisions to US and Mexico limited the change to total North America. Smaller downward revisions were also seen in Europe.

Product inventories were revised up by 14 mb, the largest change took place in European middle distillate stocks with upward revisions to most European countries. North American product inventories were also revised up by a total of 6 mb, while the Pacific was relatively unchanged. Revisions to Canadian March data were once again responsible for shifting the historical baseline.

Revisions versus 12 June 2006 Oil Market Report

	(million barrels)							
	North America		Europe		Pacific		OECD	
	Mar 06	Apr 06	Mar 06	Apr 06	Mar 06	Apr 06	Mar 06	Apr 06
Crude Oil	-11.0	-3.2	1.2	-4.3	0.7	-9.3	-9.1	-16.8
Gasoline	0.0	2.6	-0.8	-2.8	-0.4	-0.1	-1.3	-0.3
Distillates	0.0	2.9	1.5	9.6	-0.4	-0.2	1.1	12.2
Residual Fuel Oil	0.0	-1.6	-0.1	1.2	0.0	0.5	-0.1	0.1
Other Products	-0.1	2.1	0.1	1.0	0.0	-1.1	0.0	2.1
Total Products	-0.1	6.0	0.7	9.1	-0.9	-0.9	-0.3	14.2
Other Oils ¹	0.2	2.0	0.4	-0.9	0.0	1.1	0.5	2.2
Total Oil	-11.0	4.7	2.3	3.9	-0.3	-9.1	-8.9	-0.5

¹ Other oils includes NGLs, feedstocks, and other hydrocarbons

Recent Developments in ARA Independent Storage

Inventories held in independent storage in the Amsterdam-Rotterdam-Antwerp area built in June with the largest gains seen in gasoline and gasoil. Gasoline stocks built through most of the month as incoming regional supplies and imports from Russia outpaced shipments to the US, Mexico, West Africa and the Middle East.

Gasoil stocks also built modestly in June and continued to trend at the upper end of their historical range. Increasing refinery margins, as well as a high front month IPE gasoil crack probably encouraged refiners to maximize gasoil yields. Russian arrivals continued apace as declining demand for gasoil from the domestic agricultural sector boosted exports. However, a closed arbitrage from Asia and the US limited the stock build. Furthermore, the persistence of the IPE gasoil contango provided incentives to add product to storage.

Fuel oil inventories rose sharply in June to their highest level in more than 10 years, before falling back at the tail-end of the month. Rising flows from Russia and lack of arbitrage possibilities to Asia supported the increase. The overhang helped widen high-sulphur fuel oil (HSFO) discounts to physical North Sea crudes to more than \$24/bbl, the steepest discount since last August when they hit a record level of almost \$26/bbl. Stocks slid in the last week, as several VLCCs were loaded for exports to Singapore.

Recent Developments in Singapore Stocks

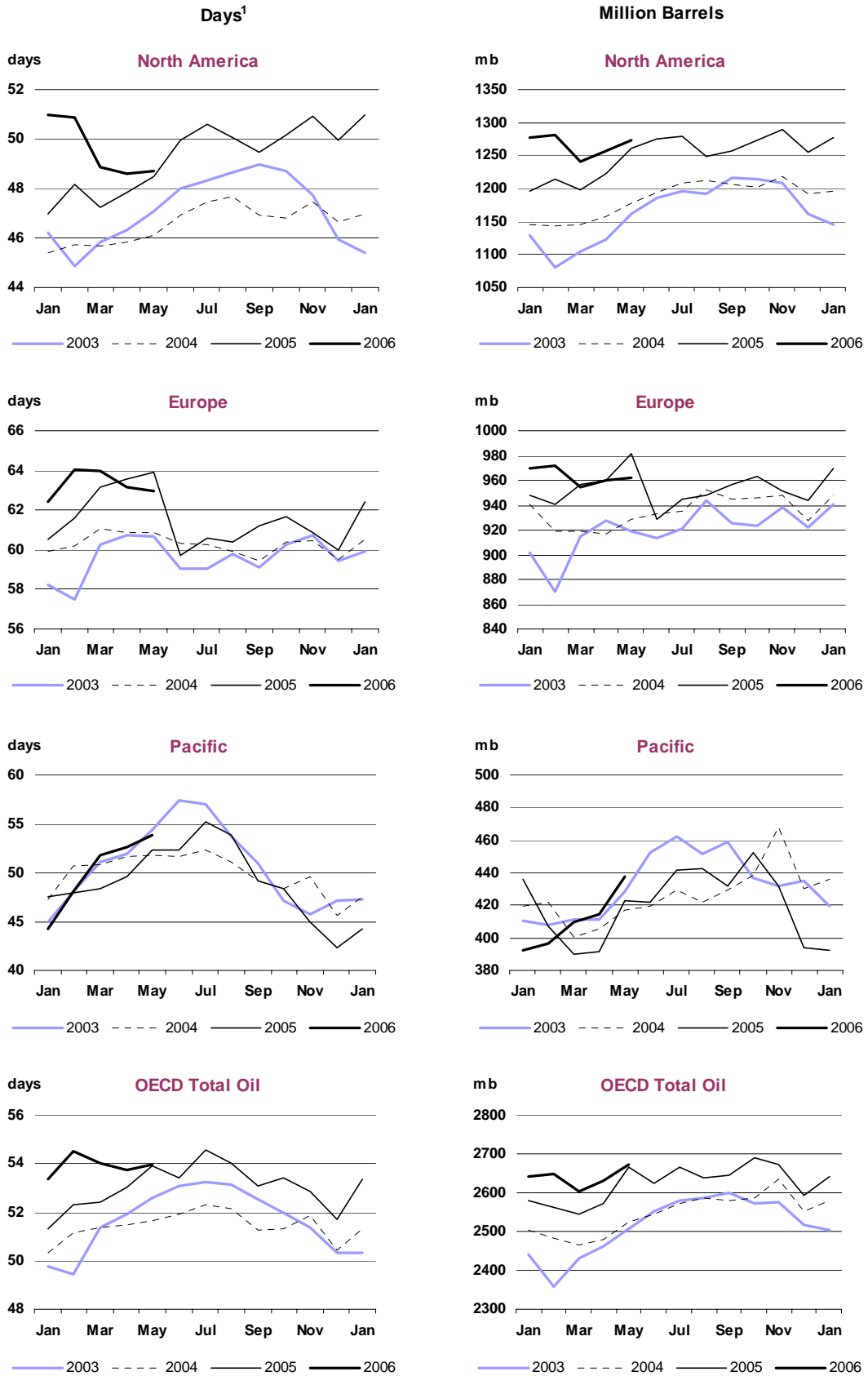
Singapore product inventories, as surveyed by International Enterprise, moved higher in June with sharp increases seen in middle distillate and residue stocks. Light distillates, including gasoline and naphtha, moved sideways as tight regional gasoline supplies were offset by waning demand from Vietnam, Indonesia and Japan. Steady demand for petrochemicals led to more naphtha cracking at the expense of gasoline reforming, exacerbating gasoline supply tightness. At the tail end of the month, increased supplies due to the return of refineries from maintenance were offset by strengthening regional demand, keeping supplies tight.

Middle distillate stocks rose sharply in the last week of June, to the highest level seen this time of year since 1999. Earlier in the month, stocks had been falling due to tight regional supplies as well as limited Middle Eastern arrivals. Strong demand from Africa and the Middle East limited Gulf spot supplies and Indonesian imports increased. In the last week of June, stocks surged by 3 mb to 9.5 mb as an abundance of northeast Asian supplies hit the region while arbitrage outlets out of the region remained closed.

Fuel oil inventories also built sharply in June with rising arrivals of western material and surplus Indian exports adding to supplies. Chinese demand has not yet picked up and demand outside of Singapore's bunker blending market remains weak. Low-sulphur waxy residue stocks were also reportedly ample, with lower demand from utilities.

Regional OECD End-of-Month Industry Stocks

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



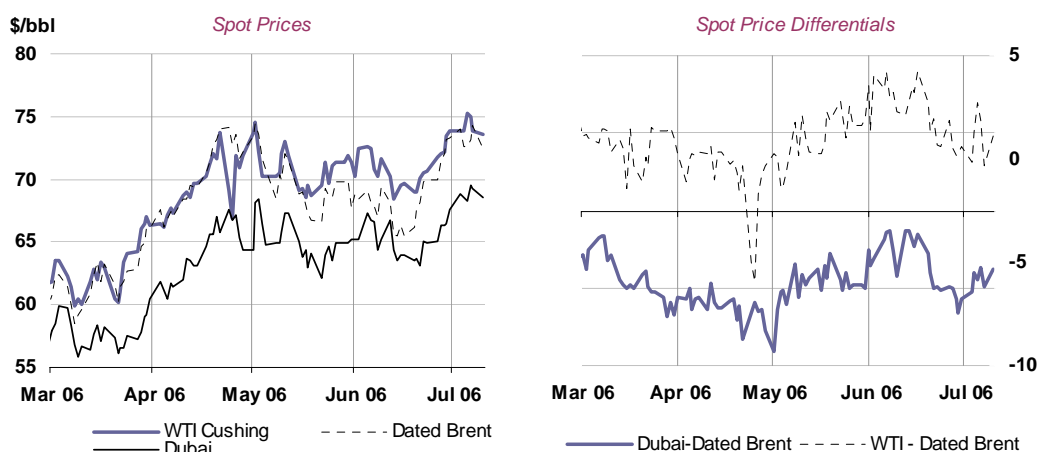
¹ Days of forward demand are based on average demand over the next three months

PRICES

Summary

- **Benchmark NYMEX WTI crude futures** rallied above \$75/bbl in early July driven by strong gasoline prices, refinery problems and geopolitical uncertainty. Supply constraints remain in Nigeria, although additional supplies are emerging from Iraq's northern pipeline. Headline-driven reactions to developments involving Iran's nuclear programme continue to have a major impact on sentiment.
- **NYMEX Henry Hub natural gas prices** fell to their lowest level since October 2004 due to high storage levels. Natural gas competes with fuel oil in the power sector and contributed to lower fuel oil prices in June. This in turn can exert upward pressure on gasoline and light sweet crudes.
- **US gasoline cracks** led regional gains in early July, with strong seasonal demand pushing New York Harbour super unleaded gasoline over \$108/bbl. The tightness was predominantly in the high-octane grades that are harder to produce in the summer months. This in turn reflects tight supplies of the high-end components needed to produce the low volatility ethanol-blended gasoline required for the summer months.
- **Ethanol futures prices** on the Chicago Board of Trade declined sharply from a mid-June peak of \$4.23/gl (\$177/bbl) to \$3.60/gl (\$150/bbl) in early July. Ethanol prices have risen sharply from lows of \$1.15/gl (\$48.30/bbl) in May 2005, but increased Brazilian exports and higher US supplies later in the year could temper prices.
- **Crude shipping costs** neared the top of their five-year range for June as Atlantic Basin refiners wound down seasonal maintenance. US refineries finally returned to average seasonal utilisation levels by the end of June while Asian refineries passed peak turnarounds. Competition from both markets to book transportation for July-loading cargoes of Middle Eastern crude pushed June freight rates above seasonal norms in June.

