

12 October 2004

HIGHLIGHTS

- NYMEX WTI crude futures surpassed \$53/bbl in early October. Disrupted output in the Gulf of Mexico, unrest in the Niger delta and strikes in Nigeria, Norway and Brazil contributed to rising prices. Distillate-rich sweet crudes were in strong demand, and combined with high OPEC sour output, pressured the sweet/sour spread.
- The global oil demand forecast has been raised by 240 kb/d for 2004, to 82.4 mb/d, but trimmed by 70 kb/d for 2005, to 83.9 mb/d. The cut reflects expectations of slower economic growth and the impact of high oil prices on demand and the economy.
- Chinese demand growth shows signs of easing. Preliminary data suggest August growth slowed to 6%, from 12% in July and 25% in the second quarter. This reflected price effects, conservation measures and new non-oil power generation capacity.
- OPEC crude supply rose 710 kb/d in September to 29.9 mb/d as Iraqi output rose 540 kb/d to 2.3 mb/d and Saudi Arabia maintained supply close to 9.5 mb/d. Nigerian production has been largely unscathed by ethnic and labour unrest. The 'call on OPEC crude and stock change' averages 27.9 mb/d for 2004 and 27.6 mb/d in 2005.
- World oil supply rose by 640 kb/d to 84.0 mb/d in September. Non-OPEC output fell for a third month, by 100 kb/d. Hurricane Ivan shut-in 475 kb/d of US Gulf Coast output, with similar reductions expected to persist in October. Recovering US and North Sea production should help non-OPEC supply rise by 1.4 mb/d from September to December.
- OECD industry total oil stocks increased 240 kb/d or about 7.5 mb in August, closing 12.3 mb above 2003. Builds in product stocks, particularly distillates, more than offset crude oil inventory draws as refiners maintained high throughputs. Days of forward demand cover remained stable from July at 52 days, one day below August last year.

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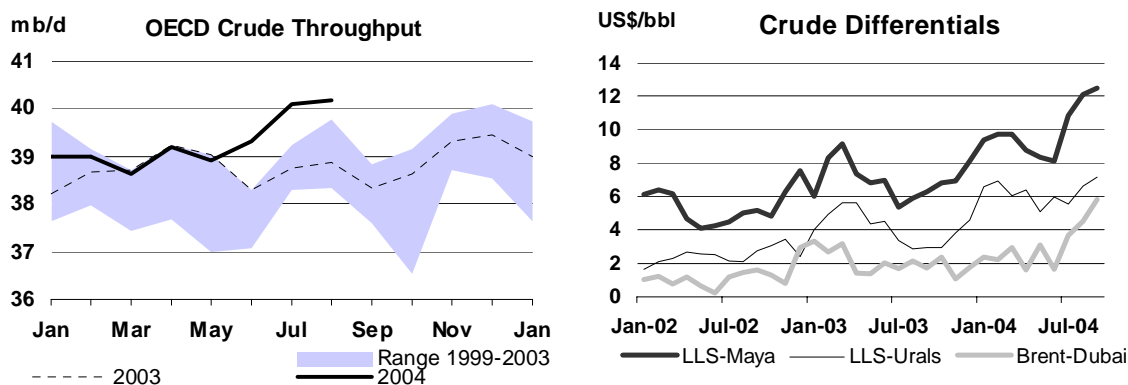
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REGAINING CONTROL OF THE MARGIN

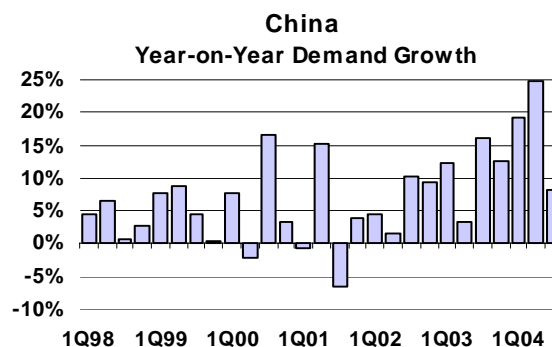
In response to rising prices, producers have increased supply to record levels. While this is a welcomed development, it reduces the amount of spare production capacity available to the market to offset supply disruptions associated with political and weather-related events. Consequently, prices have been subject to upward pressure. As prices shift upwards, the market has become more volatile and jittery and the demand for paper barrels has increased to offload risk. Producers could have helped mitigate this instability by supplying the market over the past two years. Instead, industry stocks were depleted in order to support revenues and keep prices in an artificial band. But adequately supplying the market is only one part of the puzzle.

The marginal barrel entering the market is heavy and sour. With refinery throughputs running at capacity to meet surging demand, the incremental barrel of refining capacity seeks lighter, sweet crude to maximise distillate and minimise fuel oil production. Hence, there is a mismatch between the incremental barrel on offer and what refiners, at the margin, can process. The net effect is that light sweet crude is in short supply, and prices for these grades are rising, while sour crude availability is increasing, and these prices are lagging. This is evident in the burgeoning light-heavy, sweet-sour differentials.



As a consequence of surging demand and the structural imbalance between supply and refining logistics, light sweet crude oil prices are, and will continue to be, supported by a tight product-driven market. Strong off-road diesel demand in North America combined with surging jet fuel and kerosene demand in Asia are providing support for middle distillates and the market will be heading into the winter with lower than normal heating oil stocks. The shift in refinery yields from summer gasoline to winter heating oil production will help as the demand for distillate-rich sour crude increases. But the underlying structural problem remains: is there sufficient spare conversion capacity left in the system to ramp-up sour crude and bottoms processing without drowning in the bottom end of the barrel?

The structural imbalance between supply and refining and logistics capacity will not be resolved quickly. An incremental 1.4 mb/d of non-OPEC oil production is set to enter the market over this quarter. Barring unforeseen developments, and assuming a much discussed increase in OPEC production capacity, this should help to alleviate pressure on the supply side. Indeed, there is a further upside potential associated with Iraq, which caught the market by surprise by increasing production by 540 kb/d in September.



On the downstream side, however, there has been little investment to boost overall capacity. Given surging non-OECD demand, the timing of downstream investments is critical. Simply put, it is not enough to increase upstream spare production capacity without a corresponding increase in the downstream, especially if the incremental barrel destined for the Asian market is sour. Someone will have to process this incremental crude and do so at a time when product specifications are tightening. On the tanker side, tighter environmental regulations have constrained the logistical flexibility of ships to trade in key markets, creating yet another potential bottleneck to maintain pressure on prices.

DEMAND

Summary

- This Report raises the forecast of world oil product demand for 2004, but lowers it for 2005. The upward adjustment for 2004 comes to 240 kb/d, bringing global demand to 82.4 mb/d. For 2005, the forecast has been trimmed by 70 kb/d, to 83.85 mb/d.
- The assessment of global demand growth has been increased by 190 kb/d for 2004, to 2.71 mb/d, but reduced by 320 kb/d for 2005, to 1.45 mb/d.

Global Oil Demand from 2003 to 2005

	Demand (mb/d)	Annual Change*		Changes from last month's Report (mb/d)
		(%)	(mb/d)	
1Q03	80.3	3.1	2.4	0.1
2Q03	77.2	1.4	1.0	0.0
3Q03	79.2	2.1	1.6	0.1
4Q03	82.1	2.5	2.0	0.1
1Q04	82.4	2.7	2.1	0.1
2Q04	81.1	5.1	3.9	0.1
3Q04	82.0	3.6	2.8	0.6
4Q04	84.0	2.4	2.0	0.2
1Q05	84.0	2.0	1.7	-0.2
2Q05	82.3	1.4	1.1	-0.3
3Q05	83.6	1.8	1.5	0.3
4Q05	85.5	1.8	1.5	-0.1
2003	79.7	2.3	1.8	0.1
2004	82.4	3.4	2.7	0.2
2005	83.9	1.8	1.5	-0.1

* year-on-year change

- Stronger-than-expected demand in Asia and the FSU accounts for the bulk of the increase in the forecast for 2004. In Asia, the adjustment affects both the non-OECD region (upward revisions to historical 'other Asian' demand) and the OECD (timing adjustments in the restart of idled Japanese nuclear power plants). In the FSU, higher apparent demand reflects upward adjustments to the regional supply forecast and weaker-than-expected FSU export data for September.
- Record-high oil prices are chiefly responsible, both directly and indirectly, for the downward revisions for 2005. The current oil price rally has trimmed prevalent assumptions of global economic growth for 2005, while at the same time galvanising energy saving efforts and fuel-switching away from oil in China and other non-OECD Asian economies. High prices may also affect OECD consumption patterns at the margin.

Estimated Annual World Oil Demand Growth 2000-2005

	(million barrels per day)					
	00-99	01-00	02-01	03-02	04-03	05-04
North America	0.26	-0.06	0.10	0.46	0.50	0.22
Latin America	0.00	0.00	-0.04	-0.10	0.14	0.11
FSU	0.08	0.00	-0.20	0.13	0.15	0.13
Europe	-0.12	0.21	-0.01	0.12	0.30	0.11
OECD Pacific	-0.04	-0.07	-0.04	0.14	-0.08	-0.06
China	0.26	0.12	0.30	0.55	0.81	0.36
Other Asia	0.09	0.18	0.27	0.22	0.50	0.22
Subtotal, Asia	0.31	0.23	0.52	0.91	1.22	0.51
Middle East	0.12	0.17	0.17	0.20	0.34	0.28
Africa	0.00	0.13	0.08	0.04	0.06	0.09
World	0.66	0.68	0.63	1.76	2.71	1.45

- OECD demand grew faster than expected in the third quarter, July statistics and preliminary August and September data indicate. July OECD demand surged by nearly 1 mb/d, or 2%, year-on-year. Provisional data for the nine largest OECD economies suggest even steeper growth in August. 'Other products' accounted for the bulk of the revisions for both months. For the quarter, growth projections have been raised across the OECD by an average 340 kb/d, to 1 mb/d. But growth is expected to slow in the fourth quarter, reflecting in part a higher baseline a year earlier.

Global Oil Demand by Region

(million barrels per day)

	Demand	Annual Change			Annual Change (%)		
	2004	2003	2004	2005	2003	2004	2005
North America	25.06	0.46	0.50	0.22	1.9	2.0	0.9
Europe	16.43	0.12	0.30	0.11	0.7	1.9	0.7
OECD Pacific	8.69	0.14	-0.08	-0.06	1.7	-1.0	-0.7
China	6.32	0.55	0.81	0.36	11.0	14.6	5.6
Other Asia	8.60	0.22	0.50	0.22	2.7	6.1	2.5
Subtotal Asia	23.61	0.91	1.22	0.51	4.2	5.4	2.2
FSU	3.73	0.13	0.15	0.13	3.7	4.1	3.5
Middle East	5.90	0.20	0.34	0.28	3.8	6.1	4.8
Africa	2.80	0.04	0.06	0.09	1.7	2.2	3.3
Latin America	4.86	-0.10	0.14	0.11	-2.1	2.9	2.2
World	82.40	1.76	2.71	1.45	2.3	3.4	1.8

- In contrast, the assessment of Chinese apparent demand was trimmed for the second half of 2004 and 2005. July data show weaker than expected apparent demand, reflecting a drop in net imports amid moderating end-user demand, a trend confirmed by preliminary August statistics. Improvements in power supply, due both to the success of energy-saving measures and increases in non-oil power generating capacity, have trimmed expectations of incremental oil requirements from electric utilities and back-up generators.

OECD

Early Indications of Current Demand

Monthly oil statistics for July and preliminary data for August have helped raise the estimate of third-quarter OECD demand by an average 340 kb/d. That adjustment, which spans all three main OECD regions, suggests that demand growth picked up momentum, from 1.5% year-on-year in the second quarter to 2.1% in the third quarter, rather than slowed as previously thought.

In each of the main regions, seemingly large aggregate adjustments come down to a handful of key figures. Upward revisions to preliminary US data, notably for jet fuel and 'other products', account for nearly all of a 250 kb/d upward adjustment to North American demand for July and roughly half of a 260 kb/d increase for August.

European demand estimates have been raised by roughly 100 kb/d for both July and August, with revisions to Italian preliminary data (particularly for residual fuel oil and heating oil) accounting for 90% of the July change. August adjustments are more widely spread, and include upward revisions to baseline Polish demand, stronger than expected UK preliminary delivery data and small increased to the forecasts of Turkish and Greek demand.

Asian demand was little changed for July, but was raised by 180 kb/d for August on account of preliminary data showing stronger-than-expected Japanese demand, especially for naphtha and jet fuel/kerosene.

While the overall direction of third-quarter revisions has been upwards, the latest data also include significant, albeit smaller, downward revisions. Those may carry more significant market implications in the longer term than the more visible upward adjustments.

Thus, third-quarter European demand for heating oil has been revised downwards, due to weaker than expected German August deliveries. Provisional German oil data do show a predicted rebound in heating oil deliveries in August, but not quite as strong as had been expected. Preliminary delivery estimates for July have also been trimmed. Although German heating oil demand has been declining steadily over the years, protracted delays by German homeowners in refilling depleted residential

inventories in effect represent a deferment of demand, rather than an actual drop in consumption, and may thus set the stage for a steeper demand rebound later on.

In Japan, the bulk of the upward revisions to August data focus on naphtha and jet fuel/kerosene, with additional gains in diesel and gasoline. But demand for 'other products' has been trimmed by 25 kb/d, while residual fuel oil demand has been raised marginally by 30 kb/d. July 'other product' demand was also shaved by 15 kb/d. However, delays in restarting idled nuclear power capacity suggest that electric utility demand for both residual fuel oil and 'other products' may rebound to higher levels in September and through the fourth quarter than previously expected. Upwardly revised expectations of Japanese oil demand for electricity generation account for most of a 80 kb/d increase to fourth-quarter OECD demand, with the remainder of that adjustment reflecting higher Polish baseline demand for residual fuel oil.

Preliminary Inland Deliveries – August 2004¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	9.42	0.1	1.77	4.7	3.08	7.0	0.94	6.9	0.60	-32.7	4.93	1.8	20.73	0.7
Canada	0.74	-1.1	0.12	6.1	0.44	4.0	0.04	8.8	0.18	1.1	0.31	14.4	1.83	3.4
Mexico	0.62	6.5	0.06	12.3	0.30	6.7	0.00	Na	0.32	-7.6	0.37	1.7	1.67	2.7
Japan	1.19	5.2	0.36	16.3	0.66	4.1	0.44	1.8	0.50	16.2	1.57	5.4	4.73	6.6
Korea	0.17	-1.7	0.07	2.9	0.37	-3.6	0.05	-18.6	0.22	1.4	1.07	9.7	1.96	3.8
France	0.27	-1.2	0.14	6.8	0.59	5.2	0.25	19.4	0.05	-10.2	0.42	3.6	1.71	5.2
Germany	0.59	-1.4	0.16	-6.8	0.59	5.5	0.47	17.0	0.10	-4.0	0.51	17.1	2.42	6.6
Italy	0.34	-5.8	0.09	2.8	0.42	15.0	0.07	0.0	0.18	-31.5	0.38	-8.4	1.47	-5.1
UK	0.44	3.5	0.32	12.9	0.37	14.4	0.13	12.2	0.05	22.2	0.29	0.0	1.59	8.2
Total	13.77	0.6	3.09	6.2	6.81	6.4	2.39	8.3	2.21	-12.8	9.84	3.9	38.11	2.4

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

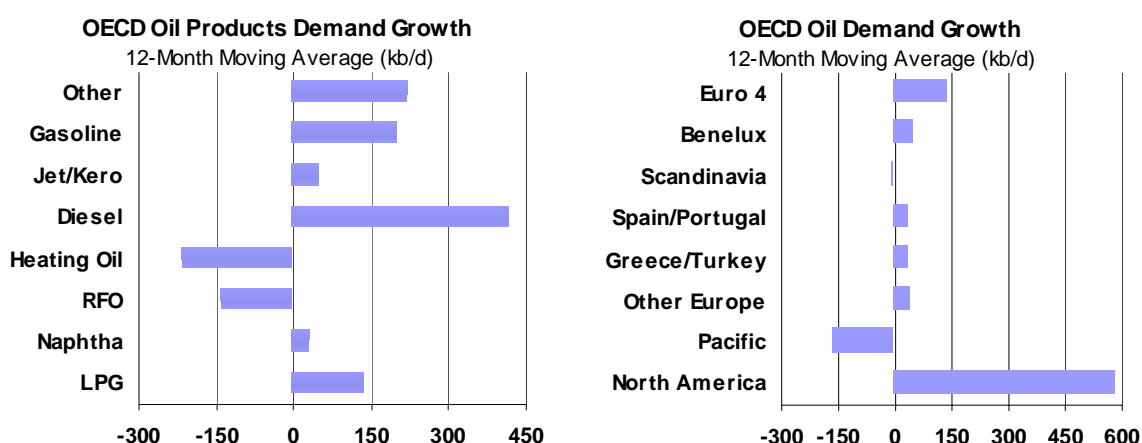
Percentage change is calculated from the same month of the previous year

1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

3 fifty states only. Diesel's share of total distillate is estimated. Percentage change is calculated versus last year.

From those various adjustments emerges a picture of remarkable growth in middle-distillate demand, but growth driven as much by the economy and a broader recovery in travel and transportation demand as by seasonal stockpiling of winter fuels. The above table, which provides a detailed breakdown of unadjusted, preliminary oil delivery data for August for the nine largest OECD economies, clearly illustrates the point: heating oil deliveries expanded by an estimated 8.3% year-on-year, jet fuel/kerosene by 6.2% and diesel by 6.4%. On aggregate, this Report estimates that OECD middle-distillate demand soared by 900 kb/d in August, or 70% of total oil demand growth.



Growth in jet fuel/kerosene demand is particularly remarkable and spans the entire OECD region, reaching double-digit rates in Japan - where kerosene is used as a winter heating fuel -, the UK and Mexico. Supported by strong growth in air travel demand, the gain showed in August deliveries was the steepest for that product since the spike in demand that preceded the offensive in Iraq in March 2003.

Diesel demand surged across the region, extending earlier gains, and posting double-digit advances in Italy and the UK. Strong trucking and freight demand across the region was compounded in Europe by the ongoing dieselisation of the automobile fleet. Heating oil deliveries also soared, with double-digit gains in Europe. In Germany, however, a gain of 17% in heating oil deliveries was less than it appeared and actually fell short of expectations, following as it did on more than a year of almost continuous declines, including drops of 40% in August 2003 and 19% in August 2002. That could pave the road for stronger gains later this year.

Moving Annual Average Change in Oil Demand* – August 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	3.5%	-4.9%	1.9%	2.6%	6.1%	-5.5%	-1.7%	2.9%	2.2%	431
Canada**	9.2%	10.5%	1.5%	6.0%	-2.8%	6.4%	9.8%	8.2%	5.1%	110
Mexico	2.0%	-12.0%	6.0%	5.1%	3.2%	3.2%	-10.4%	20.6%	1.9%	38
Japan	-6.6%	2.2%	2.5%	-4.4%	0.1%	-4.3%	-9.0%	-8.8%	-2.9%	-164
Korea	-2.0%	2.6%	-6.0%	-10.0%	3.5%	-9.4%	-0.2%	-13.1%	-1.0%	-21
France	4.4%	13.6%	-6.3%	5.0%	1.4%	0.2%	-0.5%	11.0%	2.5%	50
Germany	4.6%	11.4%	-2.8%	1.0%	5.7%	-16.3%	1.0%	24.6%	-0.6%	-15
Italy	1.6%	-0.8%	-1.2%	8.2%	13.5%	-18.3%	-5.0%	3.5%	1.2%	22
UK	15.8%	-0.4%	-3.0%	5.3%	5.4%	5.4%	12.9%	14.0%	4.6%	80
Total	2.4%	3.5%	1.4%	0.8%	5.0%	-5.7%	-3.4%	3.8%	1.3%	531
kb/d	102	94	177	27	301	-202	-113	145	531	

* defined as the percentage change between the demand average for the 12 months up to August and that of the same period a year earlier

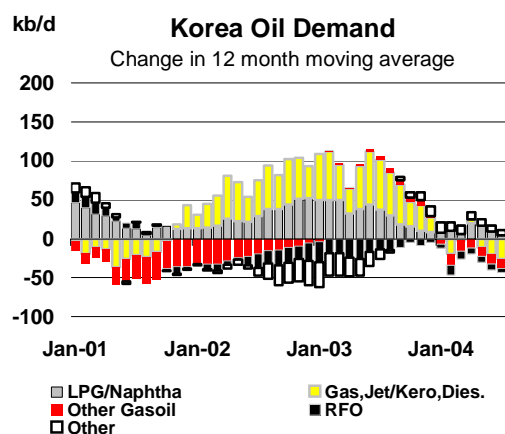
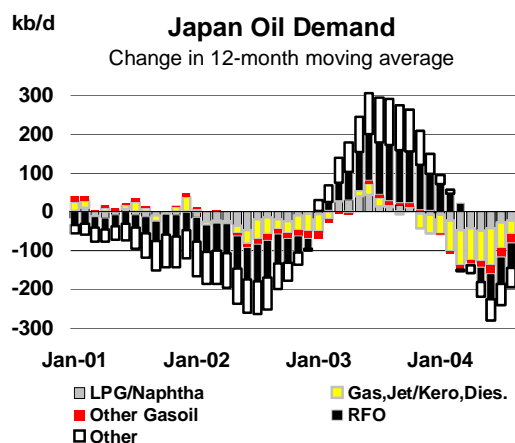
** near-month data are estimated

Overall, though, OECD demand growth is expected to slow. Growth was not as steep in the third quarter last year as in the rest of the year, which helped inflate year-on-year gains in the same period this year. But oil demand growth picked up momentum at the tail end of 2003, and last year's comparatively high fourth-quarter baseline limits the scope for further increases in the remainder of this year. More importantly, expectations of economic growth point to a slowdown from the steep rates that marked the early stage of the global economic recovery. Recent data suggest more subdued economic expansion across the OECD looking forward, in economies ranging from the US to Germany to Japan.

Sustained high oil prices will also help cool oil demand growth in two ways: first indirectly, as the higher energy costs resulting from the combination of high prices and the low price elasticity of advanced economies reduce consumption and undermine economic growth, and in the longer run more directly, by encouraging energy savings and oil-demand restraint.

Pacific

Asia-Pacific demand for the fourth quarter has been revised upwards, as it now appears that the restart of nuclear power plants idled by Kansai Electric Power Co. (Kepeco) may take longer than anticipated following an accident on 9 August. However, that should not affect consumption in the same period next year, so the demand growth forecast for 2005 has been adjusted downwards accordingly. At the time of writing, seven of Kepeco's 11 nuclear units remained down, while six of Tokyo Electric Power Co.'s (Tepco) 17 units were also out of service.



Demand for the third quarter has also been adjusted upwards in light of higher-than-expected Japanese preliminary data for August. Japanese gasoline demand soared to an all-time high of 1.19 mb/d, while estimated deliveries of jet fuel/kerosene and naphtha reached record highs for the month. Strong Japanese naphtha demand was compounded by gains in Korea, where deliveries also hit their highest monthly level in August. Meanwhile, total product demand in both Australia and New Zealand reached record highs for the month in July.

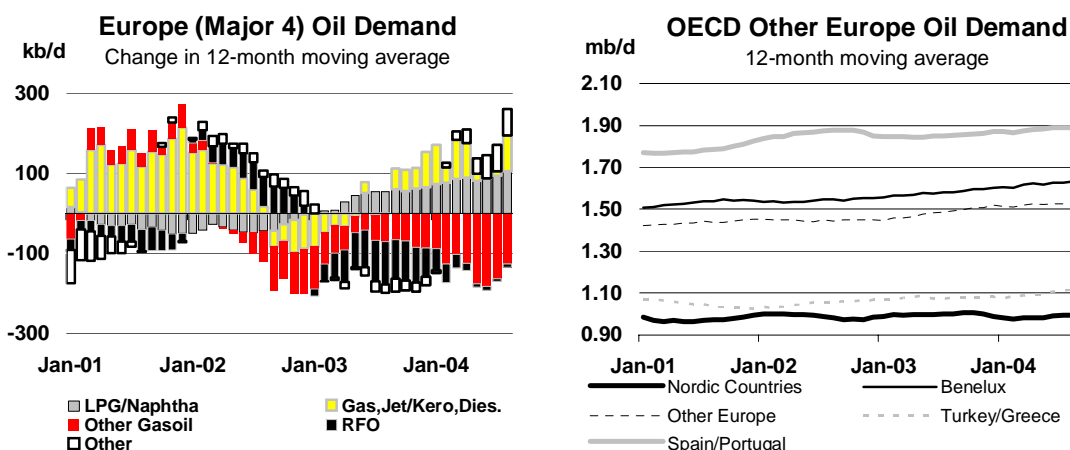
Soaring jet fuel/kerosene demand in Northeast Asia reflects both steep growth in air transportation demand and pre-winter demand for heating kerosene. Kerosene stocks appear to have been drawn to low levels after last winter and need refilling. Combined with robust diesel demand in Japan, the combination of surging airline demand and a seasonal bounce in heating requirements means especially strong demand for middle distillates. But there are mitigating factors. Korean diesel demand growth appears to be easing after a period of strong growth. Also, heating oil demand is structurally contracting in both Korea and Japan.