Benchmark Crude Oil Prices

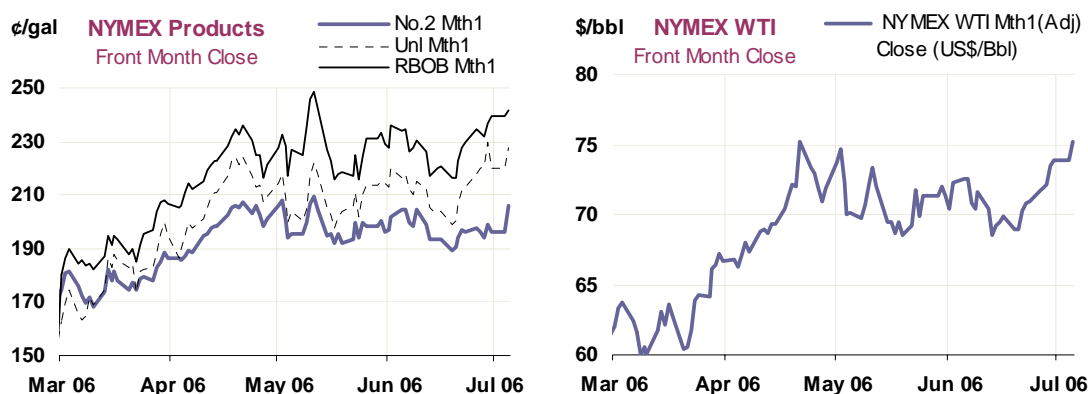


Overview

Benchmark NYMEX WTI light crude futures pushed to new highs above \$75/bbl following a \$7 rally in mid-June. Strong gasoline prices and attractive refining margins were the main drivers amid a background of geopolitical uncertainty. Global crude supplies have been restricted by Nigerian outages and a production cut by Saudi Arabia, while refinery problems compounded nervousness over changing product specifications in the US. Understandably, there remains considerable nervousness regarding Iran, with risk management and speculation driven by the uncertain timing and outcome of an Iranian response to a series of incentives to halt nuclear work.

Nigerian security issues remain a concern, with over 500 kb/d still shut in amid frequent reports of attacks on facilities. As the world refining system reaches peak summer operating rates and refiners are required to produce lower sulphur products, the loss of light sweet crude capacity has a greater

price impact. The resumption of flows along the pipeline from Kirkuk in northern Iraq to Ceyhan in Turkey has added to supplies of medium-sour crude in the Mediterranean, augmented by additional flows from the Caspian and Russia. At present, it is unclear how durable these Iraqi supplies will be, but it is a promising sign of an improvement in security along the pipeline.



Saudi Arabian output is around 260 kb/d below February highs, with officials citing a lack of demand for its crude oil. However, Saudi Arabia has also indicated that it “is not prepared to leave any money on the table,” suggesting it will not price its crude at a market-clearing rate. Looking at the pricing of Arab heavy relative to a heavy sour topping margin, it would suggest that there has been a broad tightening of the Saudi crude prices during the period when output has been cut. From a domestic perspective, this would appear to be an attempt to maintain revenues. However, it is also a further factor contributing to higher prices. From a market perspective, weakness in HSFO would suggest that heavy sour crude discounts should increase.

Although prices moved briefly to record levels, WTI has been in a broad \$67.50 to \$75.80 range since mid-April - one of the longest periods of stability since prices started their sharp rise in 2003. Further, although the rise in oil prices from mid-June was seen in all currencies, the prior weakness of the dollar meant that new highs were not seen in yen or euro terms. Other commodities have also been rising, with strong gains seen in base and precious metals, grains, oilseeds, sugar and soft commodities. However, NYMEX Henry Hub natural gas prices have been moving in the opposite direction since mid-June, and have now reached the lowest level since October 2004.

Natural gas competes directly with fuel oil in the power sector and low gas prices can therefore impact the upgrading spread. If fuel oil demand falls, then fuel oil prices have to fall to clear the market. If this happens during a period of peak demand for transportation fuels, the economic incentive for refiners to increase runs is only maintained if there is an offsetting increase in the price of transportation fuels. This both increases the upgrading spread, the difference between fuel oil and gasoline/diesel, and increases demand for light sweet crudes.

Spot Crude Oil Prices

Benchmark crude oil prices were broadly flat for most of June, before rising sharply towards the end of the month. Strong refining margins attracted Atlantic Basin light sweet crudes to the US, bolstering differentials that had been depressed by European refinery outages. In the US, West Texas Sour rallied relative to WTI as more Gulf Coast refining capacity came on stream, but increased offers of Basrah Light provided competition for Mars. US refiners, looking to meet low-sulphur diesel requirements, bought Libyan and Algerian sweet crudes. Demand for foreign crudes received further support from expectations of a dip in Canadian syncrude production in July and August.

European refinery cracking margins were also strong, reflecting strong demand for transportation fuels. However, weak hydroskimming margins were dragged lower at the end of July by weak fuel oil prices, therefore limiting the incentive to run marginal refining capacity in Europe. Urals differentials to dated Brent came under pressure in the middle of June as an overhang of North Sea crude cleared. Further pressure also came from increased Iraqi supplies as flows to Ceyhan have seen sales tenders for 8.6 mb of crude from mid-June to end-July. Bolstering supplies were additional exports from the Caspian and Russia.

West African crude differentials to dated Brent came under pressure towards the end of June on the back of Brent strength and indications that Asian buyers were holding back from the market. Reports of lower Chinese and Taipei demand for West African crude coincide with talk of lagging sales of

medium and heavy sweet grades. The decline in Chinese interest follows reports that its refiners bought a record 30 cargoes from the region in March, but volumes have subsequently fallen. However, we note that West African tanker data continues to show much higher volumes of West African crude moving to Asia than newswire surveys of monthly activity, suggesting perhaps that term contracts are not being fully captured.

Asian crude differentials broadly trended lower against dated Brent, reflecting weaker spot demand from refineries during the tail-end of the maintenance period, together with subdued margins. Dubai was more attractive regionally as a result.

Delivered Crude Prices in April

Average import prices rose 8.5% in April on the prior month, with IEA Europe seeing the highest costs at \$66.34/bbl, up \$6.73 on April. US import prices, which tend to be lower due to the higher quantity of heavy sour crude used, breached \$60 for the first time to reach \$60.98/bbl in April. IEA Pacific import prices increased by a modest 2.2%, lagging spot market trends. Overall IEA crude import prices are 31.6% higher than a year ago.

Spot Product Prices

The US market led global gasoline cracks higher in early July, with strong seasonal demand pushing New York Harbour super unleaded gasoline over \$108/bbl. The tightness was predominantly in the high-octane grades that are harder to produce in the summer months. This in turn reflects tight supplies of the high-end components needed to produce the low volatility ethanol-blended gasoline required for the summer months. Ethanol prices on the Chicago Board of Trade however declined sharply from a mid-June peak of \$4.23/gl (\$177/bbl) to \$3.60/gl (\$150/bbl) in early July. Ethanol prices have risen sharply from lows of \$1.15/gl (\$48.30/bbl) in October 2005, but increased Brazilian exports and higher US supplies later in the year could temper prices.

With the US market driving gasoline (and therefore crude) prices higher, it is worth revisiting the fundamentals behind the gasoline market. The switch from MTBE to ethanol blending has complicated production and transportation logistics for summer grade gasoline, elevating typical seasonal fears about supply difficulties. Compounding these fears were heavy Atlantic Basin refinery maintenance that pushed combined OECD gasoline stocks below the five-year range of forward demand cover in April and May. Weekly data show increased US refinery activity and high imports have improved the US supply picture, allowing US gasoline stocks to recover nominally relative to a year ago. However, in terms of forward supply they remain at the bottom of their five-year range.

The Colonial Pipeline's freezing of nominations for its 39th cycle and its allocated 40th cycle is a further reflection of improved domestic supply. When demand for space through the pipeline exceeds capacity the company makes a proportionate allocation of capacity. This is normal for the summer season, but also suggests that supplies have improved. Further, there has recently been a renewed build up in ARA independent storage, opening the window for additional arbitrage shipments to the US. In the first 10 days of July, wire reports estimated that around 8 mb of gasoline would be shipped to the US and Mexico. While US gasoline demand has picked up recently, supplies appear sufficient to ease some fears that the market will tighten over the summer months. In addition, the Asian market should also ease as regional refinery maintenance ends and product supplies expand.

Apparent Asian gasoline demand has been strong recently – domestic refinery problems have inflated Indonesian import requirements and regional demand broadly increases over the summer. Vietnam's Petrolimex was tendering for 316,000 tonnes in 3Q, up from 253,000 tonnes in 2Q.

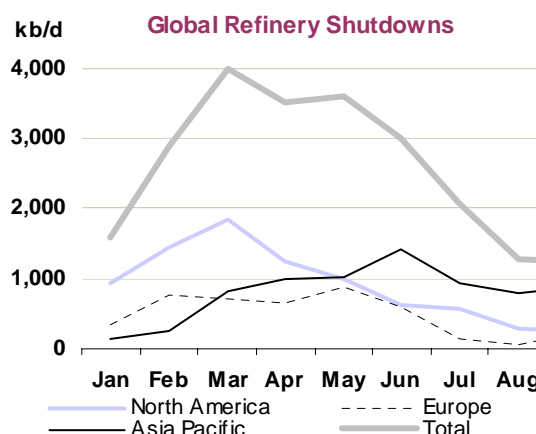
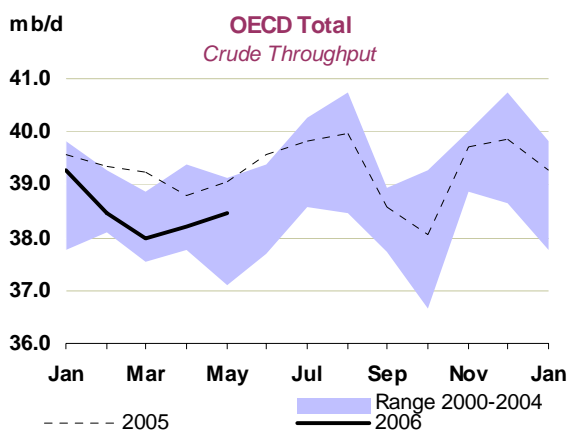
Chinese apparent demand has also been strong, with refiners restricting exports. While refinery problems have prompted one key Chinese refiner to scale back on August export plans, there are mixed reports on why exports have declined in recent months. Strong demand is an obvious cause, but there are also reports that there has been some pressure from Chinese authorities to boost domestic supplies. Recent reports suggest that this has allowed domestic stocks to increase.

However, despite this short-term apparent demand strength, Asian gasoline differentials to Dubai crude only blipped higher at the end of June, before trending back to recent lows in early July. This suggests that regional refinery output is offsetting any increase in offtake.

REFINERY ACTIVITY

Summary

- **Full cost refining margins** in June remained at historically high levels for complex refineries, but remained negative on a hydroskimming basis. Light product cracks averaged more than \$20/bbl in Asia, Europe and the US, while fuel oil cracks fell. Atlantic Basin margins diverged from Asia in June as stronger gasoline cracks, particularly on the US Gulf Coast boosted overall profitability. However, Pacific margins were weaker as US West Coast light product cracks fell steeply with a knock-on impact on Singapore margins. Fuel oil was universally weak relative to crude, weighing on margins globally and in particular on the profitability of hydroskimming refineries.
- **Refining margins** on the US Gulf Coast rebounded from the fall in May. Cracking margins for Light Louisiana Sweet crude increased by \$2.15/bbl to average \$10.62/bbl. On the US West Coast margins fell as gasoline cracks weakened by \$6-8/bbl from May and gasoil/diesel cracks were around \$4/bbl lower. ANS cracking margins averaged \$8.83/bbl in June, down \$4.29/bbl from May.
- **European refining margins** saw more modest increases as limited gains in gasoline cracks and weakness in fuel oil, held back overall increases. The relative strength of Urals prices favoured sweet crude margins in June. European product markets remain tight with average Urals cracking margins of \$9.46/bbl in Northwest Europe and \$9.22/bbl in the Mediterranean. Dubai hydrocracking margins in Singapore averaged \$4.52/bbl, down \$0.83/bbl, as weaker gasoline and fuel oil cracks offset strength in gasoil.