Looking forward, aggregate Asian demand appears set to contract as Japanese nuclear power plants are eventually returned to service, with drops in residual fuel oil and other products offsetting gains elsewhere. Improving availability of both coal and LNG should further undermine utility demand for oil.

Europe

European demand was adjusted upwards for 2004 in light of strong delivery data for July and August but downwards for 2005, reflecting expectations of price effects and slower economic growth. Transportation and petrochemical demand led the growth in July and August, along with demand for 'other products'. Diesel deliveries surged by 130 kb/d in July, with most of the growth outside of the four largest economies, and by an estimated 330 kb/d in August. Demand for naphtha and LPG advanced by a combined 180 kb/d and 170 kb/d, respectively.

Heating oil demand showed signs of recovery in August, expanding by an estimated 130 kb/d after more than a year of nearly uninterrupted contraction. Demand is expected to continue expanding year-on-year in the fourth quarter, as consumers in Germany and neighbouring economies, having long postponed rebuilding their winter stocks in hope of lower prices, proceed with their purchases. As in Asia, the effect of seasonally rising heating demand will be compounded by surging transportation demand for both diesel and jet fuel. But this will be partly offset by a structural long-term decline in heating oil requirements, reflecting fuel-switching to natural gas and electricity and efficiency gains.



Polish estimates of residual fuel oil demand for 2002 and 2003 have been revised upwards to account for refinery gross output, refinery fuel, and gross inland delivery data which had been partly missing from monthly oil statistical submissions. That adjustment to baseline demand has been carried forward as an adjustment factor for 2004 and 2005.

North America

North American demand estimates have been raised by 250 kb/d for July and 260 kb/d for August, reflecting revisions to preliminary US delivery data for both months and upward adjustments to

Canadian demand for August. Jet fuel, residual fuel oil and 'other products' account for the bulk of the US changes. Preliminary estimates suggest US jet fuel demand recovered to pre-11 September levels for the first time in August.

The confluence of growth in demand for jet fuel, diesel and heating oil is nowhere more pronounced than in North America. Surging demand for diesel is compounding the impact of the recovery in air travel, even as heating demand for distillates is rebounding seasonally. Aggregate North American demand growth for jet fuel, diesel and heating oil jumped from an estimated 260 kb/d in July to 470 kb/d in August, as incremental deliveries of both jet fuel and heating oil roughly doubled.

In the US as in the rest of the OECD, a structural decline in heating oil demand offers something of a mitigating factor. On an annual basis, over a 10-year period, US heating oil demand has declined from a peak of 1.33 mb/d in 1994 to 1.12 mb/d in 2003, a drop of 16%. But the contraction has been choppy than in Europe or Asia, and demand rebounded in 2003, from a low of 1.11 mb/d in 2002. Also, on a regional basis, the decline in the US has been offset at the margin by a steady increase in Canadian demand, albeit from a much lower basis. Over the same 10-year period, Canadian heating oil consumption rose by 16% from 290 kb/d in 1994 to 330 kb/d in 2003. Conjectural factors affecting the relative value of competing fuels may thus be as significant as structural factors in bringing relief to the oil market. In that sense, there is hope that relatively abundant US natural gas storage and record-high LNG imports will help sustain fuel-switching out of oil, moderating heating oil demand and offsetting the impact of seasonal heating requirements on overall distillate markets.

Declining US demand for residual fuel oil and slowing gasoline demand growth are expected to further slow down the pace of overall oil product demand, despite the current strength of middle distillate requirements. US gasoline demand growth slowed to an estimated 0.6% in the third quarter, from 3.2% and 1.6% in the first and second quarters. Growth is expected to remain relatively subdued. Sharply falling rates of US SUV sales suggest high prices may help curb gasoline demand growth in the longer term.

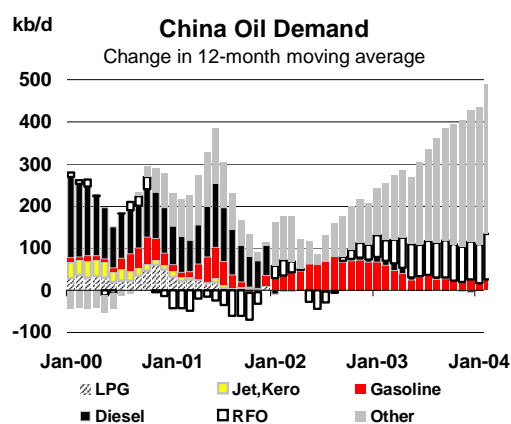
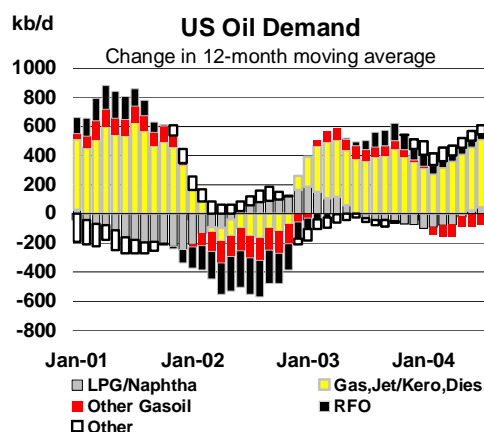
Non-OECD

China

An expected slowdown in Chinese demand growth appears to be borne out in recent statistical data. Preliminary statistics for August suggest apparent demand fell back into single-digit growth rates, to an estimated 6.2 mb/d, representing a gain of about 5.7% year-on-year, compared to growth of roughly 25% in the second quarter. Meanwhile, preliminary data for July have been adjusted downwards, to 6.19 mb/d, close to original forecast levels. The demand forecasts for the fourth quarter and 2005 have been reduced in anticipation of further demand slowdowns.

Significantly lower net imports are the main immediate reason for the slowdown in August growth. While refinery throughputs appear to have climbed to a new record high, net product imports fell to an estimated 410 kb/d, their lowest level so far this year. Gasoline exports rebounded to 180 kb/d, the highest since December. Diesel imports narrowed to a trickle and residual fuel oil imports slid to a seven-month low. That overall drop in net imports more than offset the upward creep of refinery runs.

The deeper factors at play behind the declining import requirements are manifold. Chief among them appear to be the success of energy saving measures, particularly for electricity, which have been implemented since the start of summer. While electricity from the grid remains



in short supply, demand restraint measures have limited the scope of disruptions, thereby alleviating gasoil demand for back-up generators. Demand for residual fuel oil, incremental volume of which has been widely used as feedstock to make off-spec industrial gasoil, has also eased accordingly. Apparent residual fuel oil demand inched slightly lower in July compared to last year, the first contraction since 2002, and is believed to have retreated further in August and September.

LPG demand also appears to have contracted in August due to price effects, as end-users reverted to alternate or traditional fuels for home cooking and domestic uses. And naphtha demand slowed markedly amid falling petrochemical margins.

China Crude & Product Trade

(thousand barrels per day)

	2002	2003	3Q03	4Q03	1Q04	2Q04	Jun 04	Jul 04	Aug 04	Latest month vs. Jul 04 Aug 03	
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1731	1716	2290	2371	2623	2185	2106	-79	584
Products & Feedstocks	361	442	586	445	600	849	831	621	414	-207	-180
Gasoil/Diesel	-16	-28	-42	-9	22	50	58	29	2	-27	26
Gasoline	-142	-175	-184	-151	-95	-141	-141	-122	-178	-55	-23
Heavy Fuel Oil	281	407	531	361	448	653	651	446	424	-23	-79
LPG	197	202	211	203	172	227	219	249	164	-84	-37
Naphtha	-16	-22	-22	-24	-21	-11	-23	-39	-54	-15	-36
Jet & Kerosene	9	1	15	-6	21	15	17	2	5	3	-8
Other	48	58	77	70	54	56	50	56	51	-6	-23
Total	1609	2106	2317	2161	2890	3220	3454	2806	2520	-286	404

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

Ironically, government measures to cushion international product price increases by keeping domestic prices artificially low appear to have undermined, rather than supported, domestic demand. Price differentials between domestic and international markets have discouraged product imports, and while domestic output has been maximised, production appears to have hit the buffers of refining capacity constraints. While domestic prices are being slowly allowed to rise, price increases may in time continue to deter demand, as the market has had time to adjust through energy-saving or fuel-switching measures.

Looking forward, rapid progress in bringing non-oil energy projects to fruition is expected to help further slow down oil demand growth. The recent completion of the East-West natural gas pipeline is set to boost fuel-switching out of oil for electricity generation in Guangdong province. Hydroelectricity generation capacity, coal-fired power generation capacity and nuclear capacity are also on the rise.

FSU

Increases in FSU supply expectations and a sharp drop in estimated exports for September have raised the assessment of implied FSU demand by 170 kb/d for the third quarter and an average 70kb/d for 2004. Preliminary data suggest total FSU oil exports fell to 7.34 mb/d in September, down 225 kb/d from August. This would translate into a much smaller year-on-year gain in exports than the 850 kb/d increase posted by FSU output.

However, export data remain subject to upward revisions, which would translate into corresponding downward adjustments for implied demand. Also, the drop in September exports may be offset by a corresponding boost in October, though higher export taxes as of 1st October would have served as an incentive to move up exports, rather than the other way.

Other Non-OECD

Hong Kong demand has been revised upwards for the period from 2003 through July 2004 in light of submissions provided under the Joint Oil Data Exercise. While average levels for 2001 and 2002 are unchanged, the seasonal distribution of demand for those years has also been revised.

Revised Hong Kong data show soaring demand growth for the first and second quarters of 2004, including second-quarter gains of about 100% for jet fuel/kerosene and 110% for residual fuel oil.

Steep declines during the Severe Acute Respiratory Syndrome (SARS) outbreak of the previous year cannot fully explain such a surge. But the gains do appear to make sense once the integration of the Hong Kong and Chinese economies is taken into account. Higher residual fuel oil consumption has helped sustain Hong Kong electricity exports to the neighbouring industrial strongholds of Guangdong province, while higher jet fuel demand underpinned heightened air travel in and out of China through the Hong Kong hub. Demand growth is expected to ease gradually in line with reduced incremental Chinese requirements.

Many non-OECD economies have been at least partly shielded from the full effect of oil price increases by various forms of direct and indirect government subsidies. Those subsidies are costly, however, and in time are bound to weigh on the local and central economies, leading to renewed pressure for subsidy reductions. How the price effect resulting from such reductions will play out partly depends on their schedule and their political impact, and remains to be seen. Indonesia, having swung from the status of oil exporter to that of net oil importer, is a case in point. Sharp increases in the country's energy bills resulting from the combination of increased import requirements and higher prices will undoubtedly provide a strong incentive for domestic fuel price increases. But the drive to reduce the fiscal burden brought by higher energy costs may prove difficult to balance with the need to manage political reactions to measures which are bound to prove unpopular.

India Crude & Product Trade

(thousand barrels per day)

	2002	2003	3Q03	4Q03	1Q04	2Q04	May 04	Jun 04	Jul 04 ¹	Latest month vs. Jun 04 Jul 03	
Net Imports/(Exports) of:											
Crude Oil	na	1863	1801	1943	1938	2090	1917	2623	2011	-612	267
(by Public Oil Cos)	1088	1243	1137	1379	1105	1312	1087	1687	1271	-416	258
Products & Feedstocks	-83	-152	-205	-91	-132	-173	-234	-140	-171	-32	-13
Gasoil/Diesel	-53	-119	-144	-99	-137	-135	-145	-103	-69	34	30
Gasoline	-48	-72	-88	-62	-77	-67	-85	-53	-85	-32	13
Heavy Fuel Oil	6	5	13	-8	-12	13	4	-1	-10	-10	-20
LPG	22	55	38	79	90	39	23	51	60	9	37
Naphtha	4	-1	-3	30	19	10	5	5	-39	-45	-60
Jet & Kerosene	10	-22	-28	-42	-29	-44	-50	-47	-28	19	-8
Other	-23	1	7	11	14	12	13	8	0	-8	-5
Total	1005	1091	1596	1852	1807	1917	1683	2483	1840	-643	254

¹ Preliminary

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

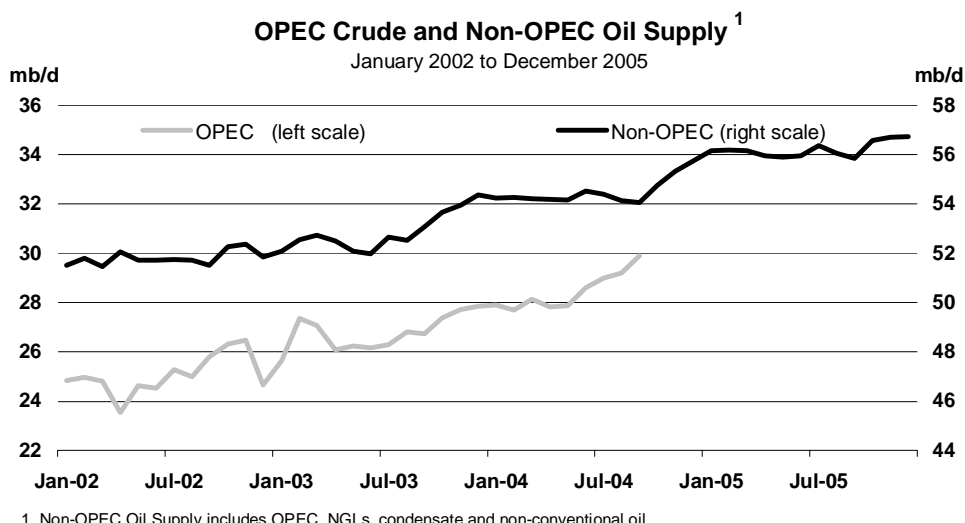
Yearly data for net imports of crude oil for 2002 are unavailable.

For 2002, 'Total' indicates the sum of net crude oil imports by public oil companies and net products & feedstock by public, private and joint-venture companies.

SUPPLY

Summary

- **World oil supply** rose by 640 kb/d in September to 84.0 mb/d, recovering from a downward-adjusted August level of 83.3 mb/d. All of the increase came from OPEC, with non-OPEC production falling for the third month in succession. Nonetheless, non-OPEC output of 49.7 mb/d stood 700 kb/d above September 2003 levels, while OPEC crude supply of 29.9 mb/d was 3.2 mb/d higher than a year-ago. OPEC other liquids supply is assessed up by 275 kb/d on last year.
- **Non-OPEC supply** declined by 100 kb/d in September and has fallen by over 565 kb/d since June. This has been due to the impact of summer maintenance in the North Sea and most recently to Hurricane Ivan in the US Gulf of Mexico. The latter resulted in the shut-in of 475 kb/d of September production. As the impact of these events recedes, a sharp rebound in non-OPEC supply is expected through to the end of the year. Ongoing growth in non-OECD production and recovery in the North Sea and North America should see non-OPEC supply reach 51.1 mb/d by December, a rise of 1.4 mb/d from September. Growth in non-OPEC supply is now pegged at 1.2 mb/d for 2004 and 1.3 mb/d for 2005, OPEC other liquids also adding 450 kb/d in both years.
- **OPEC crude supply in September** was 29.9 mb/d, a rise of 710 kb/d from August. Underpinning the rise was a 540 kb/d increase from Iraq, as northern and southern exports rose sharply. Saudi Arabia boosted supply just above 9.5 mb/d while output from Kuwait and Nigeria also increased. Modest declines were seen from UAE, Venezuela and Iran. Total output remained close to sustainable capacity (attainable in 30 days and sustainable for 90 days), but OPEC may still be able to call on an additional 1.5-2.0 mb/d of surge capacity over and above strictly sustainable levels.
- **OPEC-10 supply** (excluding Iraq) averaged 27.6 mb/d in September, an increase of 170 kb/d compared to August. This was 1.6 mb/d higher than the 26.0 mb/d target in force since 1 August. The Organisation's mid-September meeting in Vienna resulted in the raising of the production target by 1.0 mb/d to 27.0 mb/d effective 1 November. A further extraordinary meeting will be held in Cairo on 10 December 2004 to review market developments.
- **The 'call on OPEC crude and stock change'** has been revised up by 300 kb/d for 2004 but has been left unchanged for 2005. The call now averages 27.9 mb/d this year and 27.6 mb/d in 2005. Changes to 3Q and 4Q 2004 derive from a downward adjustment to North American and North Sea supply, allied to upward revised demand. The call through the upcoming winter quarters averages 28.3 mb/d. In comparison, average 3Q 2004 OPEC production was 29.4 mb/d.



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

Note: Random events present downside risk to the non-OPEC production forecast contained in this Report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. No contingency allowance for random events is subtracted from the supply forecast. Although upside variations can occur, experience in recent years indicates that, roughly speaking, the random events listed above may cause supply losses of between 300 kb/d and 400 kb/d for non-OPEC supply each year.

OPEC

Crude supply from OPEC reached 29.9 mb/d in September, a rise of 710 kb/d from August, and broke through the previous high of 29.6 mb/d seen in November 2000. Iraq was the main driver of the increase, supply rising by 540 kb/d compared to August due to higher exports from both northern and southern terminals. Kuwait, Saudi Arabia and Nigeria added 50-80 kb/d each while changes in supply elsewhere were limited. OPEC spare capacity on a sustainable basis remains at very low levels, well below 1.0 mb/d. However, as noted in previous editions of the Report, in addition to sustainable capacity, a further 1.5-2.0 mb/d of surge capacity can most likely be called upon in the event of supply disruption. This is held by Saudi Arabia and to a lesser extent, by Iran, Kuwait, Libya, Qatar and UAE. The OPEC President also reiterated in September that spare capacity was likely to increase by a further 1.5 to 2.0 mb/d compared to 2004 levels in 2005. Once again this begs the question whether this will be achieved by new capacity additions or by cutting production. However, as summarised in the Report dated 11 August, at least 1.1 mb/d of this extra spare capacity is likely to come from new capacity start-up.

OPEC Crude Production

(million barrels per day)

	1 Aug 2004 Target	Sep 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs Sep 2004 Production	Production vs. Target
Algeria	0.83	1.25	1.25	0.00	0.42
Indonesia	1.35	0.97	1.00	0.04	-0.38
Iran	3.82	3.90	4.00	0.10	0.08
Kuwait ²	2.09	2.45	2.50	0.05	0.36
Libya	1.39	1.59	1.59	0.00	0.20
Nigeria	2.14	2.45	2.50	0.05	0.31
Qatar	0.67	0.80	0.80	0.00	0.13
Saudi Arabia ^{2,3}	8.45	9.55	9.50	0.00	1.10
UAE	2.27	2.42	2.55	0.13	0.15
Venezuela ⁴	2.99	2.21	2.25	0.04	-0.78
Subtotal	26.00	27.58	27.94	0.41	1.58
Iraq		2.33	2.50	0.18	
Total		29.91	30.44	0.58	

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

2. Includes half of Neutral-Zone production

3. Saudi Arabia indicates it can surge to 10.5 mb/d at short notice and a recent increase in drilling could lead to this becoming sustainable.

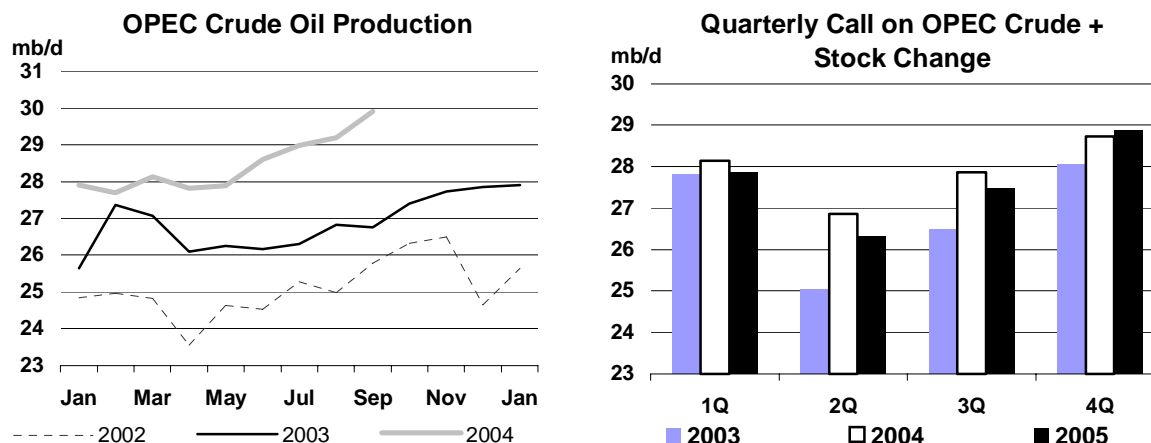
4. Excludes upgraded Orinoco extra-heavy oil, which averaged 398 kb/d in September

OPEC's Ministerial meeting in Vienna on 15 September resulted in agreement to increase the Organisation's production target by 1.0 mb/d to 27.0 mb/d effective 1 November. The move came against a backdrop of concerns over potential supply loss from the US Gulf of Mexico and Nigeria, as marker crude prices began to move higher once more after a late-August/early-September lull. The increase in target levels was widely seen as an attempt to psychologically stem the rise in prices but as being unlikely, of itself, to result in any increase in physical supply. OPEC-10 production in September already stood 1.6 mb/d above the existing target and 600 kb/d above the new November level. The higher target may however provide OPEC with greater leeway to adjust production downward if and when it decides there is a sustained fall-off in demand for its crude. Although not an issue for the time being, the discrepancy between existing quota shares and actual production capacity for several OPEC members may then come to the fore.

The most recent surge in prices to around \$50/bbl for Atlantic Basin marker grades however is likely to ensure at least another month of near-capacity OPEC production. There are expectations of, albeit limited, extra volumes of crude for November lifting from Kuwait and UAE, while Saudi Arabia has

signalled an intent to sustain near-9.5 mb/d production for the time being, and more if the market so requires. Burgeoning light/heavy crude price differentials however call into question the ability of the market to absorb incremental heavy/sour barrels. Recent increases in price discounts versus marker grades for Saudi and other OPEC November term supplies would tend to support this hypothesis. In this context, the gradual rise in North Sea, US Gulf of Mexico and west African volumes expected through end-year could play at least as great a role in satiating demand from distillate-strapped refiners. Temporarily, rising non-OPEC supplies could take on the role of the incremental barrel, traditionally supplied by OPEC.

Any change in OPEC's target price band for the OPEC Basket was deferred, at least until the next Extraordinary Meeting on 10 December in Cairo.



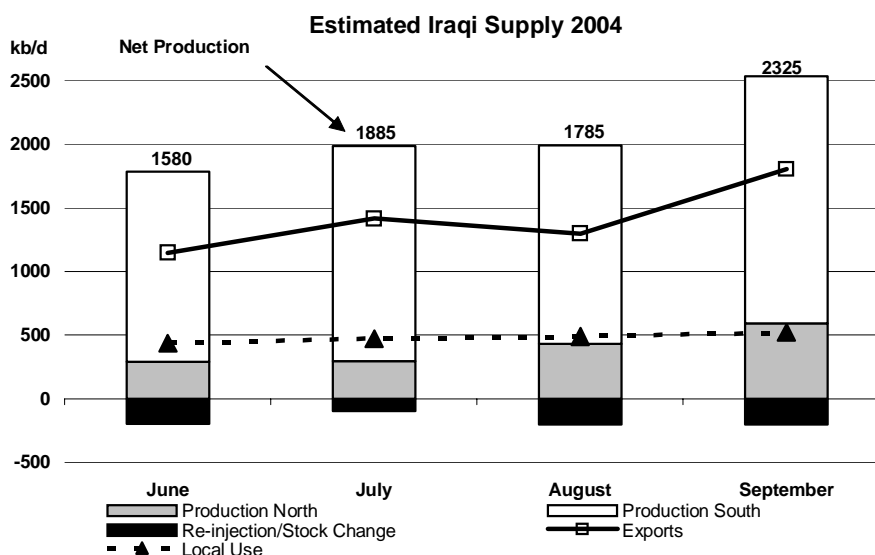
Net supply from **Iraq** increased by 540 kb/d, rising from August's 1.8 mb/d to 2.3 mb/d in September. These numbers exclude estimated pipeline flows into storage and/or field re-injection, believed to be averaging around 200 kb/d. Wellhead production including these volumes therefore averaged 2.0 mb/d in August and 2.5 mb/d in September, the latter being the highest level seen since the removal of the Saddam regime. Given export constraints therefore, the 'spare capacity' itemised for Iraq above needs to be treated with caution. For the time being effective Iraqi capacity equates to current supply, comprising exports plus internal consumption (the latter having risen to an estimated 520 kb/d in September).