- **OECD crude throughputs** continued to recover in May, although progress was slowed by unplanned outages in Europe and the US. Crude runs increased by 266 kb/d to 38.48 mb/d, as Atlantic Basin maintenance wound down but Pacific maintenance intensified. Crude throughput was some 560 kb/d below May 2005 levels with the persistent year-on-year shortfall in the US accounting for the majority of the difference. European throughputs averaged 13.24 mb/d in May as unplanned outages cut runs. North American runs averaged 18.42 mb/d in May, up 566 kb/d from April, driven by the 495 kb/d gain in the US. OECD Pacific throughputs declined by 158 kb/d to average 6.82 mb/d in May.
- **Offline refinery capacity** estimates have increased for June to 2.4 mb/d. May remains the peak month for offline OECD capacity in the first half of the year, with our estimate unchanged at 2.8 mb/d. Global offline capacity peaked in March at roughly 4 mb/d and should decline over the course of the second and third quarters, in line with seasonal patterns.

Refining Margins

OECD North America

West Coast margins in June were strong on a historical basis, but have retreated from the record highs seen in May. Early month strength in margins faded as refineries that had delayed restarts from unplanned outages increased crude throughputs. The rising supply of product on the West Coast cut product cracks by \$6-8/bbl for gasoline and \$5/bbl on diesel and gasoil. West Coast ANS cracking

margins averaged \$8.83/bbl in June, \$4.29/bbl lower than in May. Kern coking margins remain the strongest of those covered in this report, averaging \$28.22/bbl, down \$4.29/bbl from May. The decline in coking margins reflects the lower light product cracks, while cracking margins were also affected by weaker fuel oil cracks which finished June at \$21.43 below ANS.

Selected Refining Margins in Major Refining Centres

		Monthly Average			Change	Week Ending:				
		Apr 06	May 06	Jun 06	Jun 06-May 06	02 Jun	09 Jun	16 Jun	23 Jun	30 Jun
NW Europe	Brent (Cracking)	4.17	6.49	6.93	0.45	7.64	8.37	8.75	6.33	6.29
	Urals (Cracking)	7.86	9.52	9.46	-0.07	9.56	9.82	9.98	9.39	9.54
	Brent (Hydroskimming)	-3.06	-1.79	-1.52	0.27	-0.11	0.31	1.14	-1.24	-2.15
	Urals (Hydroskimming)	-0.99	-0.28	-0.55	-0.27	-0.05	-0.22	0.29	-0.51	-1.22
Mediterranean	Es Sider (Cracking)	5.30	7.73	8.30	0.57	8.32	8.65	8.77	7.46	8.14
	Urals (Cracking)	6.57	8.90	9.22	0.32	9.05	9.54	9.67	8.56	9.04
	Es Sider (Hydroskimming)	-2.37	-0.44	-0.27	0.17	0.02	-0.04	0.69	-0.77	-1.17
	Urals (Hydroskimming)	-2.35	-0.77	-0.95	-0.18	-1.00	-0.62	-0.04	-1.34	-1.88
US Gulf Coast	Brent (Cracking)	7.11	4.60	6.67	2.07	6.05	8.67	7.73	4.70	5.16
	LLS (Cracking)	11.49	8.47	10.62	2.15	9.64	12.80	10.69	9.06	9.64
	Mars (Cracking)	9.15	6.37	6.47	0.10	5.94	7.49	6.33	5.20	6.56
	Mars (Coking)	17.36	14.48	16.10	1.63	14.76	17.13	15.75	14.76	16.61
	Maya (Coking)	22.13	19.40	23.10	3.70	20.77	23.71	22.55	22.59	23.59
US West Coast	ANS (Cracking)	12.69	13.12	8.83	-4.29	10.61	8.82	8.65	8.17	9.14
	Kern (Cracking)	12.08	12.21	7.54	-4.68	9.62	7.46	7.28	6.92	7.78
	Oman (Cracking)	12.15	12.66	7.97	-4.69	10.72	8.03	6.90	7.23	8.90
	Kern (Coking)	31.68	32.51	28.22	-4.29	30.01	26.91	26.08	27.37	31.93
Singapore	Dubai (Hydroskimming)	0.08	0.00	-1.31	-1.31	-0.65	-1.49	-0.45	-1.19	-2.18
	Tapis (Hydroskimming)	-4.25	-2.57	-1.41	1.16	-0.85	-0.39	-0.70	-1.68	-3.06
	Dubai (Hydrocracking)	4.74	5.35	4.52	-0.83	5.02	4.33	5.62	4.57	3.58
	Tapis (Hydrocracking)	-1.52	0.64	1.93	1.29	2.28	2.73	2.79	1.79	0.34
China	Cabinda (Hydroskimming)	-5.15	-3.71	-2.08	1.63	-3.12	-1.98	0.02	-2.07	-3.92
	Daqing (Hydroskimming)	-5.05	-5.62	-3.80	1.82	-4.38	-3.71	-3.27	-3.40	-4.61
	Dubai (Hydroskimming)	-0.22	-0.37	-1.95	-1.58	-1.13	-2.13	-1.15	-1.88	-2.76
	Daqing (Hydrocracking)	-0.29	0.11	1.51	1.40	1.09	1.49	2.00	1.76	1.01
	Dubai (Hydrocracking)	4.50	5.00	3.92	-1.08	4.55	3.72	4.95	3.91	3.05

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

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

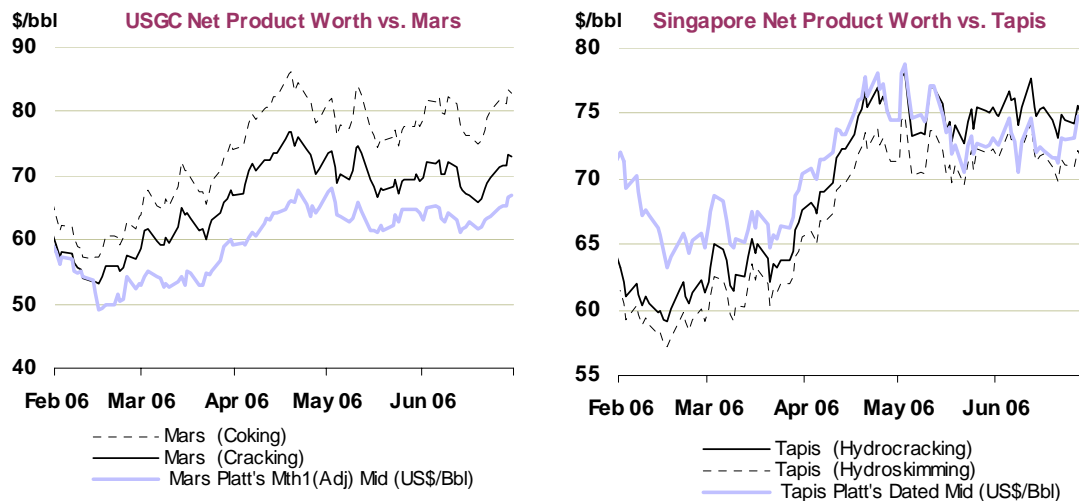
Sources: IEA, Purvin & Gertz Inc.

US Gulf Coast margins rebounded from the weaker levels seen in May as rising gasoline and diesel cracks offset the weaker fuel oil and gasoil cracks. Light sweet cracking margins outperformed those for sour crudes as the higher fuel oil yield for Mars crude weighed on its overall profitability. The introduction of ultra-low-sulphur diesel (ULSD) proceeded smoothly and weekly stock data indicate that refineries are building stocks of sub-15ppm sulphur material in place of the higher 15-500ppm grade. US Gulf Coast cracking margins for light sweet crudes increased on average by \$2.11/bbl, with Light Louisiana Sweet crude averaging \$10.62/bbl. Mars cracking margins increased by only \$0.10/bbl, to average \$6.47/bbl. The strength in Mars crude prices and weakness in high-sulphur fuel oil (HSFO) cracks, which declined by \$4/bbl over the month held back gains. Mars coking margins were \$1.63/bbl higher at \$16.10/bbl, similarly reflecting the stronger Mars crude price, but also the improvement in gasoline cracks.

OECD Europe

European margins in June were higher for light sweet crudes but weaker for medium sour grades. In contrast to the US Gulf Coast, cracking margins on medium-sour crudes, such as Urals, remain more profitable than those achievable on light sweet crudes, such as Brent and Es Sider.

The strength in European cracking margins, suggests that light product markets continue to face a tight product supply situation, due to high levels of offline capacity. Problems with a catalytic cracking unit at Shell's Pernis refinery in Rotterdam are apparently ongoing, while in the Mediterranean ERG's ISAB Sud refinery on Sicily is now expected to reach full crude runs in mid-July, three weeks later than previously estimated. These and various other shutdowns have been major contributors to Europe's tighter product supply picture in recent weeks.