In terms of export liftings from Basrah, Khor al Amaya and Ceyhan, there was a marked improvement in performance after August's disrupted supplies. Total crude exports are assessed at 1.8 mb/d compared to less than 1.3 mb/d in August. Southern flows in particular rebounded sharply from August's 1.27 mb/d to reach 1.65 mb/d. Neither weather-related loading delays nor pipeline sabotage played as prominent a role as they had done the month before. The main Kirkuk to Ceyhan pipeline in the north of the country was hit again in early September but staggered flows were continued via secondary pipeline capacity until the main pipeline was reactivated around 20 September. These batched pipeline deliveries, allied to crude already in storage at Ceyhan in late August, facilitated a rise in liftings from Ceyhan from August's 30 kb/d (a single one million bbl cargo loaded on 31 August) to over 140 kb/d in September. Spot liftings from Ceyhan in September amounted to almost 90 kb/d in three cargoes. Term liftings of Kirkuk recommenced, with liftings by Tupras and Cepsa and these amounted to 55 kb/d. Depending upon the security situation and the availability of tankers, scheduled liftings from Ceyhan could amount to at least 7mb (225 kb/d) in October, pushing total Iraqi exports close to 2.0 mb/d.

Nigerian crude supply increased from 2.4 mb/d in August to 2.45 mb/d in September. Sustained high levels of export liftings tend to belie widespread reports of an actual or expected cut in Nigerian production for September. However, the potential for disruption to Nigerian supply grabbed more headlines in September than did actual performance here, and indeed overshadowed also the observed rise in Iraqi supply. Rebel groups in the oil production heartland of the Niger Delta threatened a military offensive against government forces and advised foreign oil workers to leave the region. Although Shell evacuated some 300 workers during September and reportedly shut-in some 30 kb/d of liquids production, the threat of disruption receded when a peace deal was signed by government and rebels in early October. For its part, Shell has begun returning workers to their posts west of Port

Harcourt. The company also indicated that shut-in production in September was likely to have been countered by rising output elsewhere.

The potential for regional unrest remains however, and with it the potential for disrupted oil supply. ChevronTexaco still has some 150 kb/d shut-in in the Delta region because of ongoing security concerns. In the longer term however, growth in Nigerian production is likely to derive in increasing proportions from deeper water production, less prone to disruption from civil unrest.



Renewed calls for a nationwide general strike from 11 October emerged as part of union campaign of protests against retail fuel price rises. Separately, strike action involving Shell employees begun on 7 October was called off after negotiations. While strike threats involving a key source of Atlantic Basin light/sweet crude have obviously been a concern for the market, the actual impact on oil production and exports of earlier strike action in 2004 was minimal.

Saudi Arabian crude supply for September is assessed up by some 70 kb/d at 9.55 mb/d, representing a second month close to immediately sustainable capacity. However there have been clear signs of increased drilling activity within the Kingdom in recent months. Also a number of statements from Saudi sources indicate that new oil being brought online at the Qatif and Abu Safah fields over the course of late-2004 may be incremental to baseload production, rather than replacing production shut-in elsewhere as had earlier been planned. It is too early to say for sure if this represents a step change in sustainable production capacity to levels in a 10.0-10.5 mb/d range, let alone the 11.0 mb/d target announced just after crude prices pushed through \$50/bbl. Certainly in moving to 9.5 mb/d in the short term, Saudi Arabia has demonstrated a clear desire to moderate recent price rises. Nor is there likely to be much doubt that Saudi Arabia can physically exceed 9.5 mb/d *should the market so require*. The recent spate of drilling activity may well be designed to make higher production levels sustainable. However, there are conflicting reports on the rate of build-up in production from the two new fields, so it is too early to consider full volumes as yet being incremental on a sustainable basis.

Furthermore, the extent of the discounts which Saudi Arabia is offering, notably for its heavier crude grades, raises questions over market demand for such extra oil. Revealingly, Saudi Arabia reportedly rebutted calls for an increase now in OPEC's price band by questioning whether there has genuinely been a structural, upward shift in the market. This not only has implications for the price band discussions themselves, whenever these take place. It also tacitly raises the issue of Saudi Arabia's perception of the future underlying demand for its own crude. If the Saudis do not perceive there to be a sustainable demand for 9.0-9.5 mb/d of their crude in the short to medium term, then one might question, on a commercial rather than physical basis, the sustainability of the upper end of recent claims for installed production capacity. Clearly, the build up in supplies from Qatif and Abu Safah in coming months, together with ongoing drilling to sustain production levels at other fields, could lead to upward revisions in assessments of Saudi capacity. However, the intense uncertainty over market fundamentals going forward renders substantial changes in capacity premature for now. Commercial rather than physical factors are likely to be the real constraint however.

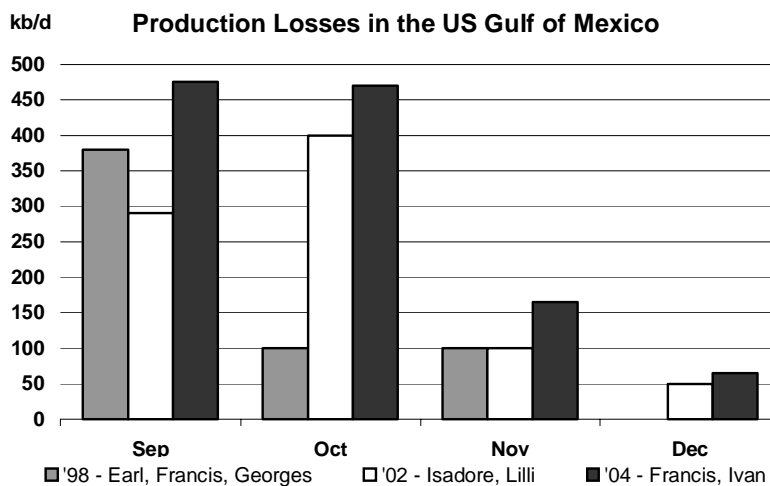
Supply from **Kuwait** rose an estimated 80 kb/d in September to 2.45 mb/d. With full-term contract volumes being supplied to Asian buyers, officially from October, but tacitly also in September, and the restart from the end of October of the long-idled gathering centre number 15 in the north of the country, Kuwait's sustainable capacity has been increased in this Report to 2.5 mb/d. The Emirate's plans to sustain capacity at a rather higher level of 2.7-2.8 mb/d could however take until the end of 2004 or early 2005 to realise, assuming northern crude output increases on a gradual basis.

September production declined modestly in **UAE, Venezuela and Iran**. However there are reports that limited extra volumes of October and November loading crude for Asian customers may come from Abu Dhabi National Oil Company (ADNOC). In the case of **Venezuela**, October is scheduled to see the start-up of the Hamaca upgrading project, the fourth such venture producing synthetic crude from ultra-heavy Orinoco crude. The fall in conventional crude output is however likely to be counteracted by a 45 day outage at the nearby Sincor upgrader from mid-October, effectively freeing up conventional heavy crude. Although this Report earlier increased forecast production from a third upgrader, the Petrozuata unit, in light of widespread press reports of an increase in capacity, this now appears to have been overstated. Discussions with operator ConocoPhillips suggest that while output of 140 kb/d was tested in July, production in the months to come is unlikely to exceed around 120 kb/d. Historical production levels have however been adjusted upwards for 2002-2004.

OECD

North America

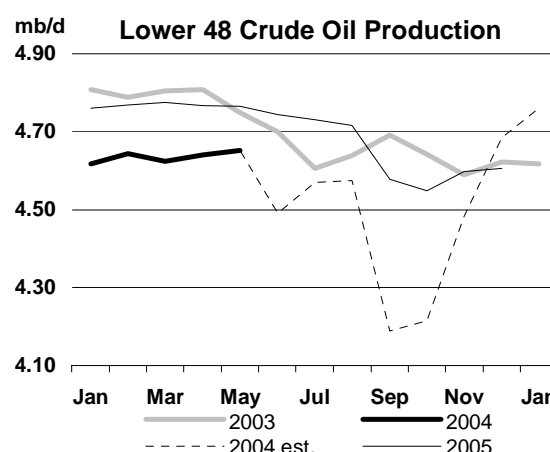
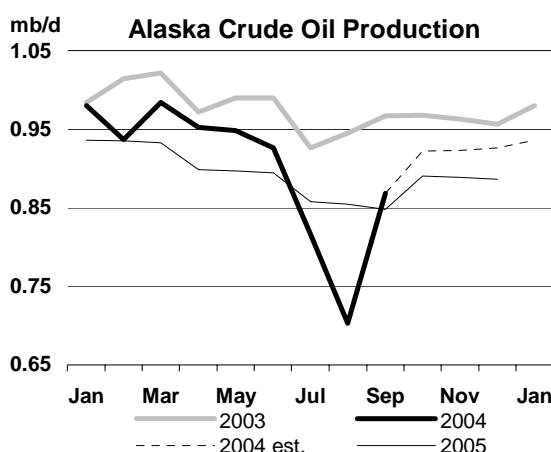
US – September Alaska actual, others estimated: June and July total US output levels were revised upwards by some 20 kb/d each. However, these revisions were completely over-shadowed by sizeable downward adjustments to US supply for the period from August 2004 onwards. The key factor has been the impact of September's Hurricane Ivan on US Gulf of Mexico (GOM) production. Sizeable amounts of production are likely to be out of action until end-year 2004 because of the storm. US crude production fell from 5.4 mb/d in June and July, to less than 5.3 mb/d in August and dropped towards 5.0 mb/d in September. The latter is the lowest monthly US crude production level since 1950. August's fall derived from outages in Alaska, although a rebound was seen here in September, which partly counteracted GOM outages.



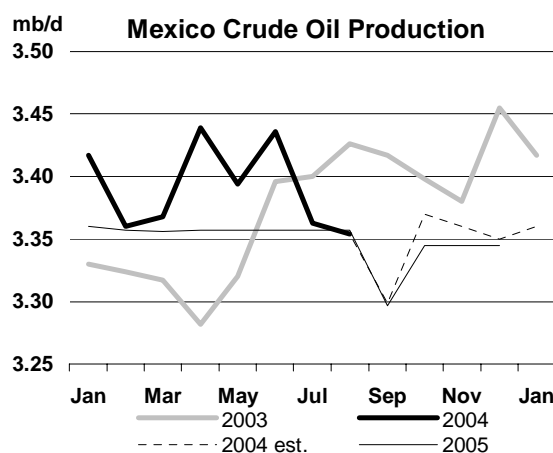
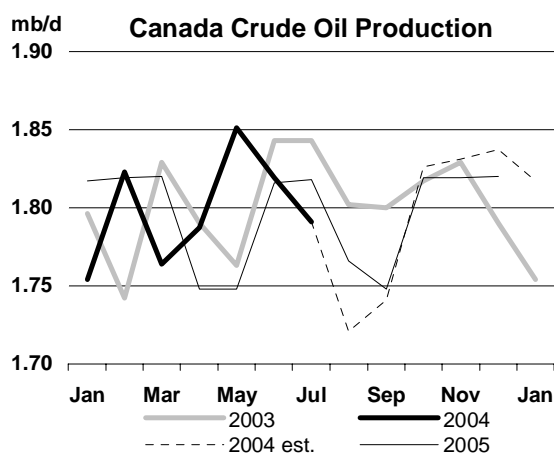
US GOM production and the impact of Hurricanes Francis and Ivan were clearly the focus of September developments. After the 40 kb/d of production shut in August as a precaution ahead of storms Charley and Bonnie, some 475 kb/d was shut in during September. Damage reports suggest that, unlike the aftermath of Hurricane Lilli in 2002, production recovery will be slow. Lost production in October is likely to be close to September levels, with at least 170 kb/d to remain offline on average in November and 70 kb/d in December. Several facilities are not expected back until early-2005. Furthermore, reactivation of production facilities is being impeded by pipeline damage in certain instances. In total, 2004's exceptionally heavy GOM storm season (not yet over) has caused us to revise the area's production down by 110 kb/d, with a 50 kb/d reduction applied for 2005. Next year's downward adjustment derives from deferred start-up of new fields, or build-up from recently started fields, and an upward adjustment in assumed storm outages. GOM output is now forecast at

1.46 mb/d for 2004, 120 kb/d below the 2003 average, while new field start-ups see production average 1.74 mb/d in 2005.

September Alaskan production was up by 165 kb/d compared to August, but at 870 kb/d was still well off the 950 kb/d average seen in the first half of the year. Output remained suppressed in the Prudhoe Bay area as scheduled and unscheduled outages continued to play a role. Production however recovered at the Alpine field after July/August upgrading work, averaging 109 kb/d compared to 50 kb/d in the prior two months. For now the pronounced dip in 3Q 2004 Alaskan supplies is seen as being temporary rather than signalling the onset of more protracted outages from a mature producing area. Total Alaskan crude output is therefore seen stabilising in 2005 at some 895 kb/d after a fall from 975 kb/d to 905 kb/d in 2003/2004. Nonetheless, the 2005 total has been revised down 20 kb/d from last month's Report.



Canada – August Newfoundland actual, others July actual: Canadian conventional crude production has fallen back from a May peak of 1.85 mb/d, reaching 1.79 mb/d in July and an estimated 1.72 mb/d in August. A sharp fall in production at the offshore Terra Nova field in August resulted from maintenance at the field's FPSO, although production is likely to have rebounded towards 150 kb/d in September as work was completed. In contrast, synthetic crude production recovered in August from outages at the Shell and Suncor facilities in July and June respectively. Total syncrude production is thought to have hit 650 kb/d in August, some 22% of total liquids output compared to 12% in 2000. Production of syncrude should dip below 600 kb/d in October again however as Shell undertakes two weeks of maintenance at the Athabasca facility. Syncrude and bitumen production nonetheless account for all of the expected growth in Canadian liquids production in 2004 and 2005.



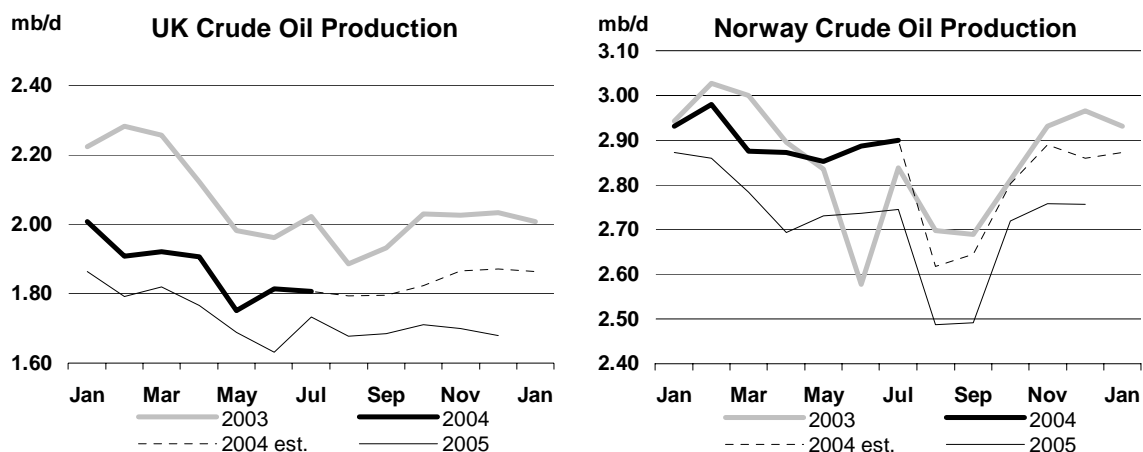
Mexico – August actual: Mexican crude production fell for the second consecutive month in August, albeit less sharply than in July, and reached 3.35 mb/d. NGL output also fell to around 425 kb/d. Crude exports were largely unchanged from July's 1.8 mb/d, although deliveries to European and eastern markets were cut by over 100 kb/d in favour of sales into the Americas. The

country's Federal budget for 2005 contains a scaled down target from Pemex for crude production of 3.44 mb/d. Earlier plans had targeted 4.0 mb/d production for 2006. Pemex investment in 2005 is also reduced from this year's \$12.5 billion to \$10.9 billion. This Report's forecast for Mexican output in 2005 was already running below the new, downward-revised government projections. However, recent performance suggests little need to upwardly adjust the forecast from 3.35 mb/d. The prognosis for decline from established producing areas in Mexico stands in sharp contrast to the estimated potential of the deepwater Gulf of Mexico, mentioned in last month's Report.

North Sea

UK – July actual: July data point towards a bottoming-out in UK offshore crude production for now. Crude output averaged 1.8 mb/d and total liquids supply 2.0 mb/d. Loading schedules for the key systems and summer maintenance (the latter estimated to have cut supplies by an average of 75 kb/d for July-September) suggest supply holding close to these levels through September. Crude output however should rise from October onwards, potentially reaching 1.87 mb/d by December. Nonetheless, UK liquids supply remains on a downward trend which limited new start-ups such as the Goldeneye, Howe, Clair and Glenelg fields can do little to stem. Total output is seen falling by some 160-170 kb/d in both 2004 and 2005.

The results of the UK's 22nd licensing round were announced in mid-September and were broadly interpreted as signalling increased interest in the area. Key features were an additional 25 applications received compared to the 21st round, the creation of new frontier licences, which helped sustain interest in areas to the north and west of Shetland, and further interest from new players in Promote licences, introduced in 2003 and giving licence holders two years at low acreage rent levels to assess existing information on a block.



Norway – July actual, August provisional: In a reversal of last month's upward adjustments, Norwegian liquids output data for July and August have led to a downward adjustment of some 20 kb/d for 2004 and 35 kb/d for 2005. Annual liquids production is now expected to fall from 3.26 mb/d in 2003 to 3.18 mb/d in 2005. However, increased condensate supply curbs the extent of any fall in 2005. Although turnaround schedules amounting to 300-350 kb/d for August and September were known well in advance, output from the Troll and Oseberg systems now appears to be running at a lower level than previously anticipated. Another factor reducing forecast 4Q 2004 production levels is the ongoing drilling strike which has afflicted Norway's continental shelf for over three months. This forced the shutdown of the 20 kb/d Glitne field in early September and was extended to the 30 kb/d Varg field in early October. Likely start-up of the Oseberg South J satellite development has been assumed deferred from October to November as a result to the dispute, and further delays in other new field start-ups in future cannot be discounted. Although this Report assumes resumption of production at Glitne and Varg from November onwards, there is a possibility that disruption could spread, although further field shut-ins require two weeks' notice.

In a more positive vein, Statoil began production at end-September at the Kvitebjorn gas and condensate field, likely to produce a peak of 62 kb/d of condensate in addition to NGLs separated out at the Kollsnes gas processing plant.

Former Soviet Union (FSU)

Russia – August final, September provisional: Preliminary August production data were revised up by 25 kb/d to 9.38 mb/d and a further rise in Russian production of 50 kb/d was seen in September, taking total output to 9.43 mb/d. This Report now expects production growth of 740 kb/d in 2004 and 435 kb/d in 2005. The Industry and Energy Ministry in mid-September announced it expected Russian production to rise 200 kb/d in the fourth quarter to 9.5 mb/d. Government forecasts have in the past erred on the conservative side, so this Report's expectation of 9.46 mb/d in 4Q, versus a higher base of 9.36 mb/d in 3Q, does not look over-optimistic. Further sign of the slow-down expected for Russian output was apparent however from Surgutneftegaz' announcement that it expected 6% growth in 2005 compared to 10% in 2003 and 2004. Surgutneftegaz is Russia's fourth largest producer.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2002	2003	4Q03	1Q04	2Q04	3Q04	Jul 04	Revised Aug 04	Prelim. Sep 04	Latest month vs. Aug 04 Sep 03	
Black Sea Exports	2.52	2.80	2.68	2.84	2.75	2.90	2.98	2.99	2.63	-0.36	-0.31
Baltic/Arctic Exports	2.02	2.43	2.61	3.03	3.11	3.15	3.18	3.02	3.14	0.12	0.64
Total Seaborne	4.54	5.24	5.29	5.87	5.87	6.05	6.16	6.01	5.77	-0.24	0.33
Druzhba Pipeline	1.04	1.05	1.08	1.09	1.04	1.10	1.07	1.07	1.12	0.05	0.10
Other	0.35	0.46	0.49	0.48	0.53	0.51	0.54	0.49	0.49	0.00	0.00
Total Exports	5.93	6.75	6.87	7.44	7.43	7.66	7.77	7.57	7.37	-0.20	0.44
Imports	0.01	0.02	0.01	0.01	0.01	0.02	0.01	0.01	0.04	0.03	0.00
Total Net Exports	5.92	6.73	6.86	7.43	7.42	7.64	7.76	7.56	7.34	-0.22	0.44
Crude	4.04	4.68	4.82	5.14	5.18	5.26	5.36	5.17	5.08	-0.08	0.32
<i>of which: Russian Crude</i>	<i>3.02</i>	<i>3.38</i>	<i>3.38</i>	<i>3.65</i>	<i>3.82</i>	<i>3.75</i>	<i>3.84</i>	<i>3.64</i>	<i>3.65</i>	<i>0.01</i>	<i>0.30</i>
Products	1.89	2.07	2.05	2.30	2.25	2.39	2.41	2.40	2.29	-0.11	0.12

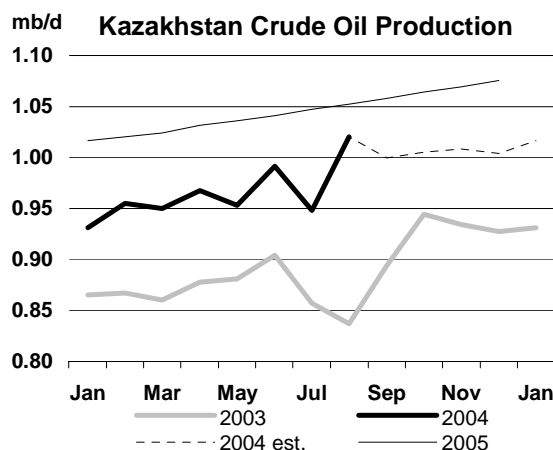
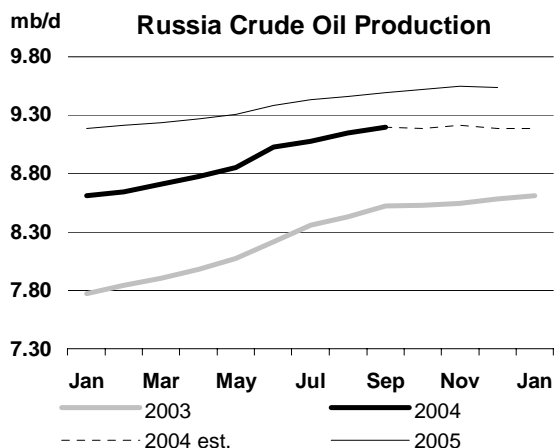
Sources: Petro-Logistics, IEA estimates

FSU net exports fell 220 kb/d in September on the basis of preliminary data. The fall was concentrated in shipments from Black Sea ports, although Russian crude exports remained high. The bulk of the drop came from non-Russian crude and from products. Rising Russian crude export duties from early-October are likely to have encouraged September exports to be maximised. For October, Russian export schedules for main ports suggest a rebound in deliveries from the Black Sea, centred on Novorossiysk and also up to 95 kb/d from Yuzhny. The latter reflects use of the long-idled Odessa to Brody pipeline now shipping Russian crude south to the Black Sea. Russian crude will also find a new outlet to export markets when volumes of up to 60 kb/d begin to move via the CPC pipeline, starting in November. Liftings from Black Sea ports however then face potential transit delays in the Turkish Straits as winter navigation restrictions come into force.

Deliveries of crude using non-Transneft routes may be headed lower. There are signs that lower volumes are being shipped south to Iran, and Yukos also announced in September that it would curb rail shipments to China's CNPC, believed to amount to around 80 kb/d.

The fate of Yukos continued to hang in the balance in September. The curbs on Chinese rail shipments followed news that Yukos had not yet covered its rail tariffs for October. However, Russian railway authorities remained bullish on the prospects for deliveries to recommence after an offer from China to cover October rail shipment costs for Yukos oil. Yukos also secured agreement for pipeline exports via the Transneft network to continue in exchange for 100 kb/d of crude rather than cash. Yukos' alleged back-tax liabilities amount to around \$8.5 billion for 2000-2002, of which less than \$3 billion are believed to have been paid to date. However the Natural Resource Ministry announced in September that key subsidiary Yuganskneftegaz would retain its production licences for at least three months, despite alleged infringement of licence agreements arising from the tax arrears.

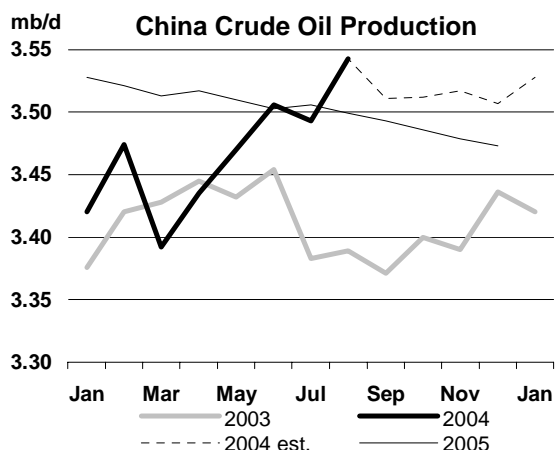
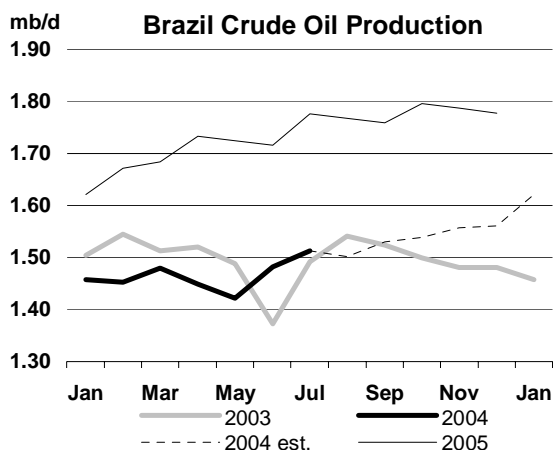
The Yukos affair does not so far appear to be reducing prospects for foreign investment in the Russian upstream. ConocoPhillips in late September won an auction to buy 7.6% of Lukoil, with an option to increase this to 20%. A government decision in September to merge Gazprom and Rosneft, creating a state-controlled 650 kb/d liquids producer, also lifted a bar on foreign investors purchasing Gazprom shares.



Kazakhstan – August actual: Kazakh crude production increased by some 70 kb/d in August, to 1.02 mb/d, in large part due to higher Tengiz supplies after July maintenance. However, the rise in crude was counteracted by a near-100 kb/d drop in supplies of Karachaganak condensate, which fell back to 170 kb/d. During September, the government's budget proposal projected that liquids production in 2005 would reach 1.2 mb/d from 1.10-1.14 mb/d in 2004. This Report's forecast for 2005 production has been revised up 20 kb/d in line both with higher baseload supply and with the government projection for incremental supply in 2005. Export options for Kazakh liquids remain a key concern however. Construction began in September on a pipeline from central Kazakhstan to western China which is likely to be used to send Russian and Kazakh oil eastwards after completion in December 2005. Initial flows of 200 kb/d will later rise to 400 kb/d. Operator Eni also announced that a decision on the route for an export pipeline for the Kashagan field development is needed by early-2006 if production targets are to be met. Initial crude production from Kashagan is expected in 2008, rising to an eventual 1.2 mb/d in the next decade. Pipeline options are believed to comprise a link to the BTC pipeline feeding the Mediterranean, a route to the Black Sea at Novorossiysk, a pipeline to the Baltic port of Primorsk or a line running east to China.

Other Non-OPEC

Brazil – July actual: Brazilian crude output increased by 30 kb/d in July but provisional data suggest that an outage at the Marlim Sul field may have seen a drop of around 10 kb/d in August. Petrobras reports on progress at the Baracuda and Caratinga developments now indicate likely start-up in November 2004 and January 2005 respectively. These dates represent a deferral of one month compared to this Report's earlier projections for start-up. These delays, combined with lower August supply, have led to a downward revision in forecast Brazilian crude output of 10 kb/d in 2004 and 5 kb/d in 2005. 2004 production is now seen remaining unchanged at 2003's level of 1.5 mb/d, while output in 2005 rises by 240 kb/d to just over 1.7 mb/d. The forecast production levels pre-suppose that strike action currently underway by certain Petrobras personnel does not intensify and have an impact upon crude output or exports.



China – August actual: Chinese production increased by 50 kb/d in August, in part due to the build-up in production from the newly-started offshore Caofeidian field. The field, developed by CNOOC and Kerr McGee, is due to reach peak 40 kb/d production in mid-2005. Total Chinese output has now recovered to around 3.55 mb/d from a March low of 3.4 mb/d, largely as the result of growing offshore supply. A levelling-off in offshore growth may materialise by mid-2005 however and with declining production from mature onshore fields, total Chinese output growth may be limited to some 40 kb/d in 2005. Production is seen averaging 3.46 mb/d in 2004 and 3.5 mb/d in 2005.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last month's OMR			This month's OMR			This month vs. last month		
	2004	2005	05 vs. 04	2004	2005	05 vs. 04	2004	2005	05 vs. 04
North America	14.75	14.92	0.18	14.60	14.87	0.26	-0.14	-0.05	0.09
Europe	6.21	6.02	-0.19	6.19	5.97	-0.22	-0.01	-0.05	-0.03
Pacific	0.57	0.51	-0.06	0.57	0.53	-0.04	0.01	0.02	0.02
Total OECD	21.52	21.45	-0.07	21.37	21.37	0.00	-0.15	-0.08	0.07
Former USSR	11.13	11.74	0.61	11.19	11.82	0.62	0.06	0.07	0.01
Europe	0.17	0.16	-0.01	0.17	0.16	-0.01	0.00	0.00	0.00
China	3.45	3.49	0.03	3.46	3.50	0.04	0.01	0.02	0.01
Other Asia	2.72	2.72	-0.01	2.74	2.74	0.00	0.02	0.02	0.00
Latin America	4.05	4.35	0.30	4.04	4.35	0.31	-0.01	0.00	0.01
Middle East	1.89	1.85	-0.04	1.89	1.86	-0.03	0.00	0.01	0.00
Africa	3.41	3.80	0.39	3.42	3.76	0.35	0.00	-0.04	-0.04
Total Non-OECD	26.83	28.11	1.28	26.92	28.19	1.28	0.09	0.08	-0.01
Processing Gains	1.83	1.86	0.03	1.83	1.86	0.03	0.00	0.00	0.00
Total Non-OPEC	50.18	51.43	1.24	50.12	51.43	1.31	-0.06	0.00	0.06

OMR = Oil Market Report

OECD STOCKS

Summary

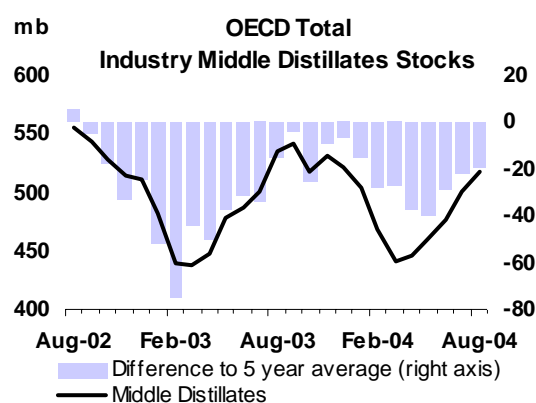
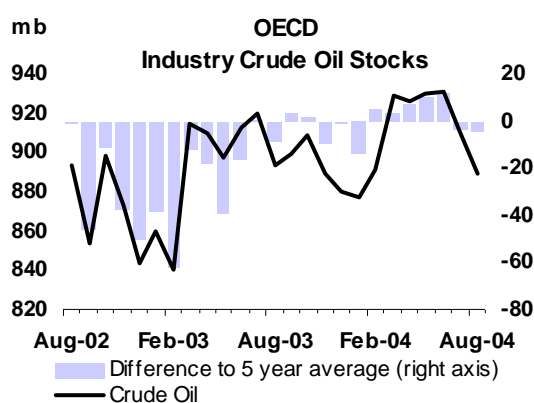
- **OECD industry total oil stocks** increased 240 kb/d or over 7 mb in August, closing at an estimated 2592 mb and 12 mb above 2003. Gains in products stocks, centred on distillate fuels, outweighed a reduction in crude inventories driven by high refinery throughput rates across the OECD. Days of forward demand cover remained stable from July at 52 days, 1 day below that of last year.

Preliminary Industry Stock Change in August 2004 and Second Quarter 2004

	(million barrels per day)							
	August (preliminary)				Second Quarter 2004			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	-0.35	0.32	-0.67	-0.70	0.04	-0.04	0.02	0.02
Gasoline	-0.14	0.04	0.00	-0.10	0.07	-0.04	-0.01	0.02
Distillates	0.16	0.18	0.22	0.56	0.16	0.17	0.06	0.39
Residual Fuel Oil	0.05	0.02	0.03	0.11	-0.02	0.01	0.03	0.01
Other Products	0.37	-0.03	0.01	0.35	0.29	0.01	0.07	0.38
Total Products	0.45	0.21	0.26	0.92	0.50	0.14	0.15	0.80
Other Oils ¹	-0.06	-0.02	0.11	0.02	0.12	-0.04	0.03	0.11
Total Oil	0.03	0.51	-0.31	0.24	0.67	0.06	0.21	0.93

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** declined 700 kb/d in August or nearly 22 mb with the US and Japan accounting for most of the draw. Refinery throughputs in both countries were high, outpacing imports. Europe bucked the trend, with stocks up mainly in Norway. In September, US crude stocks declined a further 12 mb as Hurricane Francis and then Ivan disrupted imports into the Louisiana Offshore Oil Port, forcing refiners on the Gulf Coast to draw on reserves despite a reduction in their crude runs. US declines in September were also supported by a fall in Mid-continent stocks driven by lower crude procurement ahead of scheduled maintenance.
- **OECD industry distillate stocks** built 560 kb/d in August, or 17 mb. Gains were recorded across regions, with heating fuels rising seasonally. In the US distillates returned to year-ago levels by end-August, but growth in September was stunted on lost product output due to precautionary closure of several plants ahead of Hurricane Ivan. In Europe, diesel rather than heating oil tightness kept IPE gasoil futures backwardated, limiting builds in product storage. European distillate stocks however rose nearly 6 mb. Gasoil in independent storage in the Amsterdam-Rotterdam-Antwerp (ARA) area fell back by end-September early October on wholesalers re-stocking and local refinery buying.
- **OECD industry gasoline stocks** declined 100 kb/d or 3 mb in August on draws in North America. US gasoline stocks fell back after a contra-seasonal build in July, but closed at the top of their range. European stocks were up, rebounding on high refinery output and closed spot arbitrage opportunities to the US. In September, the spot arbitrage window to the US was unfavourable and high product output in Europe caused gasoline to back up in ARA independent storage, this, despite ongoing cargo deliveries to Nigeria and tank clearing of summer grade material. ARA inventories, however, started to fall back on refineries bidding for material to cover for scheduled maintenance.



OECD Industry Stock Changes in August 2004

OECD industry oil stocks ended August at 2592 mb, extending July's 32.9 mb build by 7.5 mb. Builds in product stocks, outpacing draws in crude, combined with increases in NGLs and feedstocks to lift inventories. The pace of addition to total oil stocks from July to August came to 650 kb/d, comparing favourably with a five-year average build in the third quarter of 130 kb/d. Days of forward demand cover for OECD industry oil stocks held steady from July at 52 days, one day below August last year.

OECD industry crude oil stocks kept within their normal range despite falling 22 mb in August to 889 mb. Draws were centred in the US and Japan where high refinery runs outpaced imports. Runs were sustained in the US on high gasoline cracks and in Japan they were raised above seasonal levels to build kerosene stockpiles ahead of winter. In contrast, European crude stocks rose, mainly in Norway. Weekly Japanese figures in September pointed to a mild rebound in onshore stocks, suggesting the bulk of arrivals of extra term supplies is likely to be felt in the first half of October. US crude stocks in September fell 12 mb on reduced crude holdings ahead of maintenance in the Mid-continent and a shortfall of crude supplies on the Gulf Coast following the passage of Hurricane Ivan. The rapid recovery in imports should allow stocks to rebuild, albeit at slow pace, as significant production in the Gulf of Mexico remains off line. Europe is likely to have seen stocks hold at current levels or edge lower in September with reduced crude procurement ahead of refinery maintenance. Ample supplies of heavy and sour crude were offered by Russia, Saudi Arabia and Iran, but the widening discount of the sour benchmark Urals to Brent and cuts in official selling prices from Saudi Arabia suggest that these volumes were difficult to place.

OECD industry gasoline stocks fell 3 mb in August on draws in the US. September saw US gasoline inventories edging lower but holding at high levels against a backdrop of modest demand growth and higher imports on a yearly basis. While lost refinery output following hurricane Ivan contributed to the draw, weaker US cash gasoline differentials in the second half of September early October suggest that the decline was also in part driven by unloading of storage into a well supplied market ahead of the switch to winter specification. European gasoline stocks rose on high domestic output and limited spot arbitrage opportunities to the US. ARA Independent storage remained high on a seasonal basis in spite of product moving to Nigeria and local refineries bidding for material ahead of maintenance shutdowns.

OECD industry distillate stocks rose 17 mb in August, closing at 518 mb, with gains centred in the US, Japan and the Netherlands. The build from July to August was 670 kb/d, above the five-year average for the third quarter of 310 kb/d. The growth in US diesel and heating oil stocks was stunted in September on lost refinery output and stocks closed below their average position for the period. Heating oil stocks in the main consuming Northeast area remain on the low side ahead of the fourth quarter. But available capacity after refinery maintenance, higher crack spreads, and the recent contango in NYMEX No.2 futures are supportive of further builds. In Europe, stocks closed up within their five-year range, but curiously, preliminary figures left German stocks virtually flat, when these were expected higher. IPE gasoil futures remained in backwardation August to September but mainly due to tightness in diesel. While August saw growth in German heating oil demand, overall this year, demand has been lower, discouraged by high outright prices. Purchasing patterns are likely to be gradual rather than a one-off surge. Barge deliveries from ARA to German wholesalers rose late September early October. Physical gasoil's premium to IPE's futures contract, negative in August, was modest in September when compared to jet fuel. Physical delivery of IPE's September gasoil contract (into ARA) was high at 100 000 tonnes. Delivery of product reflected covering for maintenance and supported draws in independent storage.

Revisions to Preliminary OECD Stocks and Inventory Position at End-August

July OECD oil stocks were revised up by 5 mb, with revisions to crude and product broadly offsetting each other. The Netherlands saw crude oil held in entrepot stocks in bonded areas revised down 10 mb.

Revisions Versus 9 September 2004 Oil Market Report

	(million barrels)							
	North America		Europe		Pacific		OECD	
	Jun 04	Jul 04	Jun 04	Jul 04	Jun 04	Jul 04	Jun 04	Jul 04
Crude Oil	2.2	-1.0	-7.3	-6.9	-0.1	-5.3	-5.1	-13.2
Gasoline	-0.7	1.6	0.8	2.0	-0.4	-0.2	-0.3	3.4
Distillates	-2.8	-1.0	-0.7	2.2	-0.7	0.2	-4.3	1.4
Residual Fuel Oil	-0.5	2.1	1.6	3.7	0.0	0.2	1.1	6.1
Other Products	-0.6	-1.2	0.5	4.9	-0.1	-1.2	-0.2	2.5
Total Products	-4.6	1.6	2.2	12.9	-1.3	-1.0	-3.6	13.4
Other Oils ¹	0.7	6.1	-1.9	-1.9	0.0	0.4	-1.2	4.6
Total Oil	-1.6	6.7	-7.0	4.0	-1.3	-5.9	-9.9	4.8

¹ other oils includes NGLs, feedstocks and other hydrocarbons

OECD total oil stocks closed July at 2592 mb, or 12 mb above 2003. North American oil stocks posted a strong surplus against 2003 in August, but the inventory mix changed with relative tightness in crude oil stocks. Europe and the Pacific posted localised deficits in distillate stocks, keeping total product levels below 2003, albeit this was more pronounced in the Pacific due to a late start in stockpiling kerosene fuel ahead of winter. European crude stocks were high ahead of scheduled refinery maintenance in September. In the Pacific, crude stocks closed lower than expected on above seasonal refinery utilisation rates in Japan. Days of forward demand cover by OECD oil stocks was 52 days in August, flat from July. Cover in North America came to 49 days, 59 days in Europe and 49 days in the Pacific.

Year-on-Year Industry Stock Comparisons for August 2004

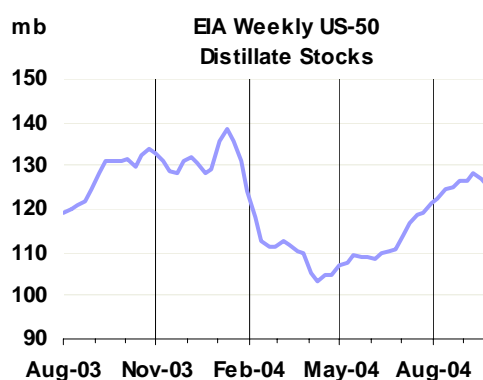
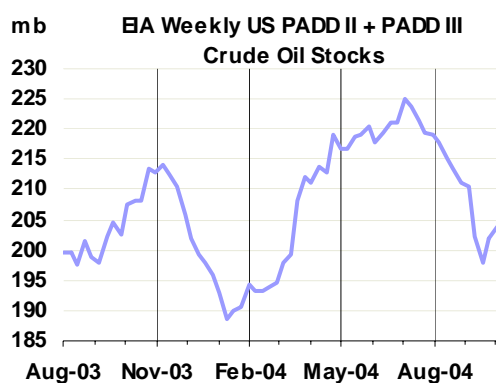
	(million barrels)				(Days of Forward Demand)				
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total	
Crude Oil	4.1	5.4	-14.3	-4.8	Total Oil	1.0	-0.6	-3.7	-0.4
Total Products	42.2	-2.7	-20.0	19.6	<i>Versus 2002</i>	-2.3	-1.1	-3.1	-2.1
Other Oils ¹	-4.4	0.0	2.1	-2.4	<i>Versus 2001</i>	-2.4	0.7	-6.8	-2.2
Total Oil	41.9	2.6	-32.2	12.3	Total Products	1.3	-0.6	-2.3	0.1
<i>Versus 2002</i>	-13.3	4.8	-36.5	-44.9	<i>Versus 2002</i>	-0.7	-2.3	-1.9	-1.4
<i>Versus 2001</i>	1.1	23.6	-47.5	-22.8	<i>Versus 2001</i>	0.0	-0.9	-3.6	-1.0

¹ other oils includes NGLs, feedstocks and other hydrocarbons

OECD Regional Stock Developments

North America

US-50 crude stocks fell by slightly over 9 mb during August to 286 mb as refinery activity remained high, particularly on the Gulf Coast, where most of the draw took place. Crack spreads on light products sustained runs, with gasoline on NYMEX futures continuing to post a solid margin against crude, higher than that of heating oil. Weakening imports and lower crude procurement ahead of scheduled September maintenance also contributed to the draw. September saw crude stocks fall 12 mb to 274 mb, or just below their normal range. Hurricane Francis and then Ivan disrupted oil deliveries to Gulf Coast terminals, limited shipping from Caribbean and South American export centres and closed production at offshore platforms in the Gulf of Mexico. Though refinery activity was cut back on the Gulf Coast, the shortfall in supply led refiners to draw on inventories mid-month before imports recovered. Another driver in the September draw was declining stocks in the Mid-continent (PADD II). These fell nearly



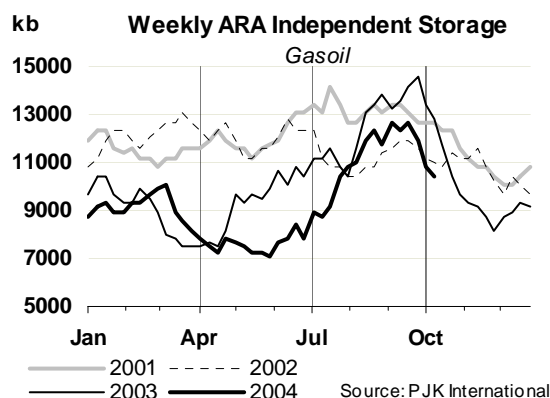
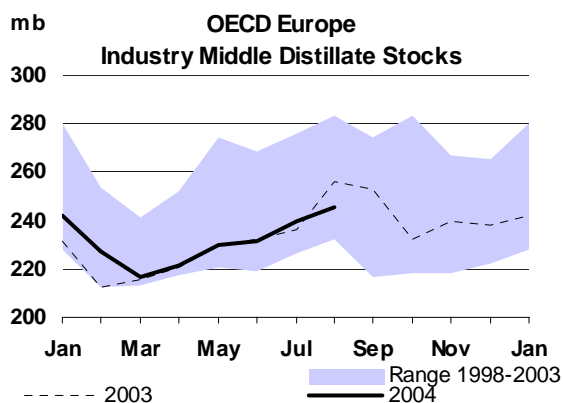
5 mb to close under 60 mb, as refiners there reduced inventories ahead of maintenance and scaled back runs. Previous hurricane related disruptions, such as in October 2002, would suggest a quick recovery in crude stocks in the following weeks. Yet, it remains to be seen how the competing forces of a backlog of tanker arrivals and reduced crude demand during peak maintenance in October fare against lost production. Lost output, predominantly in sweet crude such as Heavy Louisiana Sweet, was recovering only slowly. Stocks are likely to rebound aided by an abundance of offers of heavier sour grades for October delivery. The rise may prove slow. Offered volumes outside of term supplies may face market constraints, as buying interest will hinge on the amount of upgrading capacity available to run them.

The impact of Hurricane Ivan was also felt in lost product output, helping to keep distillate stocks flat in September after they built seasonally in August. Distillate inventories closed September below their average position for this period of the year but not outside of their normal range. However, recent distillate demand strength was for diesel rather than heating oil, supported by the strength of the economy through trucking and manufacturing, Midwest agricultural demand as well as reverse arbitrage of product from the Gulf Coast to Northwest Europe where diesel was in tight supply. With no material damage as result of the

hurricanes reported at refining facilities, capacity will be available to increase product supplies ahead of winter. In addition to a front month contango in NYMEX heating oil supporting a distillate stock build, the futures crack spread of heating oil overtook that of gasoline. This would favour a rise in distillate yields to a more seasonal 25%, while encouraging a decline in that of gasoline. Distillate inventories in the Northeast, the main heating oil consuming area, closed at 50 mb at the end of September. Heating oil made up 33 mb of that amount, a level shy of the average 36 mb for past three years for this period. Distillate imports will need to rise seasonally, though much will of course depend on the weather, but in absent a colder than normal winter, there does not appear to be a cause for concern just yet.

Europe

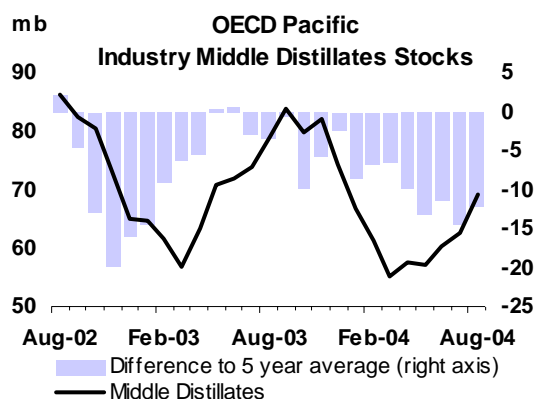
European industry crude stocks rose 10 mb in August to 333 mb mainly on gains in Norway where stocks built 9 mb. Though refinery activity was high, stocks closed at the top of their five-year range. Northwest Europe generally saw inventories decline with Germany and France posting a combined 5.2 mb draw. The Netherlands, however, bucked this trend, closing over 4 mb higher. Despite ample offers of sour crude and high margins on these grades, refiners preferred to run a light sweet slate, and draw on inventories. With scheduled maintenance in September addressing new sulphur specifications for next year, refiners may reduce crude procurement and draw on a comfortable inventory cushion instead. In addition, further widening of the discounts of Urals against Brent suggests that ample regional offers of comparable sour grades were slow to be absorbed.



European industry product stocks rose in August on gains in distillates. Gasoline stocks increased with high throughputs and weak spot cargo arbitrage opportunities to the US. Independent storage of gasoline in ARA was in surplus for most of September against 2003 levels. While gasoline was shipped to Nigeria, barge deliveries inland suffered from competitive refinery pricing in local markets. The largest gains in industry distillates stocks for August came in France and the Netherlands. Surprisingly, contrary to expectations for a build, preliminary data showed little change in German stocks. Gasoil in ARA independent storage was level most of September as incoming material from the FSU and Scandinavia met with little blending or conversion interest, refiners preferring to maximise runs instead to produce diesel. Inland demand by wholesalers picked up late September, early October with cargo deliveries into France and Germany and barge shipment into Switzerland and Germany. Stock levels also fell due to demand covering for maintenance shutdowns in refineries in the Rotterdam area.