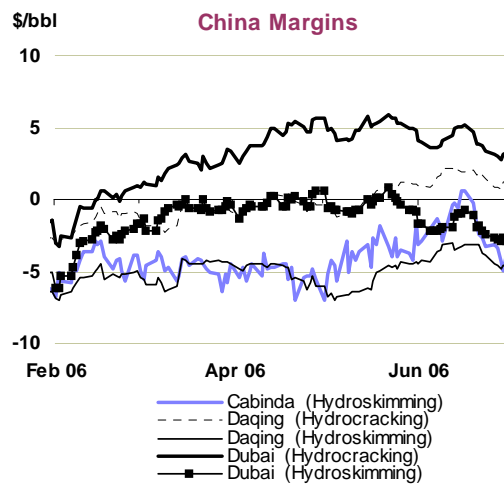
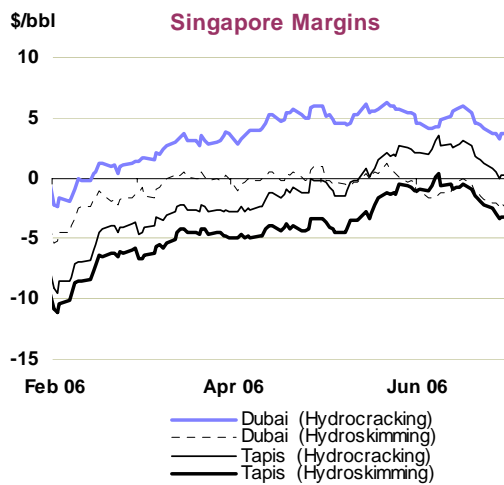
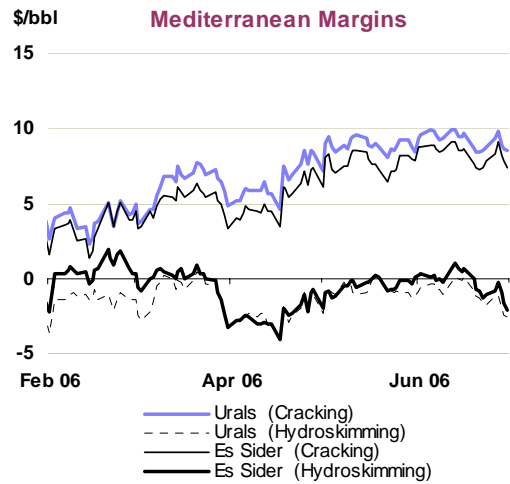
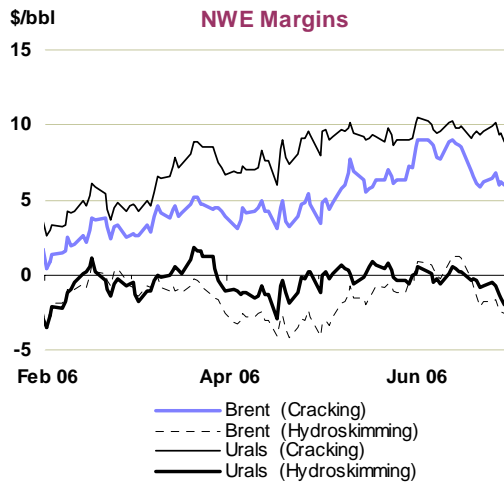
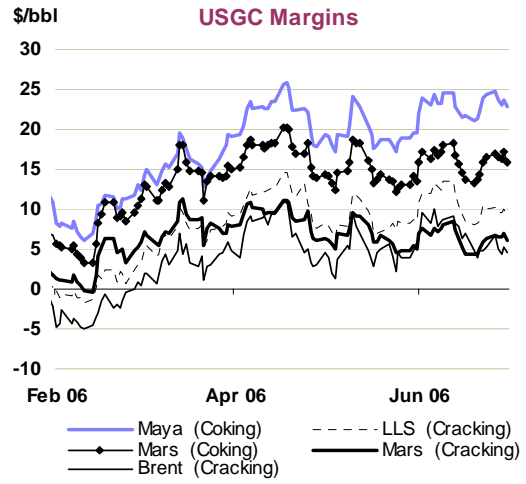
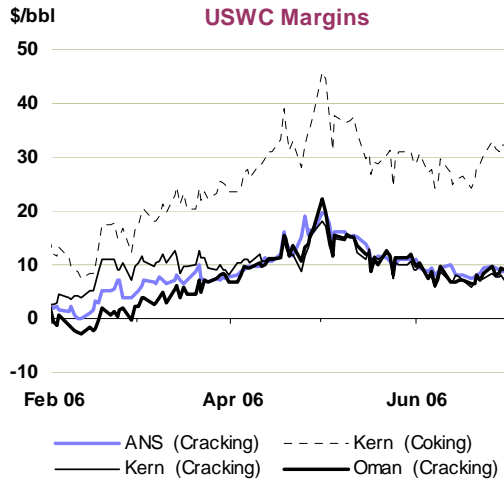
High levels of Russian gasoil and fuel oil imports into Europe undermined these product cracks relative to others in the region. Only the prospect of continued significant exports of HSFO from the Baltics and ARA to the Far East has provided support to fuel oil prices. Similarly, gasoline cracks were supported by the open arbitrage for high quality blending components to the US. NWE hydroskimming margins turned briefly positive during June, but the deterioration in low- and high-sulphur fuel oil cracks in the second half of the month subsequently eroded hydroskimming profitability.

Asia

In June Asian margins were undermined by a combination of weaker gasoline and HSFO cracks and by the strong price of Dubai crude. However, weakness in light sweet crude prices boosted Tapis margins. Dubai hydrocracking margins fell by \$0.83/bbl from May, but remain healthy, averaging \$4.52/bbl. Hydroskimming margins on Dubai crude weakened further, down by 1.31/bbl, due to the higher fuel-oil yield. Tapis margins were boosted over the course of the month by the continued decline in Tapis prices relative to Dubai. Hydroskimming margins remained negative on regional sweet crudes such as Daqing in China. Simple margins, although stronger on the back of improved gasoil, naphtha and jet fuel cracks, continue to suffer from the heavily negative low-sulphur waxy residue crack.

The arrival of fuel oil imports from the Caribbean, Europe and the FSU and muted buying interest from China all pressured fuel oil prices. Consequently, HSFO cracks decreased by over \$3/bbl on average in June and ended the month close to their lowest level for the last eight years. The return of refineries in Japan from seasonal maintenance eased gasoline market tightness and with the closure of the arbitrage to the US West Coast, gasoline cracks fell by an average of over \$4/bbl from May.

Regional Full-Cost Refining Margins



Refinery Throughput

OECD refinery throughputs in May increased by 266 kb/d to an estimated 38.48 mb/d, from a downward revised (-426 kb/d) April figure. This continued the April recovery from the low levels seen in March. Increases in crude runs in North America outpaced the declines seen in Europe and the Pacific. The focus of refinery maintenance continues to move from the Atlantic Basin to the Pacific, where Japanese maintenance reached its May peak. Average OECD throughputs are 559 kb/d below May 2005's level, with only the Pacific registering a gain versus last year's level. As a result, the average OECD capacity utilisation rate in May was 85.5% for the month, compared to 87.5% this time last year. Weekly US data, combined with our estimate of offline capacity suggest that June crude runs should increase from May's level and again in July, which is in line with seasonal norms.

OECD North America

Provisional data for May show that North American crude throughputs increased by 566 kb/d to an estimated 18.42 mb/d. The increase from April's downward revised level of 17.86 mb/d (-105 kb/d) reflects the continued reduction in maintenance work in the region, and lower level of unplanned outages. Some further improvements are likely over the coming months as crude runs were 492 kb/d below last year's level.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day					Change from		Utilisation rate ²		
	Dec 05	Jan 06	Feb 06	Mar 06	Apr 06	May 06	May 05	May 06	May 05	
OECD North America										
US ³	15.03	14.81	14.58	14.58	14.94	15.43	-0.46	-2.9	89.03	93.22
Canada	1.79	1.79	1.83	1.64	1.66	1.78	0.03	1.4	88.00	86.75
Mexico	1.31	1.33	1.23	1.19	1.26	1.22	-0.06	-4.5	72.18	71.96
Total	18.14	17.93	17.65	17.42	17.86	18.42	-0.49	-2.6	87.58	91.16
OECD Europe										
France	1.82	1.76	1.54	1.57	1.49	1.51	-0.05	-3.3	76.45	80.16
Germany	2.41	2.28	2.31	2.08	2.30	2.37	0.03	1.3	97.55	95.36
Italy	1.89	1.86	1.88	1.82	1.81	1.50	-0.45	-22.9	64.63	83.93
Netherlands	1.05	0.91	1.04	1.00	0.88	0.92	-0.21	-18.6	75.57	92.38
Spain	1.20	1.23	1.21	1.24	1.20	1.22	0.04	3.0	95.56	92.75
UK	1.68	1.59	1.57	1.44	1.51	1.59	-0.03	-2.0	84.59	88.78
Other OECD Europe	4.09	4.07	3.90	3.99	4.19	4.13	0.36	9.5	85.57	80.70
Total	14.15	13.69	13.44	13.15	13.38	13.24	-0.32	-2.3	83.12	86.22
OECD Pacific										
Japan	4.31	4.40	4.27	4.31	3.96	3.60	0.02	0.6	77.11	76.09
Korea	2.54	2.53	2.44	2.41	2.33	2.52	0.19	8.1	97.76	90.39
Other OECD Pacific	0.73	0.72	0.67	0.69	0.69	0.70	0.04	5.9	86.33	76.46
Total	7.58	7.65	7.39	7.41	6.97	6.82	0.25	3.8	84.64	80.65
OECD Total	39.86	39.27	38.47	37.97	38.21	38.48	-0.56	-1.4	85.48	87.50

¹ Estimate

² Based on crude throughput and current operable refining capacity

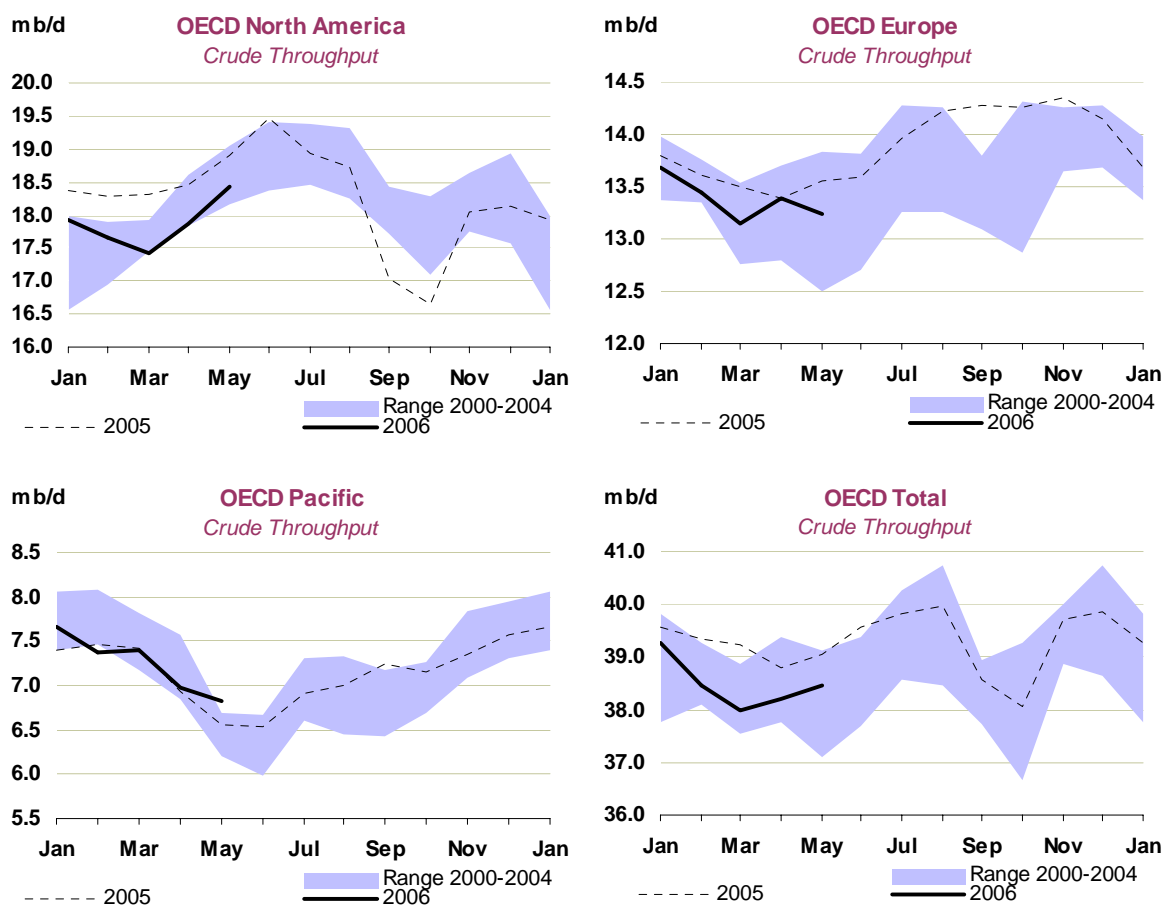
³ US\$0

May US throughputs were, on average, 15.43 mb/d, 495 kb/d above April's level, but still some 460 kb/d lower than May 2005 levels. Average capacity utilisation increased to 89%, 3% higher than April's 86%, but still 4% below last year. Adjusting for offline capacity suggests refineries ran at 94% of available capacity, which is equal to the rate achieved in May 2005. Weekly US data point to a continued recovery in crude throughputs in June. By late month crude runs peaked at 16.1 mb/d in the US. Logistical problems on the Gulf Coast, following the closure of the Calcasieu shipping channel, cut runs to 15.9 mb/d in early July.

OECD Europe

As expected, European crude throughputs were lower in May, falling 142 kb/d below April's downward revised (-163 kb/d) level of 13.38 mb/d. Crude runs of 13.24 mb/d were also 316 kb/d lower than May 2005's level. The decline was largely due to lower throughputs in Italy, which were 312 kb/d lower than in April and 446 kb/d lower than May 2005. The unplanned outage at ERG's ISAB South facility, coinciding with a planned shutdown at the ISAB North plant, effectively removed almost 400 kb/d from available capacity for the month. The ongoing problems at Shell's Pernis refinery are estimated to have curtailed crude runs by 140 kb/d, with reports suggesting that the

restart of a catalytic cracking unit should be achieved by mid-July. The long-term nature of this refinery problem has kept throughput levels at least 200 kb/d below last year.



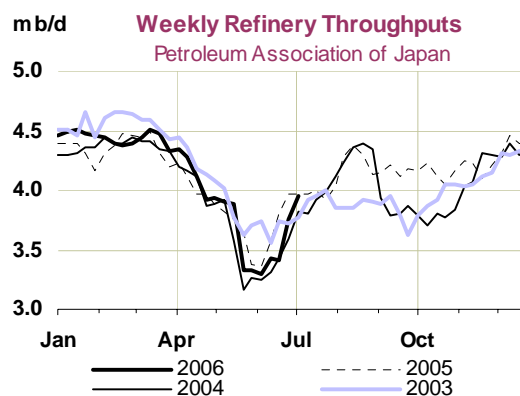
Increased throughputs in Germany (+66 kb/d) and the UK (+82 kb/d), are in line with our estimate of reduced offline capacity in May. However, we would have expected French crude runs to have recovered more sharply in May, raising the possibility that Total's La Mede refinery returned from turnaround more slowly than anticipated. OECD Europe crude throughputs should increase in June and July ahead of peak driving season, possibly reaching 14 mb/d in July.

OECD Pacific

OECD Pacific crude throughputs are estimated to have declined by a further 157 kb/d to 6.82 mb/d in May. In line with seasonal norms, crude runs declined for the second month running, but were still 249 kb/d above the level of May 2005. In Japan peak seasonal maintenance cut throughputs by 355 kb/d, to 3.6 mb/d, from the downward revised (-147 kb/d) April level of 4.31 mb/d.

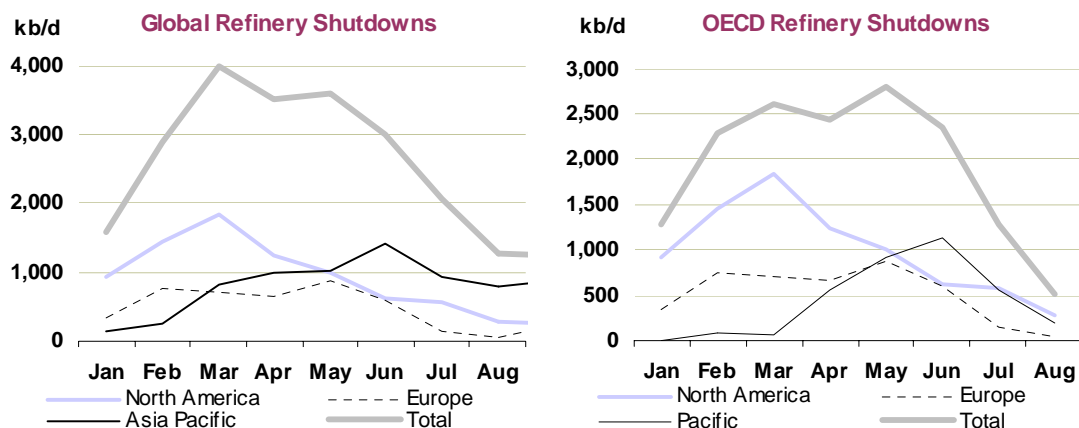
Weekly data from the Petroleum Association of Japan show that crude runs reached a trough in early June at 3.29 mb/d and have since recovered to 3.94 mb/d in late June. Our estimate for offline capacity in Japan suggests that monthly average crude runs should recover to around 4.1-4.2 mb/d in July, barring further unforeseen capacity outages.

Korean throughputs in May were 2.52 mb/d, an increase of 190 kb/d from levels of both a month and a year ago. This follows the completion of work at refineries operated by SK Corp and Caltex in April. Crude runs in June should dip again as more maintenance work is scheduled. However, the deferral of work at SK Corp's Ulsan refinery until late August would now suggest that June was the peak month for Korea's planned maintenance activity.



Offline Refinery Capacity

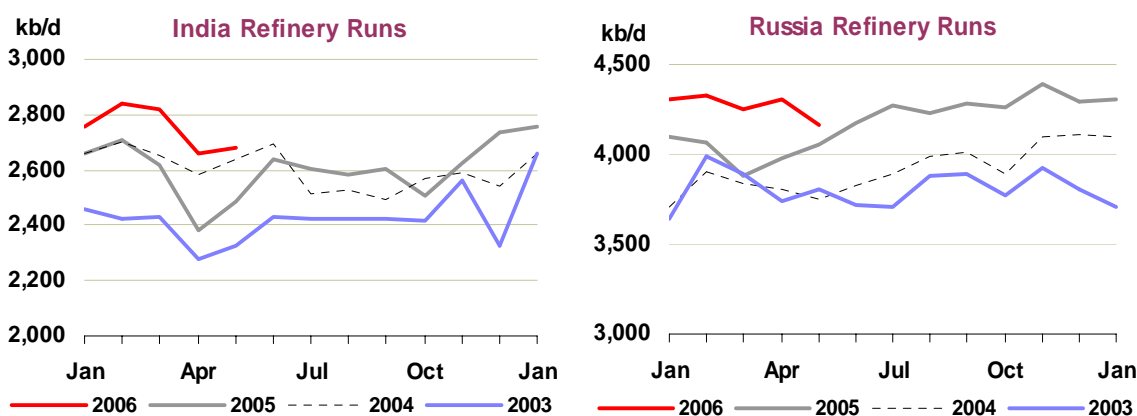
This Report's estimate of offline capacity for June in OECD refineries has again been increased following delays to the restart of refineries in Italy, the Netherlands and unplanned outages in the US. The peak in OECD offline capacity is unchanged at 2.8 mb/d in May. Estimated OECD offline capacity for June has risen by 472 kb/d to 2.4 mb/d. Further refinery outages in Europe (230 kb/d) and North America (130 kb/d) account for the majority of the increase.



Global offline primary distillation capacity is still estimated to have peaked in March at roughly 4 mb/d. However, the recovery in runs continues to be more gradual than our initial forecasts suggested, as unplanned refinery outages in China, Saudi Arabia and Aruba increased our estimate of capacity offline both in June and July.

Non-OECD Throughputs

Indian crude throughputs dipped in April, to 2.66 mb/d, as expected due to higher refinery maintenance. Provisional data for May suggests a slight recovery in crude runs to 2.68 mb/d. The start-up of the Panipat refinery expansion should boost June throughputs, with an increasing impact over the course of the third quarter, by the end of which Essar's Vadinar refinery should have also begun.



Russian crude runs fell from a downward revised 4.3 mb/d in April to 4.16 mb/d in May. The decline in runs may reflect the change in tax rates on product exports, or alternatively capture the impact of unreported refinery maintenance.

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	25.5	25.4	25.5	25.1	25.4	25.9	26.0	25.6	25.9	25.8	26.1	26.2	26.0
Europe	15.4	15.5	15.6	15.1	15.5	15.6	15.5	15.7	14.9	15.5	15.7	15.5	15.5	15.1	15.5	15.7	15.4
Pacific	8.6	8.5	9.4	8.1	8.1	8.8	8.6	9.3	7.9	8.2	9.0	8.6	9.3	8.0	8.1	8.9	8.6
Total OECD	48.6	49.3	50.6	48.5	49.1	49.9	49.5	50.1	48.2	49.5	50.7	49.7	50.7	48.9	49.8	50.8	50.0
NON-OECD DEMAND																	
FSU	3.6	3.8	3.8	3.7	3.8	3.9	3.8	3.9	3.7	3.8	4.0	3.9	3.9	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	5.6	6.5	6.6	6.5	6.7	6.8	6.6	6.8	7.0	7.1	7.2	7.0	7.2	7.3	7.4	7.7	7.4
Other Asia	8.1	8.6	8.9	8.9	8.7	8.7	8.8	8.9	9.0	8.8	9.0	8.9	9.1	9.1	9.0	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	5.4	5.3
Middle East	5.4	5.8	6.0	6.1	6.3	6.1	6.1	6.4	6.4	6.7	6.4	6.5	6.7	6.7	7.0	6.8	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	3.0	3.1	3.1	2.9	3.1	3.0
Total Non-OECD	30.7	33.1	34.0	33.9	34.1	34.2	34.1	34.8	35.0	35.2	35.6	35.1	35.9	36.0	36.4	37.0	36.3
Total Demand¹	79.3	82.5	84.6	82.4	83.2	84.1	83.6	84.9	83.3	84.7	86.3	84.8	86.7	84.9	86.1	87.7	86.4
OECD SUPPLY																	
North America	14.6	14.6	14.4	14.6	13.7	13.6	14.1	14.2	14.2	14.3	14.5	14.3	14.8	14.5	14.4	14.5	14.6
Europe	6.3	6.1	5.9	5.7	5.4	5.5	5.6	5.5	5.2	5.2	5.5	5.4	5.5	5.3	5.2	5.4	5.4
Pacific	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6
Total OECD	21.6	21.2	20.9	20.9	19.7	19.7	20.3	20.2	19.9	20.1	20.6	20.2	21.0	20.4	20.2	20.6	20.5
NON-OECD SUPPLY																	
FSU	10.3	11.2	11.5	11.5	11.7	11.9	11.6	11.7	12.0	12.2	12.4	12.1	12.4	12.5	12.7	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	4.3	4.4	4.5	4.6	4.5	4.6	4.6	4.7	4.9	4.7
Middle East	2.0	1.9	1.9	1.9	1.9	1.8	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.8
Africa	3.0	3.4	3.5	3.5	3.8	3.9	3.7	3.9	4.0	4.2	4.3	4.1	4.4	4.5	4.7	4.8	4.6
Total Non-OECD	25.6	27.0	27.5	27.6	28.1	28.4	27.9	28.4	28.8	29.3	29.7	29.0	29.8	30.0	30.5	30.9	30.3
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	50.4	50.5	49.8	50.1	50.2	50.6	50.7	51.5	52.4	51.3	53.0	52.5	52.9	53.7	53.0
OPEC																	
Crude ⁵	27.1	28.9	29.3	29.8	30.0	29.9	29.8	29.9	29.7								
NGLs	3.7	4.2	4.4	4.4	4.5	4.5	4.5	4.6	4.7	4.8	4.8	4.7	4.9	4.9	5.0	5.1	5.0
Total OPEC	30.8	33.1	33.7	34.2	34.5	34.5	34.2	34.5	34.3								
Total Supply⁶	79.8	83.2	84.0	84.7	84.3	84.5	84.4	85.1	85.1								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.1	0.1	-0.1	0.9	0.2	-0.6	0.1	0.1									
Government	0.2	0.1	0.1	0.3	0.0	-0.1	0.1	0.0									
Total	0.3	0.2	0.1	1.2	0.2	-0.7	0.2	0.1									
Floating Storage/Oil in Transit	0.2	0.0	-0.4	0.1	0.0	0.1	-0.1	0.1									
Miscellaneous to balance ⁷	0.1	0.4	-0.2	0.9	0.9	1.0	0.7	-0.1									
Total Stock Ch. & Misc	0.5	0.7	-0.6	2.3	1.1	0.4	0.8	0.2	1.8								
Memo items:																	
Call on OPEC crude + Stock ch. ⁸	26.6	28.2	29.9	27.5	29.0	29.5	29.0	29.7	27.9	28.5	29.1	28.8	28.8	27.4	28.2	28.9	28.4
Total Demand ex. FSU	75.7	78.7	80.8	78.7	79.5	80.2	79.8	81.0	79.6	80.9	82.3	80.9	82.8	81.2	82.3	83.7	82.5
Total demand exc. FSU (% ch) ⁹	1.9	4.0	2.3	1.6	1.5	0.1	1.3	0.3	1.1	1.8	2.6	1.4	2.1	2.1	1.7	1.7	1.9

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.