Pacific

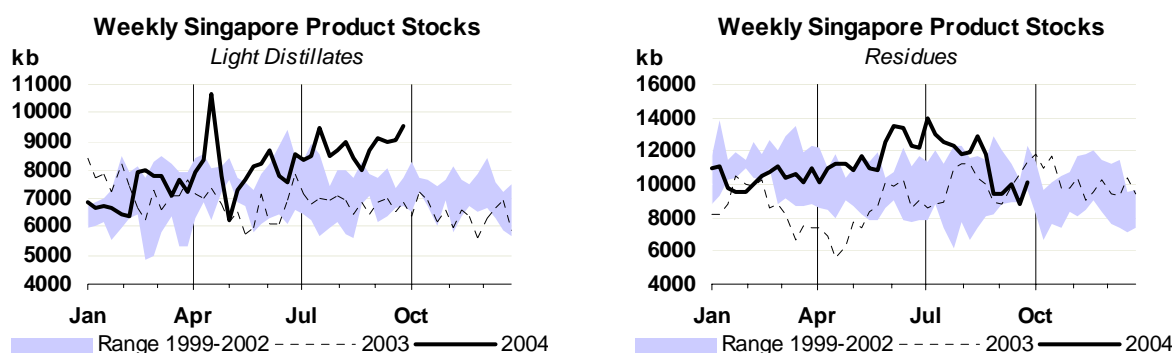
The Pacific saw crude stocks fall in August, driven by a 16 mb draw in Japan. Though the final number may prove slightly lower, its magnitude stems from a late start to building kerosene stocks ahead of winter. The delay, related to maximisation of jet fuel output, led Japanese refiners to push runs 450 kb/d above August last year and close to levels generally reached around December. Japanese crude stocks were only marginally higher in September, though typhoons in the region forced crude runs lower. This suggests incremental volumes from term suppliers is now likely to be reflected in October storage levels. Distillates in the Pacific gained 7 mb in August, but at 69 mb, closed 10 mb below 2003. The extent of the build was mitigated by strong Japanese demand growth in kerosene. However, on days forward basis, distillate demand cover in the Pacific has risen. While distillate stocks remain low in the Pacific, weekly figures for September suggest a rapid catch-up in Japan as far as kerosene is concerned.



Singapore Stock Developments in September

Product stocks in Singapore, surveyed by International Enterprise, built in September as light product and residual fuel oil inventories rose amid ample supplies and weak demand. Distillate stocks were little changed over the month with tighter gasoil stocks likely offsetting gains in jet/kerosene.

Residual fuel oil stocks held within seasonal norms in September after a sharp decline observed in August. Regional demand was weaker, deterred by the high level of Singapore prices, particularly from Chinese importers and in bunkering for cracked high sulphur material. Stocks are likely to rise in October on the arrival of arbitrated supplies from Europe and the Caribbean. Though Chinese demand for the first half of October was reported to have picked up, it remains uncertain as to whether this would be sustained due to high prices. Additionally, Chinese demand was favouring 180 cst quality material, reportedly in small quantities in the arriving cargoes. The influx of foreign supplies, mostly 380 cst are estimated around 3 million tonnes and should help to nudge inventories higher.



Light product stocks held even most of September before pushing higher by end-month. Behind the relatively high levels of inventories were seasonally weaker gasoline demand and continued high level of naphtha supplies. In addition to Middle Eastern material, incremental naphtha from India was offered, albeit less than August levels. But prompt petrochemical demand from Korea and Japan, where there were a number of plant shutdowns, was reported to be slack and a temporary contango in Singapore swap prices in early September encouraged product into storage. Gasoline fundamentals in the region seemed to weaken, despite reduced Chinese exports. Gasoline demand reached a seasonal lull with the end of the driving season, and traditional importers like Indonesia reduced their take in September following bumper purchases in August.

Middle distillate stocks closed September marginally higher, with gains likely made in jet/kerosene rather than gasoil. Ahead of winter, regional supplies of kerosene rose as Asian refiners maximised yields over gasoil whose spread against crude was less attractive. While gasoil supplies remained tight, demand from Hong Kong and Indonesia held steady. Looking ahead, gasoil inventories could see some short-term upside movement. Though supplies from key exporter Korea are expected lower in October, demand from traditional buyers China, Indonesia and Vietnam could buckle under the recent strength in price. Prompt demand in October seems to have eased as the backwardation in the October/November gasoil price spread in Singapore had narrowed at the time of writing.

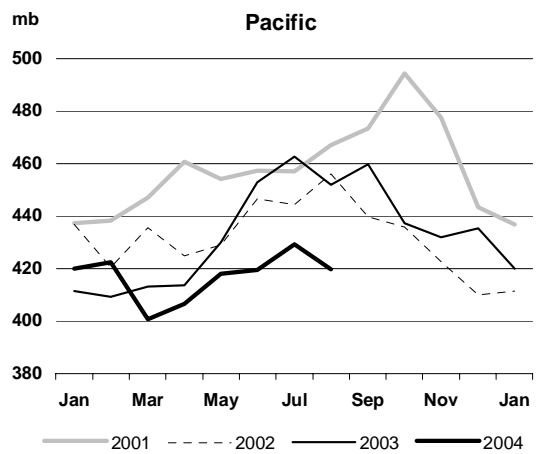
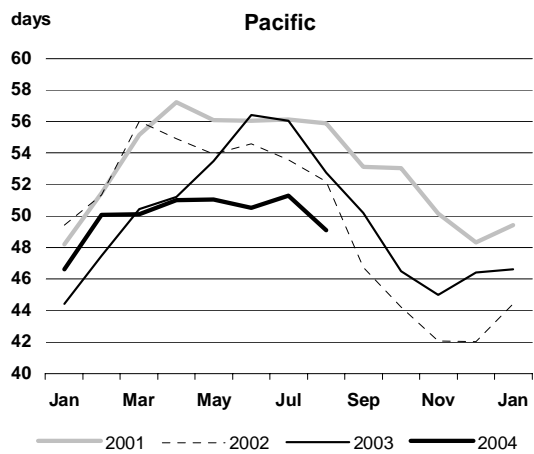
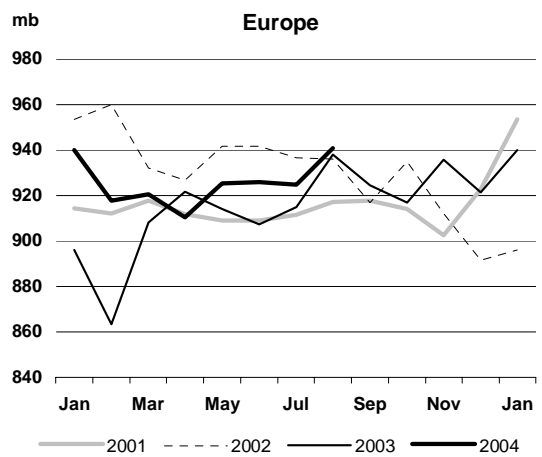
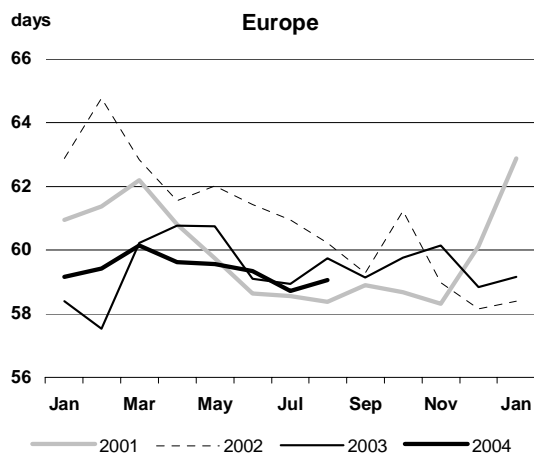
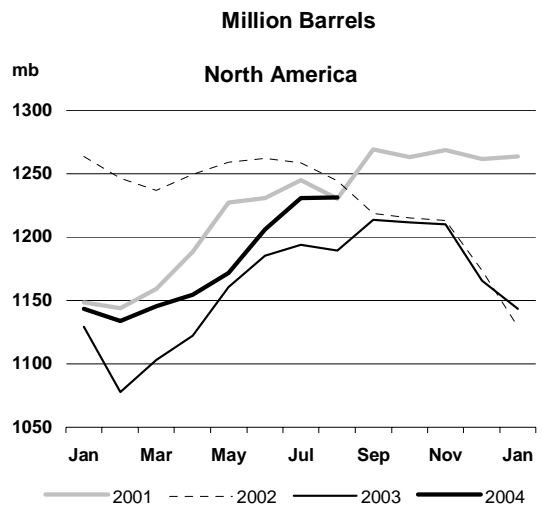
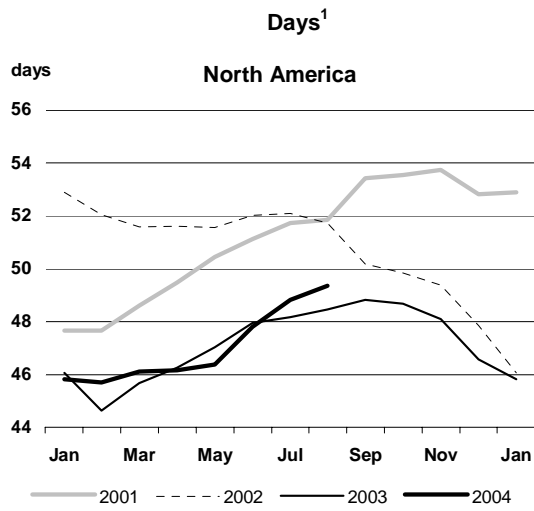
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	3Q03	4Q03	1Q04	2Q04	Jun 04	Jul 04	Aug 04	Latest month vs. Jul 04 Aug 03	
Crude Oil	819	755	593	654	777	696	697	613	700	88	191
Products & Feedstocks	-35	-96	-93	-18	-64	-150	-248	-215	-124	91	-27
Gasoil/Diesel	-154	-170	-174	-161	-133	-206	-190	-231	-166	64	-13
Gasoline	-81	-83	-67	-96	-88	-119	-153	-66	-105	-39	-36
Heavy Fuel Oil	334	320	323	341	304	289	217	206	278	71	-17
LPG	-19	-22	-19	-19	-24	-21	-25	-22	-20	3	-3
Naphtha	6	13	5	49	38	24	18	56	44	-11	58
Jet & Kerosene	-65	-99	-103	-77	-99	-50	-38	-93	-77	16	18
Other	-57	-55	-58	-54	-62	-67	-79	-65	-78	-13	-34
Total	784	659	501	636	713	546	449	398	577	179	770

Source: International Enterprise, IEA estimates

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

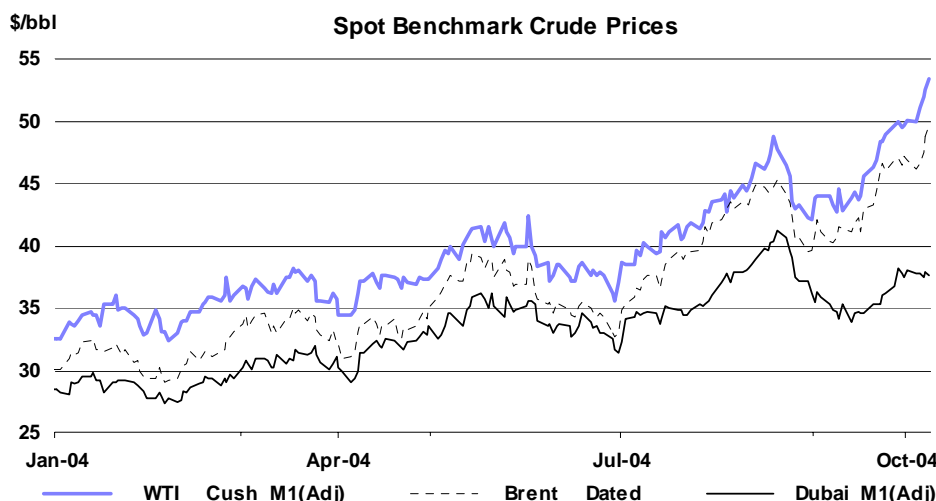


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **Benchmark NYMEX WTI crude futures** surpassed \$50/barel in September, and exceeded \$53 in early October. A mid-September 16 mb US stock draw caused by production disruptions in the Gulf of Mexico and weather-related import delays triggered the rally. The threat (now rescinded) of attacks on oil facilities in the Niger Delta, strikes in Nigeria, Norway and Brazil and tight distillate markets accentuated the gains. Activity in physical crude and freight markets would suggest that participants were more accepting of the sustainability of the latest rally.
- **Potential sweet crude supply** disruptions, tight global distillate supplies, Hurricane Ivan and refinery maintenance caused a surge in demand for light sweet crudes. Strong demand for North Sea crudes from European refiners, coupled with high freight rates and competition between Asian and US refiners tightened the sweet crude market. This contrasted with better-supplied sour crude markets as OPEC maintained output close to 30 mb/d and led to a continued widening of the sweet/sour spread. While benchmark light sweet crudes moved to fresh highs, sour benchmarks Dubai and Urals failed to surpass their August peaks.
- **US refinery throughput** fell to 14.0 mb/d in the week ended 24 September from over 16 mb/d in August reflecting problems related to Hurricane Ivan and autumn maintenance. Most Gulf Coast refineries restarted output in the week following the storm, but lingering crude production problems in the Gulf of Mexico remain. This prompted four US refiners to ask the government for a modest loan from the Strategic Petroleum Reserve.
- **OECD European refinery throughput** reached 14.0 mb/d in August according to preliminary data, making this the second consecutive month above 14 mb/d following revisions to July data. This is the first time since 2000 European summer refinery throughput has been above 14 mb/d. A post-maintenance recovery in OECD Pacific throughput in August, together with continued high runs in Europe and North America led to record OECD throughputs of 40.2 mb/d in August.
- **Heavy European and US refinery maintenance** contributed to tightness in distillate markets. IPE gas oil surged to record levels towards the end of September, bolstered by tight diesel markets in Europe and the Mediterranean. The trend continued in early October. Harvesting has bolstered diesel demand in both the US and Europe and concerns remain over winter heating oil and kerosene stocks in Europe, US and Asia.
- **Dirty freight rates** climbed throughout September, recovering sharply from a surprise dip in rates in late August. The rally was initially prompted by a round of bargain hunting in crude oil, indications of more Middle Eastern spot cargoes moving to the US and increased flows of West African crude to Asia. Weather-related disruptions to ships in the Gulf of Mexico contributed to mid-month gains by reducing ship availability in the region and slowing sailing times.



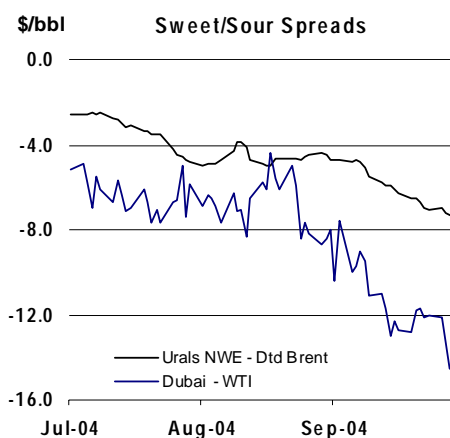
Crude Oil Prices

Spot Crude Prices and Differentials

Hurricane Ivan, labour unrest and the threat of rebel activity in the Niger delta are only part of the explanation for crude oil prices tipping \$53/barrel. The hurricane provided the impetus for a wide-spread buying spree that resulted in record crude prices. But weak dirty freight rates from the end of August to mid-September suggested that this had been a period of slower-than-normal activity. Traders, were cautious committing to new purchases on the first move to \$50 and continued as reluctant buyers until it was clear that the sharp-end August decline had finished. Sweet/sour differentials widened as OPEC continued to pump more crude and maintenance at key sour crude processing refineries helped to encourage the perception of an amply supplied market in early September.

The subsequent disruptions to Gulf of Mexico production and imports stemming from Hurricane Ivan (and prior storms) caused a surge in buying by traders who had been holding back looking for lower prices. This, together with enduring production disruptions in the US Gulf Coast led to a 16 mb US crude stock drawdown over a two-week period and helped sustain the move back above \$50.

Strong distillate demand has encouraged refiners to buy high distillate yielding light/sweet crudes despite more attractive margins available on sour crudes. This, coupled with increased offers of Middle Eastern crude into the Mediterranean, more regular sales of Kirkuk crude from Ceyhan and maintenance in a number of key sour crude refineries resulted in the Brent/Urals spread widening to over \$7/bbl.



Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

	Jul 04	Aug 04	Sep 04	Sep-Aug		Week Commencing:				
				Change	%	06 Sep	13 Sep	20 Sep	27 Sep	04 Oct
Crudes										
Brent Dated	38.32	43.04	43.25	0.22	0.5	40.85	41.84	45.26	46.91	47.22
WTI Cushing 1 month (adjusted)	40.79	44.90	45.90	1.00	2.2	43.32	44.29	47.76	49.73	51.38
Urals (Mediterranean)	35.24	38.82	38.16	-0.66	-1.7	36.72	37.51	39.50	39.93	40.02
Dubai 1 month (adjusted)	34.65	38.55	35.55	-3.00	-7.8	34.84	34.42	35.61	37.63	37.75
Tapis	41.24	47.47	48.07	0.60	1.3	47.16	46.94	48.48	50.36	51.59
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	2.46	1.86	2.65	0.79		2.47	2.45	2.50	2.82	4.16
Urals (Mediterranean)	-3.08	-4.22	-5.10	-0.88		-4.13	-4.33	-5.77	-6.98	-7.20
Dubai	-3.67	-4.49	-7.70	-3.21		-6.01	-7.42	-9.65	-9.28	-9.47
Tapis	2.92	4.43	4.81	0.38		6.31	5.10	3.22	3.45	4.37
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.35	0.28	0.53	0.25		0.49	0.69	0.78	0.57	0.57
WTI Cushing 1mth-2mth (adjusted)	0.12	0.51	0.16	0.45		0.05	0.06	0.59	0.46	0.46

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

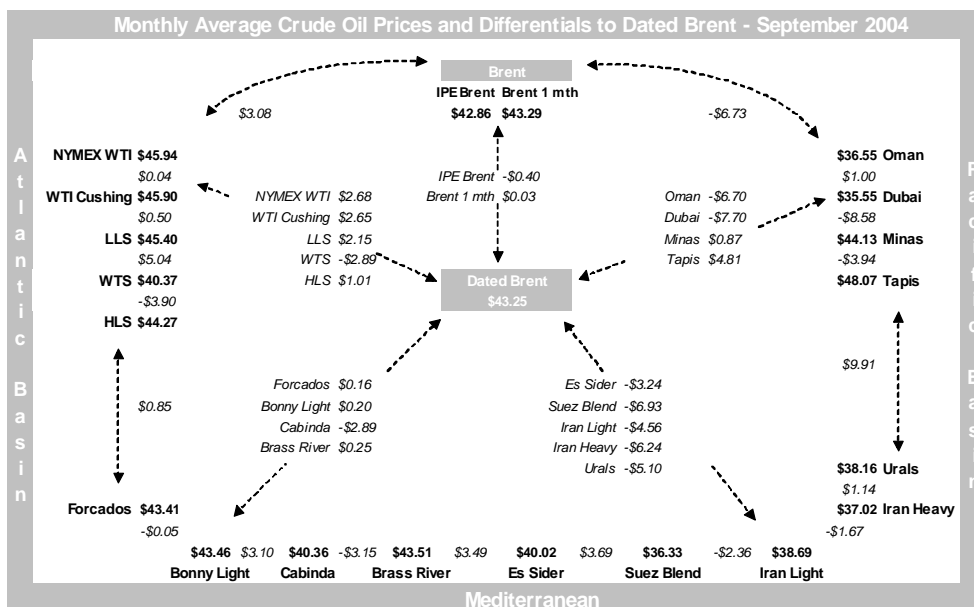
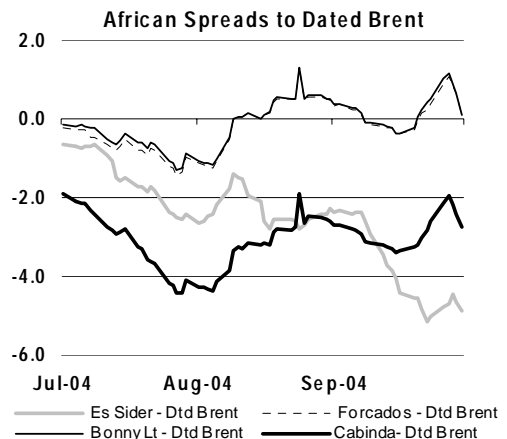
Hurricane Ivan caused a brief narrowing of US Gulf Coast sour discounts to WTI Cushing in the middle of the month. However the swift return of most sour production, coupled with increased sales of Saudi crude and strong refiner demand for sweet crudes quickly re-established the trend of ever-widening sweet/sour differentials. Light Louisiana Sweet differentials to WTI followed a similar upward path, but continued difficulties in restoring output (which forms part of the LLS blend) has helped to sustain its premium against WTI above 50 cents/bbl – the highest level for three months.

The loan of crude from the US Strategic reserve, following requests from four refiners, had little apparent impact on prices. The 4 mb loan was relatively minor in relation to the 13 mb of crude production lost due to Hurricane Ivan in September (it has been assumed that output restrictions will be maintained at around 470 kb/d throughout October).

The threats of attacks by rebel forces near onland Nigerian oil production facilities helped to strengthen West African crude differentials against Dated Brent towards the end of September, having weakened against Brent for most of the month. The Norwegian oil workers strike added further strength to the Brent market in early October, but uncertainty over the military situation in the Niger delta and threatened oil workers strikes helped to maintain these high West African crude differentials.

West African crude exports to Asia in October, were estimated at around 1.5 mb/d. Early month forecasts for a near-record flow to the East had to be curtailed by the end of September, although some traders still maintain that its purchases could be as much as 200 kb/d higher. Asian demand competed with strong US demand for West African sweets crude leading to a global widening of the sweet/sour spread.

Relatively steady West African medium and heavy sweet differentials to Dated Brent continued to contrast with the depressed nature of heavy sour crudes with low sulphur content crudes becoming sought after. While the flexibility of European refiners to cope with higher sulphur crudes is expected to improve after maintenance, relatively low distillate stocks and the legal requirement to meet 50 ppm sulphur regulations in the EU from 1 January 2005 is likely to prevent a recovery of sour crude differentials to levels which were common at the beginning of this year.



The high premium of Tapis to Dated Brent was eroded by the strength of North Sea crudes and increasing competition from West African crudes. The reduced premium of Tapis to Minas would suggest that direct burn purchases by Japanese utilities, which picked up in August, continued in September.

Crude Futures

The near-parity of the first/second month spreads of both NYMEX light crude and IPE Brent futures in early September helped to underscore the nervousness of the market that further losses were possible in the short term. Refiner demand in Europe and the US was also at a low ebb leading up to seasonal maintenance, reducing the need for nearby hedging activity. However, throughout this period the second/third month spread continued to strengthen, suggesting forward buying ahead of the return of refinery activity. The front-month spread then recovered with expiry of the October futures contracts on the IPE and NYMEX, which coincided with the onset of Hurricane Ivan.

The average backwardation from prompt to 12-months forward has risen 20 cents since the middle of September, which is not dramatic considering the \$7 rise in WTI and \$6 rise in Brent prices. This parallel shift in the market contrasts with the surge in the spreads in mid-August, and suggests that the recent rise in prices has been orderly and without excessive speculation. There is clearly little suggestion from the forward spreads that the market is likely to return to sub \$30 prices in the foreseeable future..

Delivered Crude Prices in July

Delivered prices for crude oil imported into IEA countries rose by \$1.24 in July from June to \$36.09. Gains in IEA Europe and IEA North America were partly offset by a small fall in IEA Pacific. European delivered crude prices rose by \$1.87 to \$36.20 in July, and by 1.28 cents in North America in line with trends in Brent and WTI respectively. IEA Pacific prices fell by 11 cents, to \$36.92 reflecting delivery time lags over the Atlantic Basin markets.

Product Prices

Spot Product Prices

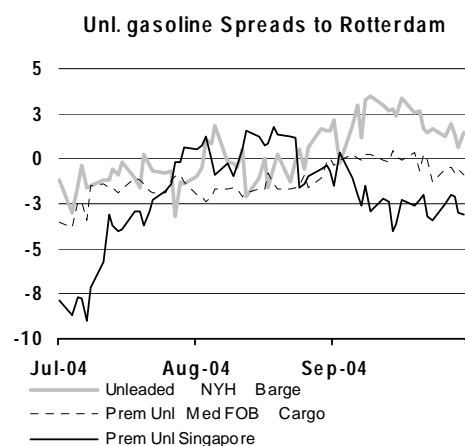
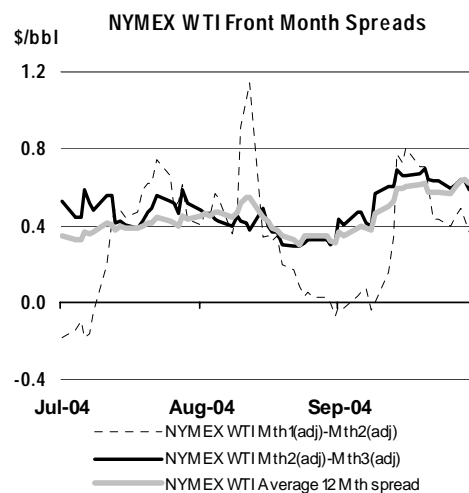
European gasoline prices broadly reflected movements in Brent crude during September, as the end of peak summer driving season demand and the switch to winter specification fuels in the US removed some market tightness. This left differentials to crude virtually unchanged. US gasoline differentials to WTI Cushing increased in the first half of September as demand remained at relatively high levels (despite the passing of the Labor Day holiday which traditionally marks the end to the driving season).