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

5 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.

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

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

8 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	-	-	-	-	-	-	-	-
Europe	-	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1	-	-	-	-	-
Pacific	-0.1	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-	-	-	-	-
Total OECD	-0.1	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-0.2	-0.4	-0.1	-0.1	-0.2					
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	0.1	-	-	-	0.1	0.1	0.1	-	0.1	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1					
Total Demand	-	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-	-0.1	-0.1					
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-0.1	-	0.1	-					
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-
Total Non-OECD	-0.1	-0.1	-	-	-	-	-	-	-0.1	-	-0.1	-0.1					
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total Non-OPEC	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1					
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total OPEC	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3					
Total Supply	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3					
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-0.1	-	-	-	-					
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	0.2	0.3	0.4	0.3	0.4	0.4	0.4	0.5	-	-	-	-	-	-	-	-	-
Total Stock Ch. & Misc	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4					
Memo items:																	
Call on OPEC crude + Stock ch.	-0.2	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Total Demand ex. FSU	-	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-	-0.1	-0.1	-	-	-0.1	-0.1	-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	25.57	25.34	25.50	25.43	25.46	25.13	25.40	25.89	26.05	25.62	25.93	25.78	26.15	26.16	26.01
Europe	15.48	15.58	15.14	15.55	15.64	15.48	15.73	14.92	15.45	15.70	15.45	15.48	15.11	15.50	15.67	15.44
Pacific	8.49	9.45	8.06	8.07	8.79	8.59	9.29	7.91	8.20	8.95	8.59	9.33	7.99	8.14	8.93	8.60
Total OECD	49.35	50.59	48.54	49.13	49.86	49.53	50.15	48.23	49.55	50.70	49.66	50.74	48.88	49.79	50.76	50.04
FSU	3.76	3.82	3.71	3.79	3.89	3.80	3.87	3.67	3.84	4.03	3.85	3.92	3.67	3.87	4.07	3.88
Europe	0.70	0.77	0.72	0.66	0.72	0.72	0.79	0.73	0.67	0.73	0.73	0.80	0.74	0.69	0.74	0.74
China	6.45	6.58	6.46	6.65	6.79	6.62	6.77	7.03	7.05	7.25	7.03	7.15	7.35	7.43	7.73	7.42
Other Asia	8.64	8.92	8.88	8.67	8.74	8.80	8.90	9.00	8.75	8.96	8.90	9.14	9.14	9.01	9.25	9.14
Latin America	4.97	4.97	5.13	5.19	5.11	5.10	5.08	5.21	5.30	5.23	5.21	5.16	5.33	5.40	5.37	5.32
Middle East	5.81	6.05	6.07	6.35	6.07	6.14	6.38	6.40	6.67	6.41	6.47	6.72	6.75	7.02	6.76	6.81
Africa	2.80	2.91	2.92	2.80	2.91	2.88	2.97	2.99	2.86	2.98	2.95	3.05	3.05	2.93	3.05	3.02
Total Non-OECD	33.14	34.02	33.89	34.11	34.24	34.07	34.77	35.03	35.16	35.60	35.14	35.94	36.03	36.36	36.97	36.33
World	82.48	84.61	82.44	83.24	84.09	83.59	84.92	83.26	84.70	86.30	84.80	86.67	84.91	86.14	87.73	86.37
of which:																
US50	20.73	20.80	20.66	20.86	20.75	20.77	20.48	20.84	21.14	21.22	20.92	21.13	21.07	21.36	21.33	21.22
Euro4	8.27	8.25	7.94	8.24	8.19	8.15	8.37	7.87	8.12	8.19	8.14	8.15	7.89	8.15	8.15	8.08
Japan	5.29	6.00	4.94	5.03	5.46	5.35	5.96	4.81	5.07	5.53	5.34	5.89	4.82	4.99	5.51	5.30
Korea	2.16	2.40	2.07	2.01	2.23	2.18	2.28	2.03	2.06	2.32	2.17	2.36	2.08	2.06	2.31	2.20
Mexico	2.00	2.04	2.11	2.06	2.10	2.08	2.08	2.04	2.13	2.16	2.10	2.12	2.15	2.17	2.15	2.15
Canada	2.30	2.36	2.24	2.24	2.23	2.27	2.19	2.19	2.27	2.30	2.24	2.29	2.22	2.27	2.31	2.27
Brazil	2.15	2.12	2.18	2.25	2.21	2.19	2.17	2.19	2.30	2.26	2.23	2.21	2.27	2.32	2.34	2.28
India	2.58	2.73	2.60	2.48	2.57	2.59	2.74	2.75	2.53	2.65	2.67	2.84	2.75	2.62	2.75	2.74
Annual Change (% per annum)																
North America	3.5	1.2	1.1	0.2	-1.1	0.3	-1.7	0.2	1.5	2.4	0.6	3.2	1.5	1.0	0.4	1.5
Europe	0.3	0.4	0.6	0.5	-1.6	0.0	0.9	-1.5	-0.6	0.4	-0.2	-1.6	1.2	0.3	-0.2	-0.1
Pacific	-1.6	2.3	2.3	-0.5	0.6	1.2	-1.6	-1.9	1.6	1.9	0.0	0.4	1.0	-0.8	-0.2	0.1
Total OECD	1.5	1.2	1.1	0.2	-1.0	0.4	-0.9	-0.6	0.8	1.7	0.3	1.2	1.3	0.5	0.1	0.8
FSU	4.7	8.7	-0.2	0.0	-2.7	1.3	1.4	-1.1	1.3	3.5	1.3	1.2	0.0	0.8	1.0	0.8
Europe	2.6	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	4.5	-1.3	5.0	2.5	2.6	2.9	8.8	6.1	6.8	6.1	5.6	4.4	5.4	6.7	5.5
Other Asia	7.1	4.3	2.4	2.5	-1.6	1.8	-0.2	1.4	0.9	2.5	1.2	2.6	1.6	3.0	3.2	2.6
Latin America	6.0	3.1	3.0	2.4	2.1	2.7	2.2	1.5	2.1	2.3	2.0	1.6	2.5	1.8	2.6	2.1
Middle East	7.2	5.8	5.8	5.3	5.4	5.6	5.5	5.4	5.1	5.6	5.4	5.3	5.4	5.3	5.3	5.3
Africa	4.4	3.3	3.3	2.5	2.7	3.0	2.4	2.3	2.4	2.4	2.4	2.6	2.0	2.3	2.4	2.4
Total Non-OECD	7.9	4.8	2.1	3.2	1.2	2.8	2.2	3.4	3.1	4.0	3.2	3.4	2.9	3.4	3.9	3.4
World	4.0	2.6	1.5	1.4	-0.1	1.3	0.4	1.0	1.8	2.6	1.4	2.1	2.0	1.7	1.7	1.8
Annual Change (mb/d)																
North America	0.85	0.31	0.27	0.06	-0.28	0.09	-0.44	0.06	0.39	0.61	0.16	0.80	0.38	0.26	0.11	0.39
Europe	0.05	0.07	0.09	0.08	-0.26	-0.01	0.15	-0.22	-0.10	0.07	-0.03	-0.25	0.18	0.05	-0.04	-0.01
Pacific	-0.14	0.21	0.18	-0.04	0.06	0.10	-0.15	-0.15	0.13	0.16	0.00	0.04	0.08	-0.07	-0.02	0.01
Total OECD	0.75	0.59	0.54	0.10	-0.48	0.18	-0.44	-0.31	0.42	0.85	0.13	0.59	0.65	0.24	0.06	0.38
FSU	0.17	0.31	-0.01	0.00	-0.11	0.05	0.05	-0.04	0.05	0.14	0.05	0.05	0.00	0.03	0.04	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	0.31	0.16	0.17	0.19	0.57	0.40	0.46	0.41	0.38	0.31	0.38	0.49	0.39
Other Asia	0.57	0.37	0.20	0.21	-0.14	0.16	-0.02	0.12	0.08	0.22	0.10	0.24	0.14	0.26	0.28	0.23
Latin America	0.28	0.15	0.15	0.12	0.11	0.13	0.11	0.08	0.11	0.12	0.10	0.08	0.13	0.09	0.14	0.11
Middle East	0.39	0.33	0.34	0.32	0.31	0.32	0.33	0.33	0.33	0.34	0.33	0.34	0.34	0.35	0.34	0.34
Africa	0.12	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	2.43	1.55	0.70	1.05	0.42	0.93	0.75	1.14	1.05	1.36	1.08	1.17	1.00	1.20	1.37	1.19
World	3.18	2.13	1.24	1.15	-0.06	1.11	0.31	0.82	1.46	2.21	1.21	1.75	1.65	1.44	1.43	1.57
Revisions to Oil Demand from Last Month's Report (mb/d)																
North America	0.04	0.04	0.04	0.04	0.04	0.04	0.03	-0.10	0.03	0.04	-	-	-	-	-	-
Europe	-0.14	-0.08	-0.14	-0.13	-0.16	-0.13	-0.16	-0.18	-0.12	-0.13	-0.15	-	-	-	-	-
Pacific	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.14	-0.01	-0.02	-0.05	-	-	-	-	-
Total OECD	-0.14	-0.08	-0.15	-0.14	-0.16	-0.13	-0.18	-0.41	-0.10	-0.12	-0.20	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-0.01	0.02	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	0.02	0.03	0.06	0.02	0.02	0.03	0.06	0.07	0.08	0.05	0.06	-	-	-	-	-
Other Asia	-0.01	-0.01	0.00	-0.01	-0.01	-0.01	-	0.07	-	-0.01	0.01	-	-	-	-	-
Latin America	0.02	0.02	0.02	0.02	0.02	0.02	0.02	-0.02	0.01	0.01	0.01	-	-	-	-	-
Middle East	-	-	-	0.01	-	-	-	-	0.01	-	-	-	-	-	-	-
Africa	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	-	-	-	-	-
Total Non-OECD	0.05	0.06	0.09	0.06	0.05	0.06	0.10	0.13	0.13	0.06	0.10	-	-	-	-	-
World	-0.09	-0.02	-0.06	-0.08	-0.11	-0.07	-0.08	-0.28	0.03	-0.06	-0.10	-	-	-	-	-
Revisions to Oil Demand Growth from Last Month's Report (mb/d)																
World	-0.06	0.10	0.02	0.01	-0.03	0.02	-0.07	-0.22	0.11	0.05	-0.03	-	-	-	-	-

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2005	2006	2007	1Q06	2Q06	3Q06	4Q06	1Q07	Apr 06	May 06	Jun 06
OPEC											
Crude Oil											
Saudi Arabia	9.06			9.27	9.01				8.96	9.01	9.06
Iran	3.88			3.84	3.71				3.69	3.70	3.75
Iraq	1.81			1.71	1.99				2.00	1.92	2.08
UAE	2.46			2.60	2.61				2.67	2.60	2.56
Kuwait	2.13			2.22	2.22				2.22	2.22	2.22
Neutral Zone	0.58			0.59	0.58				0.58	0.58	0.58
Qatar	0.80			0.82	0.83				0.83	0.83	0.83
Nigeria	2.40			2.23	2.19				2.09	2.20	2.29
Libya	1.64			1.67	1.70				1.70	1.70	1.70
Algeria	1.34			1.36	1.34				1.36	1.34	1.33
Venezuela	2.71			2.63	2.58				2.63	2.60	2.51
Indonesia	0.94			0.92	0.91				0.92	0.92	0.90
Total Crude Oil	29.76			29.87	29.68				29.63	29.60	29.80
Total NGLs ¹	4.46	4.72	5.00	4.62	4.66	4.76	4.83	4.91	4.63	4.67	4.68
Total OPEC	34.23			34.48	34.34				34.26	34.27	34.48
NON-OPEC²											
OECD											
North America											
United States	7.27	7.36	7.56	7.19	7.33	7.48	7.44	7.69	7.28	7.30	7.39
Mexico	3.76	3.72	3.63	3.78	3.77	3.69	3.62	3.63	3.81	3.77	3.74
Canada	3.06	3.23	3.36	3.20	3.06	3.17	3.47	3.47	3.24	2.94	3.01
Europe											
UK	1.83	1.75	1.75	1.84	1.72	1.63	1.80	1.87	1.79	1.71	1.67
Norway	2.97	2.87	2.86	2.93	2.75	2.83	2.96	2.91	2.68	2.85	2.71
Others	0.80	0.77	0.75	0.77	0.77	0.77	0.76	0.76	0.78	0.77	0.77
Pacific											
Australia	0.54	0.49	0.58	0.45	0.45	0.51	0.57	0.58	0.46	0.43	0.45
Others	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.04	0.04
Total OECD	20.28	20.22	20.54	20.21	19.89	20.12	20.65	20.95	20.09	19.81	19.78
NON-OECD											
Former USSR											
Russia	9.48	9.73	10.00	9.53	9.68	9.81	9.91	9.90	9.66	9.66	9.73
Others	2.16	2.36	2.61	2.19	2.36	2.42	2.46	2.51	2.37	2.37	2.35
Asia											
China	3.62	3.70	3.73	3.68	3.69	3.72	3.73	3.74	3.68	3.67	3.70
Malaysia	0.77	0.75	0.75	0.77	0.75	0.74	0.73	0.74	0.73	0.76	0.75
India	0.77	0.81	0.83	0.77	0.80	0.82	0.83	0.83	0.77	0.82	0.82
Others	1.13	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.18
Europe											
Others	0.16	0.15	0.13	0.15	0.15	0.14	0.14	0.14	0.15	0.15	0.15
Latin America											
Brazil	1.99	2.18	2.43	2.07	2.10	2.20	2.34	2.35	2.09	2.10	2.11
Argentina	0.78	0.75	0.73	0.76	0.76	0.75	0.74	0.74	0.77	0.77	0.76
Colombia	0.53	0.53	0.53	0.53	0.53	0.53	0.54	0.54	0.53	0.53	0.53
Ecuador	0.53	0.55	0.56	0.52	0.55	0.55	0.56	0.56	0.55	0.55	0.55
Others	0.47	0.46	0.46	0.47	0.46	0.46	0.46	0.47	0.45	0.46	0.47
Middle East³											
Oman	1.86	1.80	1.75	1.81	1.81	1.80	1.79	1.77	1.83	1.81	1.80
Syria	0.79	0.75	0.72	0.76	0.76	0.75	0.74	0.73	0.78	0.75	0.75
Syria	0.46	0.43	0.41	0.44	0.43	0.43	0.42	0.42	0.44	0.43	0.43
Yemen	0.42	0.42	0.42	0.41	0.42	0.43	0.43	0.43	0.42	0.42	0.42
Africa											
Egypt	3.67	4.10	4.60	3.93	3.99	4.21	4.28	4.37	4.07	3.93	3.97
Angola	0.70	0.69	0.68	0.69	0.70	0.69	0.69	0.69	0.70	0.69	0.69
Angola	1.25	1.43	1.75	1.42	1.33	1.48	1.49	1.56	1.43	1.28	1.29
Gabon	0.23	0.23	0.23	0.24	0.24	0.23	0.23	0.23	0.24	0.24	0.24
Others	1.50	1.74	1.94	1.58	1.72	1.81	1.86	1.89	1.70	1.71	1.75
Total Non-OECD	27.92	29.04	30.29	28.36	28.80	29.32	29.67	29.82	28.79	28.73	28.87
Processing Gains ⁴	1.86	1.90	1.92	1.92	1.89	1.88	1.92	1.92	1.92	1.88	1.88
Other Biofuels ⁵	0.12	0.15	0.26	0.15	0.15	0.15	0.15	0.26	0.15	0.15	0.15
TOTAL NON-OPEC	50.17	51.31	53.01	50.64	50.73	51.48	52.40	52.95	50.95	50.57	50.67
TOTAL SUPPLY	84.40			85.12	85.07				85.21	84.84	85.16

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

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			
	Jan2006	Feb2006	Mar2006	Apr2006	May2006*	May2003	May2004	May2005	2Q2005	3Q2005	4Q2005	1Q2006
North America												
Crude	449.3	469.5	465.5	476.9	473.4	396.3	424.0	449.4	0.16	-0.15	0.25	0.10
Motor Gasoline	254.8	257.1	242.1	237.2	243.1	239.5	235.0	245.4	0.00	-0.19	0.08	0.08
Middle Distillate	222.2	212.9	194.4	190.4	196.4	177.4	174.6	181.6	0.17	0.08	0.16	-0.21
Residual Fuel Oil	51.0	53.2	50.6	49.7	48.9	44.9	44.5	46.9	-0.03	-0.04	0.03	0.07
Total Products ³	689.6	676.5	636.3	637.4	660.5	624.9	615.3	666.1	0.57	-0.16	-0.06	-0.24
Total ⁴	1277.7	1281.6	1241.0	1255.8	1273.5	1160.7	1177.1	1260.5	0.85	-0.19	-0.02	-0.16
Europe												
Crude	333.3	340.3	346.6	339.7	345.7	330.6	335.9	355.8	-0.06	0.01	-0.13	0.23
Motor Gasoline	119.9	120.0	112.0	106.7	105.8	115.3	114.5	114.4	-0.19	0.02	0.08	-0.01
Middle Distillate	267.7	261.5	248.0	261.3	260.0	230.9	232.3	257.7	-0.03	0.18	-0.03	-0.09
Residual Fuel Oil	74.8	71.5	69.7	75.7	74.5	69.4	74.9	78.0	0.04	0.05	-0.02	-0.04
Total Products ³	564.8	555.0	531.2	546.0	542.9	521.0	521.8	551.5	-0.22	0.24	0.04	-0.16
Total ⁴	970.3	971.4	954.2	960.0	962.0	919.3	928.8	982.2	-0.31	0.31	-0.14	0.12
Pacific												
Crude	155.6	157.3	170.7	171.4	183.1	172.3	179.1	171.9	0.08	-0.09	-0.12	0.15
Motor Gasoline	24.8	25.4	25.0	25.5	25.9	25.5	24.7	25.7	-0.01	-0.02	0.00	0.03
Middle Distillate	62.6	64.0	61.2	58.7	67.6	69.8	56.1	62.5	0.11	0.21	-0.18	0.00
Residual Fuel Oil	21.3	21.1	19.2	22.4	25.0	24.9	24.1	24.7	0.02	0.01	-0.04	-0.01
Total Products ³	168.9	172.6	169.4	172.0	182.6	183.7	166.8	178.1	0.20	0.20	-0.26	0.02
Total ⁴	392.3	396.3	409.8	414.7	437.2	428.5	416.7	422.8	0.36	0.11	-0.42	0.18
Total OECD												
Crude	938.1	967.1	982.8	987.9	1002.2	899.2	938.9	977.2	0.18	-0.22	0.00	0.47
Motor Gasoline	399.4	402.5	379.1	369.4	374.8	380.4	374.1	385.5	-0.19	-0.19	0.16	0.10
Middle Distillate	552.5	538.4	503.6	510.4	524.0	478.1	463.0	501.7	0.26	0.47	-0.06	-0.30
Residual Fuel Oil	147.1	145.9	139.5	147.8	148.4	139.2	143.4	149.6	0.03	0.01	-0.03	0.01
Total Products ³	1423.3	1404.1	1336.8	1355.4	1386.0	1329.6	1303.8	1395.7	0.54	0.29	-0.28	-0.37
Total ⁴	2640.2	2649.3	2605.0	2630.5	2672.7	2508.5	2522.6	2665.5	0.89	0.23	-0.58	0.14

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			
	Jan2006	Feb2006	Mar2006	Apr2006	May2006*	May2003	May2004	May2005	2Q2005	3Q2005	4Q2005	1Q2006
North America												
Crude	683.5	684.8	686.1	687.9	688.7	603.1	661.3	693.9	0.09	-0.03	-0.10	0.02
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	169.5	170.2	170.2	171.0	171.0	153.6	157.6	164.4	0.01	0.02	0.00	0.04
Products	235.9	235.2	235.9	233.5	233.5	204.1	208.5	210.4	0.26	0.02	0.02	-0.03
Pacific												
Crude	380.0	380.0	380.4	380.5	380.5	383.0	386.9	384.5	-0.01	-0.01	-0.01	-0.01
Products	11.6	11.3	11.4	11.4	11.7	9.6	11.0	11.0	0.00	0.00	0.00	0.00
Total OECD												
Crude	1233.0	1234.9	1236.7	1239.3	1240.1	1139.7	1205.8	1242.8	0.09	-0.02	-0.11	0.04
Products	249.5	248.5	249.3	246.9	247.2	215.7	221.5	223.5	0.26	0.02	0.02	-0.04
Total ⁴	1483.4	1484.5	1487.0	1487.2	1488.3	1356.4	1428.3	1467.3	0.35	0.00	-0.08	0.01

* 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 barrels³ and 'days'³)