The temporary shutdown of a large portion of US refining capacity in Louisiana provided a further, temporary, boost to differentials. But weak demand in the second half of September countered reduced output, which coupled with rocketing crude prices helped to narrow differentials to WTI. Tightness in the Asian gasoline market also ebbed. Despite trader reports of lower supplies from China, increased regional refinery throughput, lower import demand from Indonesia and the end of the driving season in northern Asia were compensatory offsets.

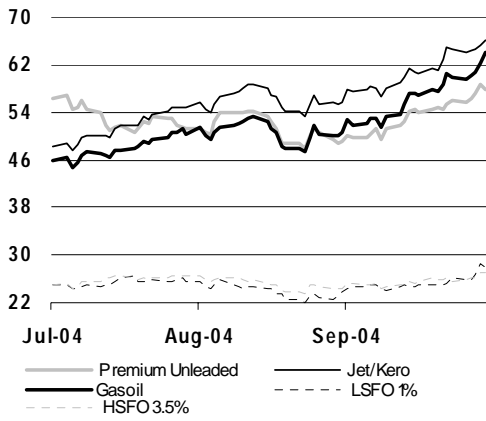
European gasoil prices outperformed Dated Brent throughout September as refiner buying (to cover maintenance-constrained output) helped to reduce ARA stockpiles in Northwest Europe (NWE). Gasoil prices had hit a previous high in July on strong consumer and agricultural diesel demand, but despite strong harvest demand in September, the end to the European driving season helped diesel premiums ease relative to IPE gas oil. The narrowing of the diesel to heating oil spread in Europe also highlighted the change in sentiment away from transport and towards winter heating fuels. Encouragingly, ahead of the 1 January 2005 introduction of 50ppm sulphur diesel, traders noted a relative abundance of ultra low sulphur diesel in the region. It was a similar picture in the Mediterranean, where good demand into the Middle East exacerbated refinery-related supply tightness.

Production constraints caused by maintenance and Hurricane Ivan coupled with good harvest demand for diesel closed the North American arbitrage to Europe. The movement of the front month NYMEX heating oil contract into a backwardation on the October expiry underlined the tightness of the US distillate market during the maintenance period. US distillate stocks have fallen by 4.9 mb since the Hurricane hit, pushing US distillate stocks into the lower half of their seasonal range.

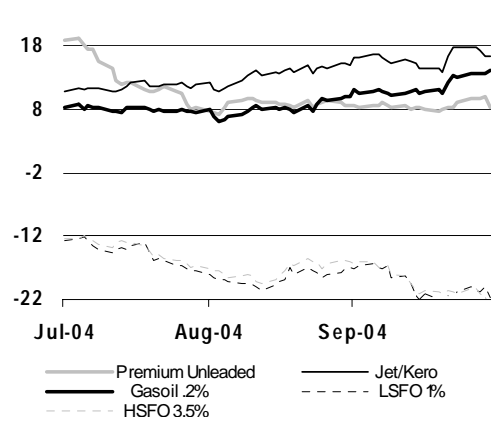
However, like Europe, much of the tightness in distillate in the US has been in diesel. This should subside in October as the harvest season draws to a close. However, it should be noted that although total distillate stocks are towards the lower end of the normal range, US heating oil (high sulphur) stocks are not far off year ago levels, and could rebuild rapidly when the maintenance period is over.



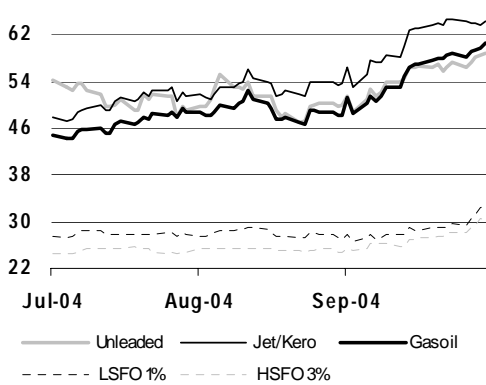
Rotterdam Spot Product Prices



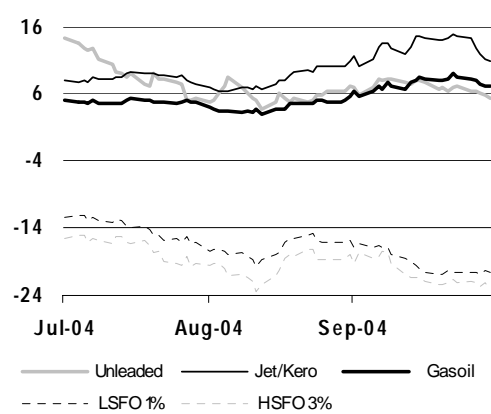
Rotterdam Spreads to Dated Brent



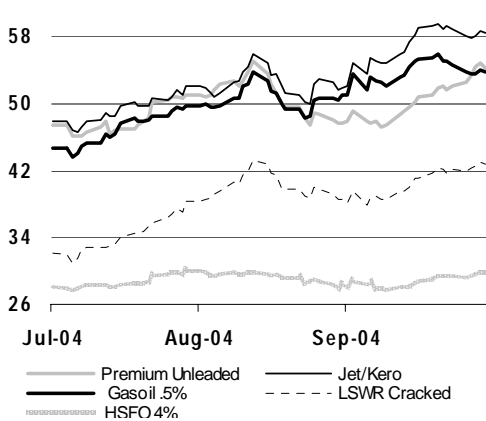
New York Harbour Spot Product Prices



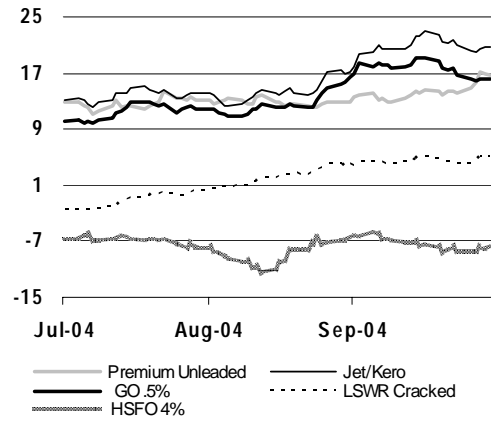
New York Harbour Spreads to WTI



Singapore Spot Product Prices



Singapore Spreads to Dubai



Spot Product Prices

(monthly and weekly averages, \$/bbl)

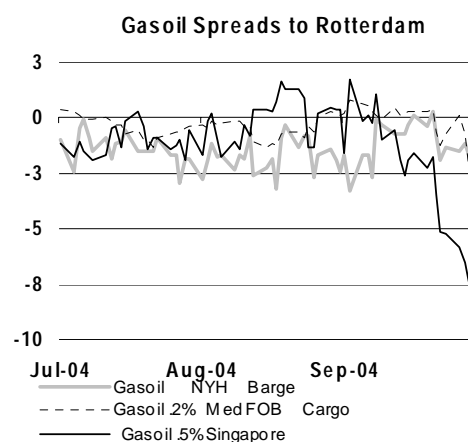
	Jul	Aug	Sep	Sep-Aug		Week Commencing:					Jul	Aug	Sep		
				Change	%	20 Sep	27 Sep	04 Oct	Differential to						
Rotterdam, Barges FOB													Differential to Brent		
Premium Unleaded (Cargo)	52.97	51.97	51.68	-0.29	-0.6	49.41	50.39	53.41	55.07	56.93	14.64	8.94	8.43		
Regular Unleaded	52.24	51.29	50.96	-0.33	-0.6	48.66	49.66	52.64	54.51	56.26	13.92	8.25	7.70		
Naphtha	41.12	46.24	46.18	-0.06	-0.1	44.39	45.77	47.62	48.84	50.76	2.79	3.21	2.93		
Jet/Kerosene	50.02	55.89	58.65	2.76	4.9	56.37	57.81	60.34	62.92	64.46	11.69	12.85	15.39		
Gasoil	46.91	50.78	53.86	3.08	6.1	51.08	52.57	56.04	58.88	60.74	8.58	7.74	10.61		
Fuel Oil 1.0%S	25.25	24.67	24.33	-0.34	-1.4	23.69	24.65	24.76	25.24	26.80	-13.08	-18.37	-18.93		
Fuel Oil 3.5%	25.48	25.67	25.14	-0.52	-2.0	24.77	24.87	25.28	25.98	26.34	-12.84	-17.37	-18.11		
Mediterranean – Basis Italy, Cargoes FOB													Differential to Urals		
Premium Leaded (0.15 g/l)	50.97	50.35	51.45	1.10	2.2	49.04	50.51	53.43	54.93	56.35	15.73	11.54	13.30		
Premium Unleaded	50.26	49.64	50.74	1.10	2.2	48.32	49.80	52.71	54.21	55.64	15.01	10.82	12.58		
Naphtha	40.09	45.63	45.59	-0.04	-0.1	43.73	45.28	47.11	48.15	50.09	4.85	6.81	7.43		
Jet/Kerosene	48.35	53.81	56.57	2.77	5.1	53.76	55.66	58.57	60.88	61.14	13.11	14.99	18.42		
Gasoil	46.61	50.20	53.96	3.77	7.5	51.39	52.88	56.31	58.50	59.29	11.37	11.38	15.81		
Fuel Oil 1.0%S	27.52	26.48	26.68	0.19	0.7	26.49	26.20	27.04	27.14	28.05	-7.72	-12.34	-11.48		
Fuel Oil 3.5%S	24.01	24.60	23.78	-0.82	-3.3	23.54	23.47	23.69	24.57	24.90	-11.23	-14.22	-14.37		
NY Harbour, Barges													Differential to WTI		
Super Unleaded *	58.12	56.94	58.10	1.16	2.0	54.78	57.90	60.64	60.53	60.31	17.33	12.04	12.20		
Regular Unleaded *	51.51	50.60	53.01	2.41	4.8	49.89	52.19	55.47	56.52	57.56	10.72	5.70	7.11		
Jet/Kerosene	49.49	52.50	58.37	5.87	11.2	54.00	57.05	61.41	64.06	63.91	8.70	7.61	12.47		
No.2 Heating Oil	45.86	48.89	52.80	3.91	8.0	48.99	51.32	55.57	58.04	59.05	5.07	3.99	6.90		
Fuel Oil 1.0%S (Cargo)	27.95	27.97	27.90	-0.06	-0.2	27.01	27.33	28.26	29.12	30.87	-12.84	-16.93	-18.00		
Fuel Oil 3.0%S (Cargo)	24.88	25.09	26.11	1.02	4.1	25.03	26.13	26.43	27.58	29.16	-15.91	-19.80	-19.79		
Singapore, Cargoes													Differential to Dubai		
Premium Unleaded 95	46.52	51.50	49.06	-2.43	-4.7	48.09	47.63	49.72	51.81	53.87	11.87	12.95	13.51		
Naphtha	38.60	44.19	43.95	-0.24	-0.5	42.01	43.23	45.47	46.83	48.62	3.95	5.64	8.40		
Jet/Kerosene	48.08	52.29	55.30	3.01	5.8	52.62	54.81	57.38	59.23	58.13	13.43	13.74	19.75		
Gasoil	45.40	50.36	52.83	2.47	4.9	51.37	52.52	54.31	55.31	53.78	10.74	11.81	17.28		
LSWR (0.3%S)	32.75	39.74	39.75	0.01	0.0	38.80	38.56	40.26	42.00	42.43	-1.90	1.19	4.20		
HSFO (3.5%S 180cst)	28.62	29.76	28.70	-1.06	-3.6	28.34	28.15	28.63	29.73	30.14	-6.03	-8.79	-6.85		
HSFO 4%S	28.28	29.54	28.49	-1.05	-3.6	28.28	28.01	28.31	29.37	29.55	-6.37	-9.00	-7.06		

* Assessments for NYH are for Max 0.3% MTBE

Early September premiums for Asian gasoil over Europe and the US proved short-lived as the maintenance-induced tightness in the Atlantic Basin took over and regional sweet benchmarks narrowed relative to Brent and WTI.

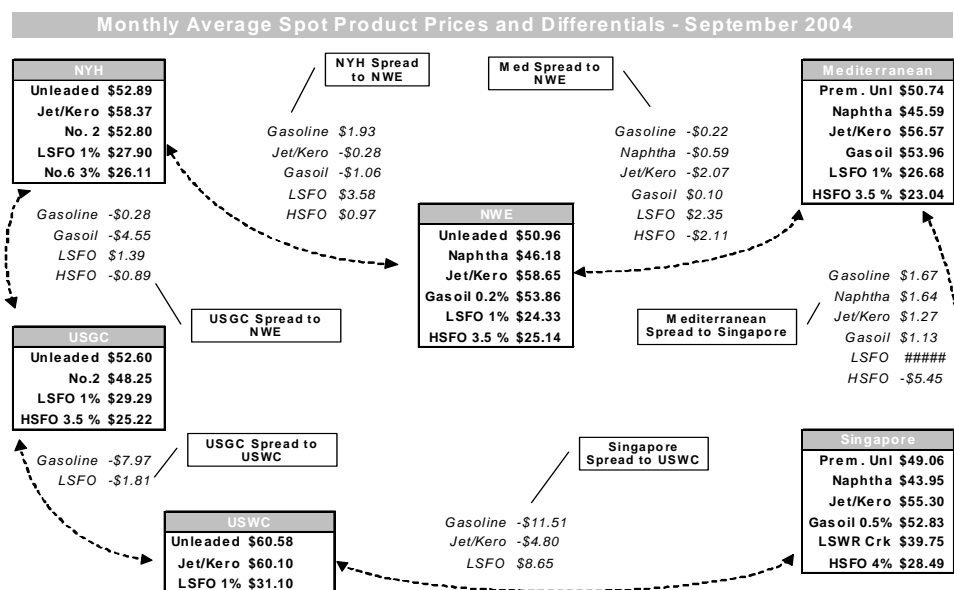
High refinery throughputs have contributed to the underperformance of Asian gasoil relative to the Atlantic Basin. Asian refiners typically undertake the bulk of their annual maintenance in the June/July period. Also, cooler early-autumn temperatures, coupled with additions to coal-fired power plants and good rainfall for hydro-electric facilities has decreased China's power shortfall. Gasoil power generation demand has consequently decreased, reducing import demand. This might be partly offset by increased domestic heating needs and the end to China's seasonal fishing ban, which would increase the use of diesel. Indonesian gasoil imports in October are also expected to rise. Expectations are that Pertamina will import around 5.6 mb, up from 4.8 mb in September and roughly on a par with an estimated 5.4 mb in August.

China is also making limited changes of fuel specifications ahead of the Beijing Olympics. From 1 October Beijing service stations will adopt maximum 0.05% sulphur content fuels down from the current 0.08% for gasoline and 0.2% for diesel. Sulphur content will be further reduced in July 2005 to 0.15% for gasoline and 0.035% for diesel. While this is a regional change, it is expected to be followed nationwide at some point. This will require further investment in desulphurising and upgrading



capacity, but given the centralised coordination of the oil sector, it is unlikely that a quality shift will be made until reconfiguration is in place.

Jet/kerosene was the tightest product market in all major trading regions in September, with the focus on maximising heating oil and diesel output in the Atlantic Basin eating into the jet distillation fraction. While production has been constrained, strong airline demand has been noted in all regions. In Asia, where kerosene is more commonly used for heating, refiners are maximising jet output to build stocks ahead of the winter. Although kerosene stocks in Japan are on an upward trend, they remain well below storage levels at the end of September 2003. The market was further tightened by the opening of an arbitrage to the US West Coast, absorbing an estimated 90,000 tonnes of Asian supplies.



In early October, there were indications of an easing of some jet tightness, reflecting lower seasonal demand and improved refinery output. Jet and distillate differentials to benchmark crudes weakened, but have not yet fallen to a level that would seriously affect refinery margins. Both fuels have the potential to be supported by an early bout of cold weather.

High operating rates in Asia to meet winter kerosene needs have increased regional fuel oil production. Supplies in September were also inflated by imported material from Europe and the Caribbean. The combined flows have effectively closed off the arbitrage to Asia for cracked material. China however continues to seek out uncracked fuel oil as a refinery feedstock. Good Japanese demand continues to provide a strong premium for low sulphur fuel oil over higher sulphur material

Reduced refinery throughput has allowed regional HSFO prices to follow a broadly upward trend during September, despite a closed arbitrage to Asia (albeit with weakened differentials even to underperforming sour crude benchmarks). By early October, stocks were building in independent storage in the ARA region, but at 350,000 tonnes remained well below their early September peak of 500,000 tonnes.

Product Futures

Product futures predominantly moved higher in line with spot prices in September, with the forward curve largely shifting in parallel to the end-August futures curve. Gasoline prices broadly followed crude, while any anticipated tightness in IPE gasoil was reflected in continued pushes to fresh highs. The only exception to this was the tightening of the NYMEX heating oil spreads. While the front month moved into a brief backwardation on the expiry of the October contract, the spreads for the first four months tightened. The January contract moved into backwardation in mid-September, and the January-February contract has seen a \$1.20 increase in the seasonal backwardation since end-August levels. Exports out of North America in August, coupled with strong harvest demand for diesel and the refinery disruptions caused by Hurricane Ivan have tightened US distillate stocks and resurrected concern that winter fuel supplies will be tight.

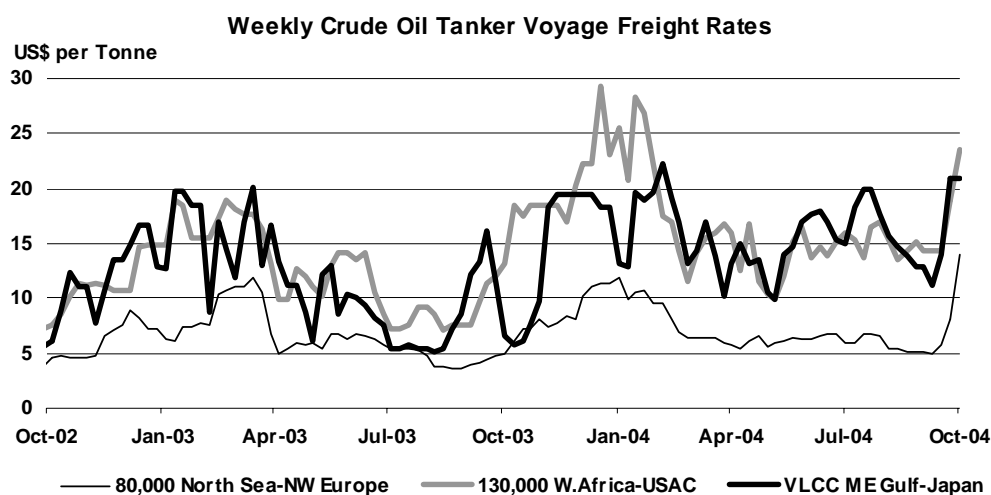
End-User Product Prices in September

The lagged response of retail product price trends meant that September end-user product prices in gasoline broadly reflected the end-August to mid-September easing of the wholesale gasoline market. The main exception was in Japan where gasoline prices rose by 4.4% as refiners raised retail prices more in line with rising wholesale prices, but UK prices also edged up by 0.3% (in what appeared to be a currency shift).

It was a similar picture in Europe for fuel oil, but heating oil and diesel were very strong. This reflected tight wholesale markets ahead of autumn maintenance and concerns about low consumer restocking of heating oil ahead of the winter.

Freight

Dirty freight rates for aframax routes between the North Sea and the US Gulf Coast jumped sharply in mid-September as increased US demand for sweet crude and refiner buying ahead of the return of some European refineries from maintenance improved demand. Increased Asian demand for West African crude, weather delays to crude lightering in the Gulf of Mexico and high OPEC output has contributed to higher freight chartering costs.



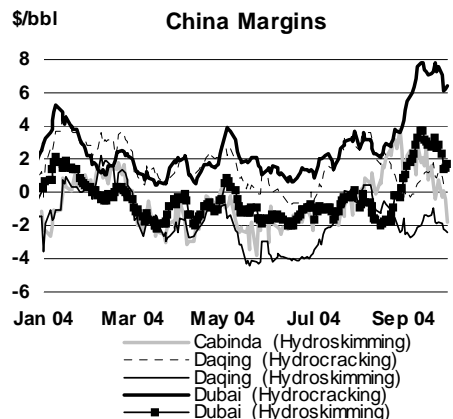
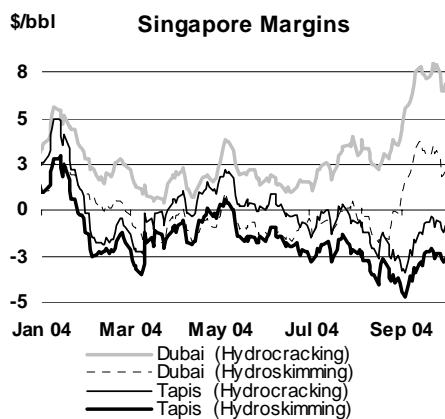
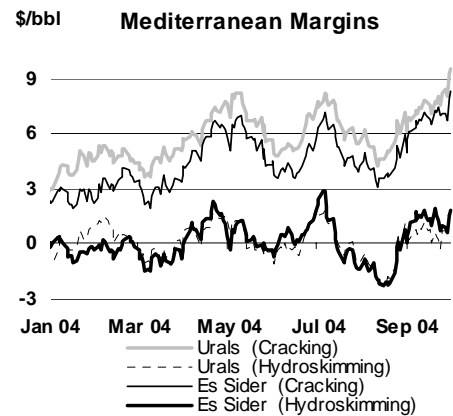
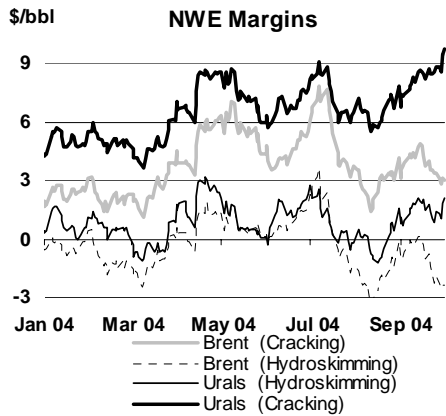
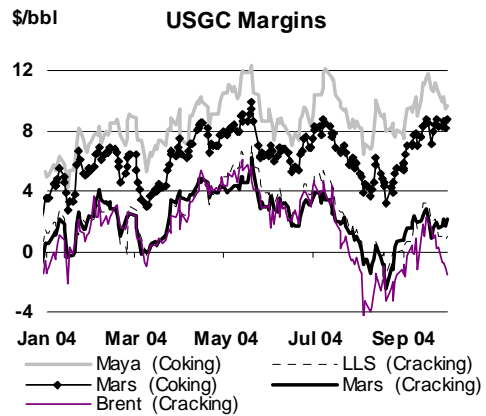
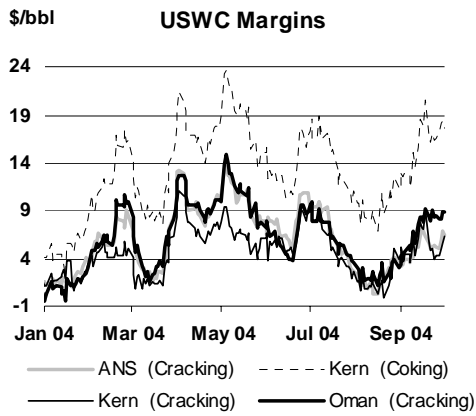
The VLCC market is described as very strong, helped by reports of strong spot chartering by Saudi Aramco's Vela for movement to the US Gulf Coast. Similar increases have been seen for mid-sized tankers in the Mediterranean and Black Sea, where shorter daylight hours will soon start to impose restrictions on tanker movements.

The pattern in freight rates has been similar to those seen in crude oil in September. This lends weight to the view that buyers held back after prices fell sharply following the near-\$50/bbl peak in WTI prices in August. That was then followed by a round of bargain hunting and sustained buying which caused dirty freight rates to nearly double on some routes.

The path of clean freight rates has been pretty similar, with refinery maintenance and Hurricane Ivan opening up a gasoline arbitrage to the US, and movement of gasoline and naphtha from the Middle East to Asia. Intra-European rates have been relatively subdued however by the lack of significant arbitrage opportunities.

Refining Margins

Global refining margins followed a broadly upward path during September with average margins for all grades of crude, all refinery categories in all regions covered showing improved average returns over August levels. The strength of sweet crudes however meant that the largest refining margins gains (in comparable) refinery processes) were seen in sour crudes. Strong demand for distillates meant that the more complex the refinery the better the return. High sweet crude prices towards the end of September caused a slight contraction in margins for those crudes.



In Northwest Europe the \$1.01 gain in average September Brent cracking margins was dwarfed by the \$1.81 gain in Urals cracking margins. But perhaps a more revealing figure is that Urals refining margins in September were \$4.50/bbl higher than Brent margins at \$8.36/bbl. The fact that such margins can persist is indicative of the inability of European refiners to take advantage of such returns due to a lack of desulphurising capacity. This should be reduced as refiners come out of maintenance. Brent cracking returns remain historically attractive at \$3.86/bbl but Brent hydroskimming margins remained negative on a full cost basis at just over -\$1/bbl. Urals margins in the Mediterranean were slightly less attractive than in NWE, but followed a similar path.

Key Refining Margins in Major Refining Centres

(\$/bbl)

	Monthly Average			Change		Week Ending:			
	Jul 04	Aug 04	Sep 04	Sep-Aug 04	03 Sep	10 Sep	17 Sep	24 Sep	30 Sep
NW Europe									
Brent (Cracking)	5.46	2.84	3.86	1.01	3.93	4.18	3.71	3.41	3.02
Brent (Hydroskimming)	0.63	-1.98	-1.02	0.96	-0.64	-0.23	-1.05	-1.96	-2.39
Mediterranean									
Urals (Cracking)	6.77	5.45	7.65	2.20	6.72	7.33	7.10	8.20	9.57
Urals (Hydroskimming)	0.41	-1.09	0.65	1.74	0.35	0.80	0.04	0.66	1.75
US Gulf Coast									
Brent (Cracking)	2.13	-2.38	0.23	2.61	-0.25	-1.20	1.95	0.28	-1.55
LLS (Cracking)	3.41	-0.28	1.63	1.91	0.68	1.50	3.15	0.94	0.99
Maya (Coking)	10.13	8.08	10.16	2.08	9.49	8.97	11.76	10.52	9.74
US West Coast									
ANS (Cracking)	6.63	2.09	5.26	3.16	4.02	5.98	6.29	5.16	6.50
Oman (Cracking)	6.46	2.52	7.17	4.65	4.73	5.64	9.26	8.46	8.97
Kern (Coking)	14.56	9.64	15.90	6.26	12.99	13.70	20.58	16.61	17.76
Singapore									
Tapis (Hydroskimming)	-2.06	-3.17	-3.04	0.14	-4.70	-3.37	-2.29	-2.31	-2.62
Dubai (Hydrocracking)	2.62	3.08	6.83	3.75	5.51	7.53	7.18	7.86	6.82
Tapis (Hydrocracking)	-0.42	-1.76	-1.46	0.30	-3.37	-1.76	-0.66	-0.55	-0.85
China*									
Cabinda (Hydroskimming)	-1.17	1.36	1.07	-0.30	2.23	2.94	0.78	0.73	-1.74
Daqing (Hydrocracking)	1.76	2.13	0.70	-1.44	0.08	0.50	1.14	1.21	0.62

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

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

Sources: IEA, Purvin & Gertz Inc.

High freight rates in the second half of September detracted from Brent cracking margins on the US Gulf Coast, keeping returns well below those available from LLS. However, strong distillate and jet fuel markets coupled with the fall in crude prices from their August peaks helped Brent margins recover from negative August levels. Coking margins rose strongly throughout the month on both the Gulf and West Coasts. Sweet cracking margins suffered in the latter part of September, but weak heavy/sour crude differentials maintained to Brent and WTI meant these crudes continued their upward path into early October. The pattern was similar with Singaporean and Chinese margins. Dubai margins surged by well over \$3/bbl and hydrocracking margins outperformed hydroskimming margins. This contrasted with respective Tapis gains of between 30 and 14 cents/bbl in Singapore. High premiums for Cabinda also pressured margins into negative territory by the end of the month.

Refinery Throughput

A post-maintenance recovery in OECD Pacific throughput in August, together with continued high runs in Europe and North America led to record OECD throughputs of 40.18 mb/d in August. Upward revisions to European and US data in July led to that month also surpassing the 40 mb/d throughput level

Refinery Crude Throughput and Utilisation in OECD Countries

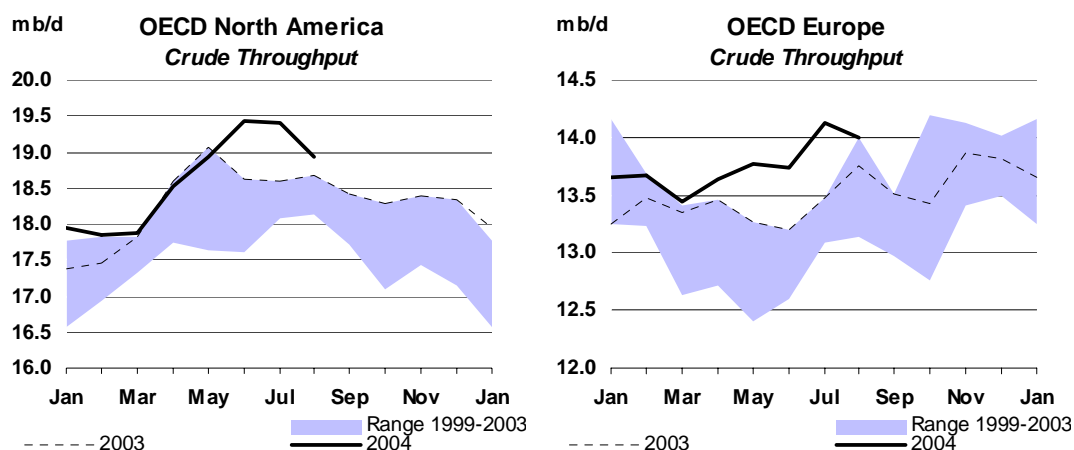
	million barrels per day					Change from Aug 03		Utilisation rate ²		
	Mar 04	Apr 04	May 04	Jun 04	Jul 04	Aug 04	mb/d	%	Aug 04	Aug 03
OECD North America										
US ³	14.80	15.55	15.96	16.24	16.14	15.98	0.30	1.9	94.6	93.6
Canada	1.82	1.72	1.66	1.89	1.96	1.69	-0.03	-2.0	85.0	87.0
Mexico	1.25	1.26	1.30	1.29	1.30	1.27	0.00	-0.3	75.1	72.0
Total	17.86	18.52	18.93	19.42	19.39	18.94	0.26	1.4	92.1	91.5
OECD Europe										
France	1.72	1.87	1.63	1.64	1.82	1.78	-0.01	-0.8	91.3	94.3
Germany	2.07	2.24	2.28	2.25	2.39	2.36	0.10	4.6	100.6	96.2
Italy	1.85	1.77	1.83	1.86	1.84	1.88	0.04	1.9	81.1	80.0
Netherlands	1.10	1.11	1.13	1.13	1.11	1.08	0.04	3.8	88.3	86.1
Spain	1.19	1.16	1.24	1.22	1.21	1.15	-0.01	-0.6	90.6	87.7
UK	1.70	1.73	1.68	1.60	1.76	1.73	0.11	6.6	95.1	90.6
Other OECD Europe	3.81	3.74	3.97	4.03	4.00	4.03	-0.02	-0.6	89.0	89.3
Total	13.44	13.64	13.77	13.73	14.13	14.00	0.24	1.8	90.6	89.3
OECD Pacific										
Japan	4.26	4.01	3.36	3.36	3.88	4.34	0.45	11.5	92.3	81.7
Korea	2.32	2.29	2.18	2.10	1.92	2.18	0.35	19.2	85.8	71.5
Other OECD Pacific	0.73	0.74	0.66	0.70	0.79	0.72	0.01	1.2	83.9	74.6
Total	7.31	7.04	6.20	6.16	6.60	7.24	0.81	12.5	89.4	77.7
OECD Total	38.61	39.20	38.90	39.32	40.12	40.18	1.31	3.4	91.1	88.1

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US50

US refinery throughput for July was revised higher to 16.14 mb/d from a preliminary estimate of 15.966 mb/d, making this the second consecutive month above 16 mb/d. August throughput has also been pegged close to 16 mb/d at 15.982 mb/d, but it is clear that there will be a sharp fall in throughput in September. Preliminary data shows a fall in throughput to 15 mb/d.



US refinery throughput fell to a low of 14.0 mb/d in the week ended 24 September from over 16 mb/d in August, reflecting Gulf Coast problems related to Hurricane Ivan and autumn maintenance. Most Gulf Coast refineries restarted output in the week following the storm, but lingering crude production problems in the Gulf of Mexico prompted four US refiners to ask the government to lend them 4 mb from the Strategic Petroleum Reserve.

However, despite a 733 kb/d recovery in refinery utilisation in the US Gulf Coast region in the week ended 1 October, throughput remained 0.5 mb/d below average August levels. Lower throughput in the Atlantic Coast region as refiners moved into maintenance left total US runs below 15 mb/d during that week. It would seem unlikely that US refinery throughput will recover to 16 mb for a few more weeks until maintenance programmes are complete.

OECD European refinery throughput edged over 14.0 mb/d in August according to preliminary data, making this the second consecutive month above 14 mb/d following revisions to July data. This is the first time European summer refinery throughput has been above 14 mb/d since 1998. Heavy refinery maintenance in September and October (in part to meet new low sulphur regulations) is likely to have an impact on throughput levels. Although theoretical spare capacity remains in the system, if it has not been economic to utilise such throughput this summer then it is unlikely to have been economic to do so in September, despite persistently strong distillate prices.

OECD Pacific refiners ramped up throughput dramatically in August according to provisional data, with throughputs moving towards the upper end of their four-year range. Japanese refiners have cranked up runs in order to build kerosene heating stocks ahead of the winter months. Japanese kerosene stocks at the beginning of October stood at 4.04 mKl, on a steeply rising trend, but still around 20% lower than year ago levels.

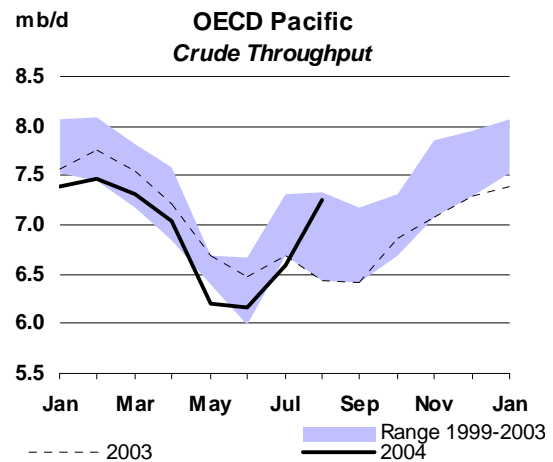


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	24.0	24.1	24.5	24.2	24.7	24.9	24.6	25.0	24.8	25.2	25.2	25.1	25.2	25.0	25.4	25.5	25.3
Europe	15.3	15.2	15.3	15.1	15.4	15.6	15.3	15.7	15.3	15.6	16.0	15.6	15.8	15.4	15.7	16.0	15.7
Pacific	8.7	8.6	9.8	8.2	8.0	9.2	8.8	9.4	8.0	8.3	9.1	8.7	9.3	7.9	8.2	9.1	8.6
Total OECD	47.9	48.0	49.6	47.4	48.1	49.6	48.7	50.1	48.1	49.1	50.2	49.4	50.3	48.4	49.4	50.5	49.6
NON-OECD DEMAND																	
FSU	3.7	3.5	3.8	3.2	3.5	3.9	3.6	3.5	3.7	3.8	4.0	3.7	3.9	3.7	3.8	4.0	3.9
Europe	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.9	0.8	0.7	0.8	0.8	0.9	0.8	0.8	0.8	0.8
China	4.7	5.0	5.2	5.2	5.8	5.9	5.5	6.2	6.5	6.2	6.3	6.3	6.5	6.6	6.8	6.9	6.7
Other Asia	7.6	7.9	8.0	7.9	8.0	8.5	8.1	8.5	8.6	8.5	8.8	8.6	8.7	8.8	8.7	9.1	8.8
Latin America	4.9	4.8	4.5	4.7	4.8	4.9	4.7	4.7	4.8	5.0	5.0	4.9	4.8	4.9	5.1	5.1	5.0
Middle East	5.2	5.4	5.5	5.3	5.7	5.7	5.6	5.8	5.8	6.0	6.0	5.9	6.1	6.1	6.3	6.2	6.2
Africa	2.6	2.7	2.8	2.8	2.7	2.8	2.7	2.8	2.8	2.7	2.9	2.8	2.9	2.9	2.8	2.9	2.9
Total Non-OECD	29.4	29.9	30.7	29.8	31.1	32.4	31.0	32.3	33.0	32.9	33.8	33.0	33.7	33.9	34.2	35.0	34.2
Total Demand¹	77.3	77.9	80.3	77.2	79.2	82.1	79.7	82.4	81.1	82.0	84.0	82.4	84.0	82.3	83.6	85.5	83.9
OECD SUPPLY																	
North America	14.4	14.5	14.6	14.4	14.6	14.7	14.6	14.8	14.7	14.3	14.6	14.6	15.0	14.8	14.8	14.8	14.9
Europe	6.7	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	6.0	6.2	6.2	6.2	5.9	5.8	6.0	6.0
Pacific	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Total OECD	21.8	21.8	22.1	21.3	21.3	21.8	21.6	21.7	21.5	20.9	21.4	21.4	21.8	21.3	21.1	21.4	21.4
NON-OECD SUPPLY																	
FSU	8.6	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.1	11.4	11.5	11.2	11.6	11.7	11.9	12.1	11.8
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Other Asia	2.4	2.5	2.6	2.6	2.6	2.7	2.6	2.7	2.7	2.7	2.8	2.7	2.8	2.8	2.7	2.7	2.7
Latin America	3.8	4.0	4.0	3.9	4.0	4.1	4.0	4.0	4.0	4.1	4.1	4.0	4.2	4.3	4.4	4.4	4.4
Middle East	2.1	2.1	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.9	1.9	1.9
Africa	2.8	3.0	2.9	3.0	3.1	3.3	3.1	3.3	3.3	3.4	3.6	3.4	3.7	3.7	3.8	3.8	3.8
Total Non-OECD	23.2	24.5	25.0	25.2	25.7	26.3	25.6	26.4	26.7	27.2	27.5	26.9	27.8	28.0	28.4	28.6	28.2
Processing Gains ²	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.9
Total Non-OPEC	46.8	48.1	48.9	48.3	48.7	49.9	49.0	50.0	50.0	49.8	50.8	50.1	51.4	51.2	51.2	51.8	51.4
OPEC																	
Crude ³	27.0	25.1	26.7	26.2	26.6	27.7	26.8	27.9	28.1	29.4							
NGLs	3.4	3.7	3.5	3.9	4.0	4.2	3.9	4.3	4.3	4.4	4.5	4.4	4.7	4.8	4.8	4.9	4.8
Total OPEC	30.4	28.8	30.2	30.1	30.6	31.8	30.7	32.2	32.4	33.7							
Total Supply⁴	77.2	76.9	79.1	78.4	79.4	81.7	79.6	82.2	82.4	83.6							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.4	-0.6	1.3	0.6	-0.8	0.1	-0.6	0.9								
Government	0.0	0.2	0.2	0.0	0.2	0.3	0.2	0.1	0.1								
Total	0.3	-0.3	-0.5	1.4	0.8	-0.5	0.3	-0.5	1.0								
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.1	0.0	0.3	0.2	-0.2	-0.1								
Miscellaneous to balance ⁵	-0.4	-0.8	-1.0	-0.3	-0.7	-0.2	-0.5	0.5	0.4								
Total Stock Ch. & Misc	-0.1	-1.0	-1.1	1.1	0.1	-0.4	-0.1	-0.2	1.2	1.5							
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.2	26.1	27.8	25.0	26.5	28.0	26.8	28.1	26.9	27.9	28.7	27.9	27.9	26.3	27.5	28.9	27.6
Total Demand ex. FSU	73.7	74.5	76.4	74.0	75.8	78.2	76.1	78.9	77.5	78.2	80.1	78.7	80.2	78.5	79.8	81.5	80.0
Total demand exc. FSU (% ch) ⁷	0.9	1.1	2.8	1.3	2.1	2.6	2.2	3.2	4.6	3.3	2.4	3.4	1.6	1.4	1.9	1.8	1.7

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

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

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

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

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

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

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

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

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	0.2	-	-	-0.1	-0.1	0.2	-	-
Europe	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-0.1	0.1	-0.1	-
Pacific	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	0.3	0.1	0.1	-0.1	-0.1	0.3	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	0.2	0.1	0.1	0.1	0.1	0.1	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-0.2	-0.3	-0.1	-0.1	-0.2
Other Asia	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	-	0.1	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	0.1	0.1	0.2	0.1	0.1	-0.1	-0.2	-	-	-0.1
Total Demand	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1	0.6	0.2	0.2	-0.2	-0.3	0.3	-0.1	-0.1
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-0.2	-0.3	-0.1	-	-	-	-0.1	-0.1
Europe	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-0.3	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-0.2	-0.2	-0.1	-	-	-	-0.2	-
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Supply	-	-	-	-	-	0.1	-	0.1	0.1	-	-	-	-	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-0.1	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Total Stock Ch. & Misc	-	-	-0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	0.1	-	-	-	-	-	-	0.8	0.4	0.3	-0.2	-0.3	0.4	0.1	-
Total Demand ex. FSU	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1	0.4	0.1	0.2	-0.3	-0.4	0.3	-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

	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
Demand (m b/d)																
North America	24.11	24.52	24.15	24.72	24.86	24.57	25.03	24.84	25.19	25.19	25.06	25.22	24.97	25.45	25.47	25.28
Europe	15.24	15.33	15.08	15.35	15.63	15.35	15.66	15.31	15.61	15.95	15.63	15.75	15.43	15.73	15.97	15.72
Pacific	8.63	9.76	8.19	8.03	9.15	8.78	9.38	8.00	8.30	9.10	8.69	9.34	7.95	8.20	9.06	8.64
Total OECD	47.99	49.61	47.43	48.10	49.65	48.70	50.06	48.15	49.10	50.24	49.39	50.32	48.35	49.37	50.51	49.64
FSU	3.45	3.81	3.19	3.45	3.87	3.58	3.47	3.68	3.80	3.96	3.73	3.88	3.72	3.80	4.03	3.86
Europe	0.77	0.84	0.77	0.72	0.78	0.78	0.85	0.79	0.74	0.81	0.80	0.88	0.81	0.76	0.83	0.82
China	4.97	5.23	5.20	5.75	5.87	5.52	6.24	6.49	6.23	6.34	6.32	6.45	6.63	6.76	6.87	6.68
Other Asia	7.88	7.97	7.87	8.02	8.52	8.10	8.49	8.57	8.48	8.85	8.60	8.71	8.77	8.70	9.07	8.81
Latin America	4.82	4.49	4.67	4.83	4.88	4.72	4.65	4.85	4.96	4.98	4.86	4.78	4.95	5.07	5.07	4.97
Middle East	5.36	5.54	5.31	5.69	5.70	5.56	5.82	5.80	6.01	5.98	5.90	6.13	6.10	6.28	6.22	6.18
Africa	2.70	2.77	2.76	2.66	2.78	2.74	2.80	2.83	2.73	2.86	2.80	2.90	2.93	2.81	2.94	2.89
Total Non-OECD	29.95	30.65	29.79	31.13	32.40	31.00	32.32	33.00	32.95	33.76	33.01	33.72	33.91	34.19	35.02	34.22
World	77.93	80.26	77.22	79.23	82.05	79.69	82.39	81.15	82.05	84.01	82.40	84.04	82.26	83.56	85.53	83.85
of which:																
US	19.76	20.02	19.65	20.21	20.25	20.03	20.36	20.25	20.59	20.56	20.44	20.53	20.41	20.80	20.80	20.64
Euro4	8.34	8.27	8.22	8.29	8.40	8.29	8.51	8.23	8.41	8.56	8.43	8.56	8.29	8.45	8.49	8.45
Japan	5.46	6.37	5.17	5.04	5.76	5.58	6.06	4.95	5.23	5.73	5.49	6.00	4.88	5.09	5.65	5.40
Korea	2.15	2.38	2.00	1.95	2.34	2.17	2.29	2.01	1.99	2.27	2.14	2.28	2.00	2.00	2.28	2.14
Mexico	1.94	1.98	2.03	2.02	2.03	2.02	2.02	2.02	2.00	2.04	2.02	2.05	2.02	2.02	2.05	2.03
Canada	2.08	2.17	2.16	2.16	2.24	2.18	2.27	2.25	2.27	2.24	2.26	2.27	2.22	2.29	2.27	2.26
Brazil	2.12	1.97	2.02	2.10	2.13	2.05	2.07	2.12	2.17	2.18	2.13	2.11	2.14	2.20	2.21	2.17
India	2.32	2.38	2.30	2.25	2.44	2.34	2.53	2.51	2.36	2.52	2.48	2.57	2.55	2.43	2.60	2.54
Annual Change (% per annum)																
North America	0.4	2.6	0.7	1.9	2.4	1.9	2.0	2.9	1.9	1.3	2.0	0.8	0.5	1.0	1.1	0.9
Europe	-0.1	-0.1	1.7	0.2	1.1	0.7	2.2	1.5	1.7	2.0	1.8	0.6	0.8	0.8	0.1	0.6
Pacific	-0.4	6.4	5.3	-1.9	-2.7	1.7	-3.8	-2.4	3.4	-0.6	-1.0	-0.4	-0.6	-1.2	-0.4	-0.7
Total OECD	0.1	2.5	1.8	0.7	1.0	1.5	0.9	1.5	2.1	1.2	1.4	0.5	0.4	0.5	0.5	0.5
FSU	-5.5	9.3	2.8	2.3	0.6	3.7	-8.9	15.3	10.1	2.3	4.1	11.7	1.1	0.0	1.9	3.5
Europe	1.9	1.8	1.5	1.6	1.7	1.6	1.8	2.0	2.6	3.0	2.3	2.8	2.8	3.1	3.3	3.0
China	6.3	12.2	3.3	16.0	12.5	11.0	19.3	24.6	8.3	8.0	14.6	3.5	2.2	8.5	8.3	5.6
Other Asia	3.5	3.0	-0.4	2.8	5.6	2.7	6.5	8.8	5.7	3.9	6.1	2.5	2.3	2.6	2.5	2.5
Latin America	-0.9	-4.6	-3.2	-1.2	0.6	-2.1	3.5	3.7	2.6	2.0	2.9	2.7	2.1	2.3	1.7	2.2
Middle East	3.3	4.4	1.5	4.3	4.9	3.8	5.1	9.2	5.6	4.8	6.1	5.3	5.2	4.5	4.0	4.8
Africa	2.9	2.1	1.6	0.9	2.0	1.7	1.1	2.4	2.6	2.6	2.2	3.7	3.6	3.2	2.8	3.3
Total Non-OECD	2.0	4.1	0.7	4.4	4.8	3.5	5.5	10.8	5.8	4.2	6.5	4.3	2.8	3.8	3.7	3.7
World	0.8	3.1	1.4	2.1	2.5	2.3	2.7	5.1	3.6	2.4	3.4	2.0	1.4	1.8	1.8	1.8
Annual Change (mb/d)																
North America	0.10	0.63	0.18	0.46	0.57	0.46	0.50	0.69	0.47	0.33	0.50	0.19	0.13	0.25	0.28	0.22
Europe	-0.02	-0.02	0.25	0.03	0.17	0.11	0.33	0.23	0.26	0.32	0.28	0.09	0.12	0.12	0.02	0.09
Pacific	-0.04	0.58	0.41	-0.15	-0.26	0.14	-0.38	-0.20	0.27	-0.05	-0.08	-0.04	-0.05	-0.10	-0.04	-0.06
Total OECD	0.05	1.19	0.84	0.33	0.48	0.71	0.46	0.72	1.00	0.60	0.70	0.25	0.20	0.27	0.26	0.25
FSU	-0.20	0.33	0.09	0.08	0.02	0.13	-0.34	0.49	0.35	0.09	0.15	0.41	0.04	0.00	0.08	0.13
Europe	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.02
China	0.30	0.57	0.17	0.79	0.65	0.55	1.01	1.28	0.48	0.47	0.81	0.22	0.14	0.53	0.53	0.36
Other Asia	0.27	0.23	-0.03	0.22	0.45	0.22	0.52	0.69	0.46	0.33	0.50	0.22	0.20	0.22	0.23	0.22
Latin America	-0.04	-0.22	-0.15	-0.06	0.03	-0.10	0.16	0.17	0.13	0.10	0.14	0.13	0.10	0.11	0.09	0.11
Middle East	0.17	0.23	0.08	0.23	0.27	0.20	0.28	0.49	0.32	0.28	0.34	0.31	0.30	0.27	0.24	0.28
Africa	0.08	0.06	0.04	0.02	0.06	0.04	0.03	0.07	0.07	0.07	0.06	0.10	0.10	0.09	0.08	0.09
Total Non-OECD	0.58	1.22	0.20	1.30	1.49	1.05	1.67	3.21	1.82	1.36	2.01	1.40	0.91	1.25	1.26	1.21
World	0.63	2.41	1.04	1.64	1.97	1.76	2.13	3.93	2.82	1.96	2.71	1.65	1.11	1.52	1.53	1.45
Changes from Last Month's Report																
North America	-	-	0.01	-	-	-	-	-0.01	0.19	-	0.04	-0.09	-0.08	0.16	0.02	0.01
Europe	0.01	0.03	0.02	0.03	0.03	0.03	-	-	0.08	0.02	0.03	-0.04	-0.07	0.06	-0.07	-0.03
Pacific	-	-	-	-	-	-	-	-	0.08	0.06	0.04	-	-	0.04	-	0.01
Total OECD	0.01	0.03	0.03	0.03	0.03	0.03	-	-0.01	0.34	0.08	0.10	-0.14	-0.14	0.26	-0.05	-0.01
FSU	-	-	-	0.01	-	-	-	0.03	0.17	0.09	0.07	0.08	0.07	0.06	0.04	0.06
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-0.09	-0.05	-0.04	-0.19	-0.25	-0.08	-0.13	-0.16
Other Asia	-	0.04	-0.01	0.04	0.05	0.03	0.10	0.09	0.14	0.08	0.10	0.05	0.01	0.07	0.05	0.05
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	0.04	-0.01	0.04	0.05	0.03	0.10	0.12	0.22	0.12	0.14	-0.06	-0.17	0.05	-0.05	-0.06
World	0.01	0.07	0.02	0.07	0.07	0.06	0.10	0.11	0.56	0.20	0.24	-0.20	-0.31	0.31	-0.10	-0.07