	End March 2005		End June 2005		End September 2005		End December 2005		End March 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	162.6	73	164.7	73	170.5	77	178.1	81	171.5	-
Mexico	44.2	21	45.6	22	52.8	25	43.9	21	41.7	-
United States ⁴	1658.8	81	1740.5	84	1707.4	82	1697.9	83	1693.7	-
Total⁴	1887.7	75	1972.9	78	1952.9	77	1942.0	78	1929.1	76
Pacific										
Australia	34.8	38	35.7	40	34.1	37	32.7	36	35.5	-
Japan	604.9	123	629.4	125	637.9	117	612.1	103	620.1	-
Korea	137.4	67	142.5	71	145.4	65	134.9	59	137.4	-
New Zealand	7.9	52	9.0	62	7.9	48	7.2	47	8.6	-
Total	785.0	97	816.6	101	825.3	94	786.8	85	801.6	101
Europe⁵										
Austria	20.6	69	20.2	66	19.9	66	19.0	68	18.7	-
Belgium	26.9	51	27.8	57	30.3	51	28.6	47	31.0	-
Czech Republic	17.0	78	15.9	70	16.7	79	18.8	99	19.6	-
Denmark	16.3	89	17.2	96	20.5	111	20.3	102	19.5	-
Finland	26.2	124	27.0	122	27.3	123	25.1	113	26.7	-
France	187.4	97	185.6	93	191.4	97	195.6	93	196.2	-
Germany	280.2	110	279.5	102	275.8	105	282.6	111	279.9	-
Greece	35.7	98	32.6	85	34.6	75	33.1	69	36.5	-
Hungary	19.6	131	17.0	105	17.1	104	17.6	120	20.8	-
Ireland	10.6	58	11.6	63	13.2	65	11.6	55	13.3	-
Italy	133.7	79	132.1	78	137.0	77	132.0	71	131.5	-
Luxembourg	0.9	13	0.8	13	0.8	12	0.8	11	0.9	-
Netherlands	109.4	103	116.6	114	115.7	115	116.4	116	120.5	-
Norway	29.2	145	21.0	98	30.2	108	30.7	123	21.9	-
Poland	33.9	77	34.5	70	33.8	69	35.2	77	35.5	-
Portugal	25.6	78	26.5	78	26.8	82	25.7	78	24.7	-
Slovak Republic	7.0	97	6.5	83	6.4	81	6.4	78	8.3	-
Spain	126.7	80	129.4	82	131.7	84	128.6	79	130.2	-
Sweden	32.0	89	35.4	100	34.6	95	38.0	102	38.4	-
Switzerland	37.1	146	38.0	134	38.9	137	37.7	128	37.7	-
Turkey	55.4	79	52.2	76	50.8	81	51.2	100	51.6	-
United Kingdom	102.2	58	102.3	57	108.7	60	95.6	52	97.8	-
Total	1333.5	88	1329.7	86	1362.1	87	1350.4	86	1361.3	91
Total OECD	4006.1	83	4119.2	84	4140.2	83	4079.2	82	4091.9	85
DAYS OF IEA Net Imports⁶	-	113	-	116	-	116	-	114	-	115

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 March 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	Industry	Government ¹ controlled	Industry	Industry
	<i>Millions of Barrels</i>			<i>Days of Fwd. Demand²</i>		
1Q2003	3791	1362	2430	80	29	51
2Q2003	3916	1365	2551	81	28	53
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	4000	1450	2550	79	29	51
1Q2005	4006	1462	2544	83	30	53
2Q2005	4119	1494	2625	84	30	54
3Q2005	4140	1494	2646	83	30	53
4Q2005	4079	1487	2593	82	30	52
1Q2006	4092	1487	2605	85	31	54

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

2 Days of forward demand calculated using actual demand except in 1Q2006 (when latest forecasts are used).

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

	2003	2004	2005	2Q05	3Q05	4Q05	1Q06	Feb 06	Mar 06	Apr 06	Year Earlier	
											Apr 05	change
Saudi Light & Extra Light												
North America	0.64	0.55	0.46	0.45	0.41	0.52	0.51	0.58	0.55	0.65	0.42	0.22
Europe	1.00	1.03	0.90	0.88	0.92	0.91	0.83	0.87	0.81	0.62	0.83	-0.20
Pacific	1.18	1.24	1.31	1.22	1.25	1.37	1.40	1.38	1.47	1.53	1.17	0.36
Saudi Medium												
North America	0.83	0.80	0.81	0.89	0.58	0.81	0.65	0.68	0.66	0.74	0.92	-0.18
Europe	0.11	0.11	0.16	0.13	0.20	0.16	0.17	0.14	0.16	0.12	0.13	-0.01
Pacific	0.24	0.23	0.26	0.24	0.27	0.32	0.38	0.43	0.37	0.37	0.26	0.11
Saudi Heavy												
North America	0.30	0.22	0.17	0.15	0.20	0.16	0.21	0.22	0.20	0.21	0.11	0.11
Europe	0.19	0.23	0.23	0.20	0.27	0.26	0.14	0.16	0.16	0.24	0.18	0.07
Pacific	0.16	0.15	0.25	0.20	0.26	0.29	0.25	0.32	0.22	0.21	0.19	0.02
Iraqi Basrah Light²												
North America	0.44	0.71	0.60	0.69	0.56	0.59	0.44	0.38	0.48	0.51	0.66	-0.14
Europe	0.09	0.21	0.23	0.19	0.24	0.31	0.24	0.19	0.23	0.31	0.22	0.09
Pacific	0.03	0.12	0.06	0.06	0.06	0.06	0.08	0.04	0.12	0.12	0.13	-0.01
Iraqi Kirkuk												
North America	0.06	0.02	..	..	..	..	..	..	..	..	..	..
Europe	0.12	0.08	0.05	0.04	0.13	0.03	..	..	..	..	0.02	..
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.19	0.24	0.20	0.18	0.16	0.22	0.20	0.23	0.26	0.23	0.22	0.01
Pacific	0.17	0.16	0.15	0.13	0.14	0.15	0.19	0.21	0.20	0.13	0.10	0.03
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.59	0.57	0.63	0.63	0.71	0.57	0.48	0.54	0.39	0.31	0.64	-0.32
Pacific	0.69	0.65	0.62	0.59	0.52	0.63	0.64	0.73	0.69	0.56	0.67	-0.11
Venezuelan Light & Medium												
North America	0.69	0.67	0.82	0.88	0.79	0.81	0.75	0.79	0.76	0.54	0.88	-0.34
Europe	0.02	0.01	0.04	0.03	0.06	0.07	0.12	0.06	0.17	0.14	0.02	0.12
Pacific	0.00	..	..	..	..	..	..	..	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.60	0.88	0.72	0.82	0.66	0.56	0.70	0.69	0.63	0.67	0.95	-0.29
Europe	0.06	0.05	0.06	0.06	0.08	0.06	0.08	0.06	0.08	0.04	0.06	-0.02
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	1.32	1.36	1.27	1.36	1.17	1.25	1.26	1.23	1.32	1.24	1.29	-0.05
Europe	0.16	0.16	0.17	0.17	0.16	0.18	0.13	0.13	0.13	0.20	0.12	0.08
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
Mexican Isthmus												
North America	0.00	..	0.03	0.00	0.02	0.10	0.09	0.10	0.10	..	..	..
Europe	0.00	0.01	0.03	0.01	0.02	0.05	0.01	..	0.00	0.00	..	..
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
Russian Urals												
North America	0.14	0.12	0.13	0.14	0.16	0.09	..	..	..	0.04	0.34	-0.30
Europe	1.62	1.86	1.77	1.93	1.76	1.69	1.68	1.54	1.85	1.63	1.97	-0.34
Pacific	0.00	0.01	0.00	0.00	0.01	..	..	..	..	..	0.00	..
Nigerian Light⁴												
North America	0.63	0.80	0.90	0.88	0.94	0.90	0.87	1.00	0.77	0.95	0.86	0.09
Europe	0.41	0.28	0.35	0.27	0.41	0.41	0.28	0.36	0.26	0.29	0.24	0.05
Pacific	0.08	0.11	0.05	0.06	0.07	0.02	0.09	0.10	0.03	0.02	0.06	-0.04
Nigerian Medium												
North America	0.17	0.23	0.17	0.22	0.13	0.15	0.19	0.22	0.16	0.12	0.22	-0.10
Europe	0.06	0.04	0.07	0.04	0.08	0.07	0.08	0.10	0.07	0.05	0.00	0.05
Pacific	0.01	0.01	0.01	0.02	..	..	..	..	..	..	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	2Q2005	3Q2005	4Q2005	1Q2006	Feb-06	Mar-06	Apr-06	Year Earlier	
											Apr-05	% change
Crude Oil												
North America	8069	8431	8384	8614	8251	8101	7729	7816	7786	7791	8616	-11%
Europe	9096	9477	9806	9506	10082	9937	9399	9329	9102	9351	9455	-1%
Pacific	6711	6659	6801	6434	6643	6967	7387	7341	7567	6734	6297	6%
Total OECD	23876	24568	24992	24555	24975	25005	24515	24485	24454	23875	24368	-2%
LPG												
North America	27	24	18	3	18	30	8	12	7	5	7	-42%
Europe	193	225	231	163	218	231	280	224	298	251	194	23%
Pacific	541	541	527	591	500	486	651	725	642	602	619	-3%
Total OECD	760	790	776	757	735	746	938	961	947	858	820	4%
Naphtha												
North America	67	99	110	89	151	76	41	16	32	32	81	-156%
Europe	305	282	281	251	297	287	345	394	309	147	216	-47%
Pacific	770	769	746	759	693	760	692	746	634	736	791	-7%
Total OECD	1142	1150	1137	1100	1142	1123	1077	1156	975	915	1088	-19%
Gasoline³												
North America	669	794	1016	1020	1046	1148	1120	1151	1139	1247	946	24%
Europe	150	137	172	160	208	122	197	222	147	12	159	-1272%
Pacific	70	105	102	130	93	90	78	69	81	101	109	-8%
Total OECD	888	1035	1291	1310	1346	1360	1394	1442	1367	1360	1215	11%
Jet & Kerosene												
North America	97	101	130	43	139	268	80	18	98	207	35	83%
Europe	271	293	375	364	449	371	320	279	326	383	350	9%
Pacific	102	77	66	72	48	49	132	179	83	35	77	-120%
Total OECD	470	471	571	479	636	688	532	476	506	625	463	26%
Gasoi/Diesel												
North America	126	123	142	92	99	267	210	164	110	102	77	25%
Europe	652	751	857	766	811	868	1090	1130	1090	1051	816	22%
Pacific	73	74	79	94	79	83	77	97	61	70	95	-37%
Total OECD	850	947	1078	952	988	1218	1377	1390	1261	1223	988	19%
Heavy Fuel Oil												
North America	326	453	525	433	566	610	481	499	340	260	432	-66%
Europe	398	405	491	549	526	470	525	595	516	464	648	-40%
Pacific	88	76	85	82	90	82	123	127	120	98	83	16%
Total OECD	812	935	1101	1065	1182	1163	1129	1221	976	822	1163	-41%
Other Products												
North America	680	872	1005	1064	1166	1049	972	1051	751	1153	845	27%
Europe	690	676	795	828	807	798	884	827	920	893	819	8%
Pacific	235	256	247	248	225	263	284	262	304	289	309	-7%
Total OECD	1605	1805	2047	2140	2197	2110	2140	2140	1975	2336	1973	16%
Total Products												
North America	1991	2466	2947	2745	3185	3447	2911	2909	2477	3005	2423	19%
Europe	2657	2767	3202	3083	3314	3147	3640	3672	3606	3202	3202	0%
Pacific	1879	1898	1852	1975	1728	1812	2036	2205	1925	1932	2084	-8%
Total OECD	6527	7132	8001	7802	8227	8407	8587	8786	8008	8140	7710	5%
Total Oil												
North America	10061	10897	11332	11359	11436	11548	10640	10725	10262	10796	11040	-2%
Europe	11753	12245	13009	12589	13396	13084	13039	13001	12707	12552	12657	-1%
Pacific	8590	8558	8653	8409	8370	8779	9423	9546	9492	8666	8382	3%
Total OECD	30403	31699	32993	32357	33202	33412	33102	33271	32462	32014	32078	0%

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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Users' Guide to the IEA Oil Market Report

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