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2003	2004	2005	2Q04	3Q04	4Q04	1Q05	2Q05	Jul 04	Aug 04	Sep 04
OPEC											
Crude Oil											
Saudi Arabia	8.48			8.41	9.12				8.95	9.17	9.25
Iran	3.78			3.95	3.90				3.90	3.91	3.90
Iraq	1.33			1.96	2.00				1.89	1.79	2.33
UAE	2.29			2.24	2.43				2.42	2.44	2.42
Kuwait	1.87			2.02	2.09				2.05	2.06	2.15
Neutral Zone	0.61			0.58	0.61				0.60	0.62	0.60
Qatar	0.74			0.78	0.80				0.79	0.80	0.80
Nigeria	2.15			2.33	2.43				2.45	2.40	2.45
Libya	1.42			1.51	1.59				1.58	1.59	1.59
Algeria	1.11			1.17	1.24				1.22	1.25	1.25
Venezuela	2.01			2.20	2.21				2.21	2.22	2.21
Indonesia	1.01			0.96	0.96				0.95	0.97	0.97
Total Crude Oil	26.78			28.10	29.36				28.99	29.20	29.91
Total NGLs ¹	3.90	4.36	4.80	4.29	4.35	4.51	4.73	4.77	4.33	4.35	4.38
Total OPEC	30.68			32.38	33.71				33.32	33.55	34.29
NON-OPEC²											
OECD											
North America											
United States	7.82	7.68	7.88	7.74	7.49	7.68	7.99	7.89	7.61	7.54	7.32
Mexico	3.79	3.82	3.80	3.88	3.77	3.80	3.81	3.81	3.81	3.78	3.73
Canada	3.00	3.10	3.19	3.09	3.05	3.15	3.23	3.15	3.07	3.05	3.04
Europe	6.34	6.19	5.97	6.22	5.96	6.22	6.18	5.93	6.19	5.80	5.89
UK	2.28	2.11	1.96	2.12	2.02	2.11	2.06	1.92	2.03	2.02	2.02
Norway	3.26	3.24	3.18	3.24	3.10	3.26	3.28	3.17	3.28	2.99	3.01
Others	0.79	0.85	0.84	0.86	0.85	0.85	0.84	0.84	0.88	0.80	0.86
Pacific	0.65	0.57	0.53	0.57	0.58	0.56	0.56	0.52	0.59	0.58	0.58
Australia	0.61	0.53	0.49	0.53	0.54	0.51	0.51	0.48	0.55	0.54	0.54
Others	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total OECD	21.59	21.37	21.37	21.49	20.86	21.39	21.77	21.29	21.26	20.75	20.55
NON-OECD											
Former USSR											
Russia	8.49	9.23	9.66	9.14	9.37	9.46	9.49	9.60	9.31	9.38	9.43
Others	1.82	1.97	2.16	1.96	1.99	2.03	2.07	2.09	1.96	1.99	2.02
Asia	6.03	6.22	6.24	6.17	6.26	6.30	6.30	6.27	6.18	6.33	6.27
China	3.41	3.48	3.50	3.47	3.52	3.51	3.52	3.51	3.49	3.54	3.51
Malaysia	0.83	0.85	0.82	0.83	0.85	0.84	0.84	0.83	0.84	0.88	0.84
India	0.79	0.80	0.77	0.80	0.79	0.80	0.79	0.78	0.76	0.81	0.80
Others	1.01	1.09	1.15	1.07	1.10	1.15	1.15	1.15	1.09	1.10	1.11
Europe	0.17	0.17	0.16	0.17	0.17	0.17	0.16	0.16	0.17	0.17	0.17
Latin America											
Brazil	1.77	1.78	2.02	1.74	1.80	1.84	1.94	2.01	1.79	1.79	1.81
Argentina	0.83	0.77	0.76	0.78	0.77	0.77	0.77	0.76	0.77	0.76	0.77
Colombia	0.55	0.54	0.53	0.55	0.54	0.54	0.53	0.53	0.54	0.54	0.54
Ecuador	0.43	0.53	0.57	0.53	0.53	0.54	0.55	0.56	0.53	0.53	0.53
Others	0.42	0.42	0.48	0.42	0.42	0.43	0.45	0.47	0.42	0.43	0.40
Middle East³											
Oman	0.82	0.76	0.75	0.77	0.76	0.75	0.75	0.75	0.77	0.75	0.76
Syria	0.53	0.51	0.48	0.51	0.50	0.50	0.49	0.48	0.50	0.50	0.50
Yemen	0.44	0.42	0.43	0.42	0.42	0.42	0.41	0.41	0.42	0.42	0.42
Africa	3.05	3.42	3.76	3.34	3.45	3.57	3.68	3.74	3.41	3.43	3.50
Egypt	0.75	0.72	0.74	0.71	0.71	0.73	0.75	0.75	0.72	0.70	0.71
Angola	0.88	0.98	1.20	0.92	0.97	1.08	1.16	1.20	0.92	0.96	1.03
Gabon	0.24	0.24	0.24	0.24	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Others	1.18	1.49	1.59	1.48	1.54	1.53	1.54	1.57	1.54	1.54	1.53
Total Non-OECD	25.56	26.94	28.19	26.69	27.17	27.52	27.79	28.03	26.98	27.22	27.32
Processing Gains ⁴	1.80	1.83	1.86	1.81	1.81	1.85	1.88	1.85	1.81	1.81	1.81
TOTAL NON-OPEC	48.95	50.14	51.42	50.00	49.84	50.76	51.44	51.17	50.05	49.78	49.69
TOTAL SUPPLY	79.63			82.38	83.55				83.37	83.33	83.97

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

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

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

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

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Apr2004	May2004	Jun2004	Jul2004	Aug2004*	Aug2001	Aug2002	Aug2003	3Q2003	4Q2003	1Q2004	2Q2004
North America												
Crude	418.3	414.1	414.4	404.5	393.5	414.3	407.1	389.4	-0.01	-0.16	0.32	0.04
Motor Gasoline	234.2	233.8	238.6	244.9	240.6	224.6	234.3	222.4	-0.09	0.06	-0.02	0.07
Middle Distillate	167.2	173.4	184.6	198.3	203.3	199.6	203.4	199.6	0.26	0.04	-0.44	0.16
Residual Fuel Oil	45.1	44.6	45.6	43.3	45.0	42.3	41.9	39.0	-0.03	0.05	0.02	-0.02
Total Products ³	601.3	617.6	643.2	672.4	686.3	654.3	678.8	644.1	0.20	-0.11	-0.52	0.50
Total ⁴	1154.7	1171.8	1206.2	1230.5	1231.5	1230.4	1244.7	1189.6	0.31	-0.52	-0.22	0.67
Europe												
Crude	335.5	336.4	339.6	323.3	333.3	310.2	310.3	327.9	-0.08	0.01	0.27	-0.04
Motor Gasoline	110.1	112.8	110.7	111.5	112.8	113.2	115.6	107.1	-0.02	0.08	0.00	-0.04
Middle Distillate	221.4	230.0	231.6	239.9	245.5	232.0	266.6	256.5	0.22	-0.16	-0.24	0.17
Residual Fuel Oil	71.3	73.8	74.9	77.4	78.2	80.8	72.6	69.1	0.05	0.08	-0.04	0.01
Total Products ³	500.7	515.6	515.4	531.2	537.9	545.2	560.9	540.6	0.23	-0.02	-0.33	0.14
Total ⁴	910.3	925.3	926.0	924.8	940.7	917.1	935.9	938.1	0.19	-0.03	-0.01	0.06
Pacific												
Crude	171.9	179.1	176.6	182.7	161.9	177.5	175.8	176.3	-0.05	-0.04	-0.06	0.02
Motor Gasoline	27.2	25.0	24.6	23.6	23.6	25.9	25.6	25.2	-0.02	-0.02	0.03	-0.01
Middle Distillate	57.4	57.1	60.3	62.6	69.3	82.6	86.1	79.1	0.13	-0.10	-0.21	0.06
Residual Fuel Oil	22.5	24.0	22.6	22.3	23.2	24.5	25.0	25.2	-0.02	0.00	-0.03	0.03
Total Products ³	165.7	168.1	172.1	174.4	182.3	208.6	203.1	202.3	0.15	-0.22	-0.28	0.15
Total ⁴	406.6	418.0	419.4	429.1	419.6	467.1	456.1	451.9	0.07	-0.26	-0.38	0.21
Total OECD												
Crude	925.7	929.6	930.6	910.6	888.8	902.0	893.2	893.6	-0.15	-0.20	0.53	0.02
Motor Gasoline	371.5	371.6	373.9	380.0	377.0	363.7	375.5	354.7	-0.13	0.12	0.02	0.02
Middle Distillate	446.0	460.4	476.4	500.8	518.1	514.1	556.1	535.1	0.61	-0.23	-0.89	0.39
Residual Fuel Oil	138.9	142.3	143.1	143.0	146.3	147.7	139.5	133.4	0.00	0.13	-0.05	0.01
Total Products ³	1267.7	1301.3	1330.7	1378.0	1406.5	1408.0	1442.7	1386.9	0.58	-0.35	-1.13	0.80
Total ⁴	2471.5	2515.0	2551.5	2584.4	2591.8	2614.6	2636.7	2579.5	0.57	-0.82	-0.61	0.93

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			
	Apr2004	May2004	Jun2004	Jul2004	Aug2004*	Aug2001	Aug2002	Aug2003	3Q2003	4Q2003	1Q2004	2Q2004
North America												
Crude	658.2	661.3	662.4	665.7	669.8	543.7	582.3	618.3	0.17	0.15	0.15	0.11
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	156.6	156.8	157.1	157.2	157.2	137.3	148.1	151.4	-0.03	0.06	0.01	0.00
Products	204.7	204.6	203.5	203.8	203.8	203.7	195.8	206.8	0.06	0.04	-0.04	-0.05
Pacific												
Crude	386.8	386.9	386.8	386.7	386.7	366.2	379.1	382.8	0.00	0.02	0.02	0.00
Products	11.0	11.0	11.0	11.0	11.0	7.3	7.3	10.3	0.01	0.01	0.00	0.00
Total OECD												
Crude	1201.5	1205.0	1206.3	1209.6	1213.6	1047.2	1109.4	1152.5	0.14	0.24	0.18	0.11
Products	217.7	217.7	216.5	216.9	216.9	213.0	205.1	219.1	0.06	0.05	-0.04	-0.05
Total ⁴	1420.2	1423.6	1423.8	1427.5	1431.5	1261.2	1315.5	1372.6	0.20	0.29	0.14	0.06

* estimated

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

2 Closing stock levels.

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

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

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

Table 5
TOTAL STOCKS ON LAND IN OECD COUNTRIES¹
(millions of barrels¹ and days)

	End June 2003		End September 2003		End December 2003		End March 2004		End June 2004 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	168.0	78	176.6	79	174.6	77	170.4	76	178.1	-
Mexico	44.2	22	41.4	20	39.0	19	38.9	19	39.5	-
United States ⁴	1561.8	77	1600.0	79	1570.3	77	1568.2	77	1630.9	-
Total ⁵	1796.1	73	1840.1	74	1806.1	72	1799.6	72	1870.6	74
Pacific										
Australia	38.1	43	36.0	40	32.4	37	33.8	39	34.9	-
Japan	646.7	128	653.6	114	636.3	105	614.4	124	622.0	-
Korea	152.1	78	154.5	66	154.5	67	142.9	71	152.9	-
New Zealand	8.5	55	8.5	58	7.9	49	7.5	48	7.5	-
Total	845.4	105	852.6	93	831.1	89	798.5	100	817.2	98
Europe⁶										
Austria	18.5	62	20.3	69	20.9	80	23.2	80	23.0	-
Belgium	27.5	47	29.1	45	27.7	42	24.6	42	24.7	-
Czech Republic	13.5	72	13.4	69	16.4	95	15.6	76	15.9	-
Denmark	15.5	85	16.3	86	16.8	87	15.9	88	15.8	-
Finland	23.9	110	23.2	101	26.5	120	27.8	133	23.4	-
France	173.3	84	179.2	85	185.3	87	176.4	90	183.6	-
Germany	268.0	101	265.9	100	272.3	103	269.8	106	266.9	-
Greece	32.3	85	30.9	66	27.5	57	29.4	76	31.1	-
Hungary	17.6	133	18.3	122	16.8	143	19.5	153	20.1	-
Ireland	11.0	67	11.9	66	12.0	63	11.5	69	10.7	-
Italy	134.6	72	140.7	74	135.2	72	135.6	73	134.6	-
Luxembourg	0.8	14	0.8	16	1.0	17	0.8	13	1.0	-
Netherlands	106.5	115	111.1	116	100.1	105	108.2	111	102.3	-
Norway	21.1	79	23.1	93	27.2	99	28.5	116	30.0	-
Poland	27.9	55	26.9	53	28.7	64	29.7	62	30.1	-
Portugal	24.7	72	25.6	79	25.3	81	24.4	74	26.2	-
Spain	121.1	79	121.4	77	122.4	78	123.5	79	127.3	-
Sweden	34.0	116	36.1	120	35.8	117	31.8	96	31.1	-
Switzerland	37.2	142	37.4	141	36.1	138	35.4	149	37.5	-
Turkey	54.5	78	54.3	83	54.9	84	54.9	79	54.8	-
United Kingdom	101.1	60	98.0	56	101.9	55	100.7	54	97.3	-
Total	1264.8	82	1284.1	82	1290.8	82	1287.1	84	1287.5	82
Total OECD	3906.3	81	3976.8	80	3927.9	78	3885.2	81	3975.4	81
DAYS OF IEA Net Imports⁷	-	114	-	116	-	112	-	111	-	113

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

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

3 End June 2004 forward demand figures are IEA Secretariat forecasts.

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled		Industry	Total	Government ¹ controlled	
		Millions of Barrels				Days of Fwd. Demand ²	
2Q2001	3864	1268	2597	81	27	54	
3Q2001	3925	1265	2660	81	26	55	
4Q2001	3912	1284	2628	81	27	54	
1Q2002	3906	1302	2604	84	28	56	
2Q2002	3964	1314	2650	83	28	55	
3Q2002	3895	1319	2575	79	27	52	
4Q2002	3818	1343	2475	77	27	50	
1Q2003	3781	1357	2424	80	29	51	
2Q2003	3906	1361	2546	81	28	53	
3Q2003	3977	1379	2598	80	28	52	
4Q2003	3928	1406	2522	78	28	50	
1Q2004	3885	1418	2467	81	29	51	
2Q2004	3975	1424	2552	81	29	52	

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 2Q2004 (when latest forecasts are used).

Table 6
IEA Member Country Destinations of Selected Crude Streams¹

(million barrels per day)

	2001	2002	2003	3Q03	4Q03	1Q04	2Q04	May 04	Jun 04	Jul 04	Year Earlier	
											Jul 03	change
Saudi Light & Extra Light												
North America	0.69	0.70	0.64	0.63	0.66	0.55	0.56	0.47	0.69	0.51	0.52	-0.01
Europe	0.92	0.92	1.00	0.99	0.95	0.96	0.92	0.82	0.74	0.68	1.02	-0.34
Pacific	1.22	1.22	1.18	1.04	1.12	1.14	1.13	1.07	1.10	1.23	1.10	0.13
Saudi Medium												
North America	0.73	0.86	0.83	0.79	0.71	0.72	0.73	0.77	0.83	0.85	0.81	0.05
Europe	0.15	0.11	0.11	0.14	0.07	0.08	0.06	0.07	0.04	0.03	0.14	-0.11
Pacific	0.17	0.16	0.24	0.20	0.30	0.31	0.20	0.25	0.21	0.16	0.18	-0.02
Saudi Heavy												
North America	0.21	0.20	0.30	0.25	0.19	0.19	0.14	0.12	0.13	0.27	0.26	0.02
Europe	0.14	0.09	0.19	0.21	0.16	0.16	0.25	0.20	0.32	0.22	0.29	-0.06
Pacific	0.15	0.12	0.16	0.15	0.15	0.13	0.13	0.07	0.11	0.18	0.14	0.04
Iraqi Basrah Light²												
North America	0.65	0.35	0.44	0.20	0.82	0.75	0.74	0.66	0.73	0.48	..	..
Europe	0.15	0.08	0.09	0.04	0.15	0.22	0.27	0.43	0.14	0.17	..	..
Pacific	0.01	0.02	0.03	..	0.11	0.14	0.08	0.07	0.03	0.12	..	..
Iraqi Kirkuk												
North America	0.09	0.14	0.06	..	..	..	0.04	..	0.07	..	..	..
Europe	0.31	0.32	0.12	0.04	..	0.04	0.07	0.05	0.08	..	0.10	..
Pacific	0.01	0.00	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.16	0.17	0.19	0.17	0.18	0.20	0.19	0.11	0.19	0.15	0.18	-0.03
Pacific	0.13	0.12	0.17	0.16	0.17	0.18	0.13	0.12	0.11	0.18	0.17	0.01
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.53	0.44	0.59	0.74	0.55	0.50	0.52	0.47	0.50	0.35	0.77	-0.43
Pacific	0.63	0.54	0.69	0.58	0.74	0.73	0.65	0.66	0.62	0.58	0.62	-0.04
Venezuelan Light & Medium												
North America	0.61	0.68	0.69	0.75	0.84	0.63	0.78	0.74	0.81	0.60	0.66	-0.06
Europe	0.07	0.08	0.02	0.01	0.01	..	0.02	0.02	0.02	0.03	0.02	0.01
Pacific	0.00	0.00	0.00	0.00	0.00	..	..	..	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.65	0.55	0.60	0.83	0.73	0.81	0.91	0.95	0.92	0.87	0.87	0.00
Europe	0.07	0.05	0.06	0.07	0.09	0.05	0.05	0.07	0.04	0.04	0.08	-0.04
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92	1.32	1.46	1.37	1.31	1.43	1.46	1.49	1.31	1.35	-0.04
Europe	0.14	0.17	0.16	0.21	0.13	0.14	0.19	0.17	0.20	0.21	0.25	-0.04
Pacific	0.01	0.00	0.00	0.01	..	0.01	..	..	..	..	0.02	..
Mexican Isthmus												
North America	0.04	0.01	0.00	..	..	..	..	..	..	..	..	..
Europe	0.03	0.01	0.00	..	0.00	..	..	..	..	..	..	..
Pacific	0.01	0.01	0.00	0.01	..	0.01	..	..	..	..	0.04	..
Russian Urals												
North America	..	0.03	0.14	0.33	..	0.01	0.14	0.07	0.25	0.26	0.49	-0.23
Europe	1.10	1.32	1.62	1.70	1.75	2.14	1.84	1.86	1.50	1.17	1.58	-0.41
Pacific	0.01	0.01	0.00	..	0.01	0.00	0.01	0.03	..	0.04	..	..
Nigerian Light⁴												
North America	0.50	0.39	0.63	0.78	0.67	0.80	0.90	0.88	0.97	0.76	0.82	-0.06
Europe	0.38	0.32	0.41	0.44	0.38	0.32	0.21	0.16	0.29	0.29	0.41	-0.12
Pacific	0.02	0.06	0.08	0.05	0.09	0.12	0.10	0.12	0.03	0.08	0.08	0.00
Nigerian Medium												
North America	0.31	0.16	0.17	0.10	0.21	0.26	0.21	0.11	0.26	0.27	..	..
Europe	0.10	0.06	0.06	0.04	0.09	0.03	0.04	0.02	0.03	0.03	..	..
Pacific	0.00	0.01	0.01	..	..	0.02	..	..	..	..	..	..

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

IEA North America includes United States and Canada.

IEA Europe includes all countries in OECD Europe except Hungary and Poland.

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)

	2001	2002	2003	3Q03	4Q03	1Q04	2Q04	May 04	Jun 04	Jul 04	Year Earlier	
											Jul 03	% change
Crude Oil												
North America	8020	7584	8030	8475	8013	8027	8550	8637	8553	8688	8361	4%
Europe	8592	8622	8983	9228	9048	9295	9436	9303	9628	10215	9210	10%
Pacific	6895	6422	6711	6096	6683	7011	6170	6150	5809	6570	6391	3%
Total OECD	23506	22628	23724	23799	23744	24333	24156	24089	23990	25472	23961	6%
LPG												
North America	28	39	27	16	33	29	10	4	22	4	7	-73%
Europe	251	224	196	177	226	252	194	170	184	185	182	2%
Pacific	546	553	541	553	523	550	585	655	596	493	482	2%
Total OECD	825	816	763	745	781	831	789	829	802	682	671	2%
Naphtha												
North America	59	42	68	90	64	53	49	50	81	52	139	-169%
Europe	298	298	311	273	323	310	320	300	315	377	282	25%
Pacific	647	705	770	839	761	782	761	762	859	771	852	-10%
Total OECD	1005	1045	1150	1202	1148	1145	1131	1112	1254	1199	1273	-6%
Gasoline³												
North America	673	680	697	695	569	673	891	862	897	1008	720	29%
Europe	148	176	170	147	182	243	192	187	208	228	86	62%
Pacific	36	58	70	79	75	105	118	113	103	83	84	-2%
Total OECD	857	914	936	920	826	1021	1201	1161	1208	1319	891	32%
Jet & Kerosene												
North America	139	97	98	114	67	45	101	121	109	67	120	-78%
Europe	247	216	211	248	228	173	237	189	300	303	236	22%
Pacific	73	97	102	48	132	92	60	61	60	62	28	56%
Total OECD	459	411	411	410	426	310	398	371	469	432	383	11%
Gasoi/Diesel												
North America	186	102	128	126	87	199	90	102	103	122	85	30%
Europe	601	686	685	637	662	707	705	603	787	759	695	8%
Pacific	31	53	73	66	73	56	92	106	93	81	58	29%
Total OECD	817	841	886	829	822	962	887	811	983	962	837	13%
Heavy Fuel Oil												
North America	314	237	325	306	323	364	320	334	364	346	300	13%
Europe	403	475	399	457	448	368	433	361	546	410	437	-7%
Pacific	81	89	88	72	80	76	77	96	48	90	101	-12%
Total OECD	799	801	812	835	852	809	830	790	958	846	838	1%
Other Products												
North America	703	689	701	759	618	869	700	727	716	931	792	15%
Europe	737	733	684	715	702	666	701	629	864	776	736	5%
Pacific	218	256	236	224	218	249	266	275	289	233	191	18%
Total OECD	1658	1678	1620	1698	1538	1784	1667	1631	1870	1941	1720	11%
Total Products												
North America	2103	1887	2043	2106	1762	2233	2161	2199	2292	2530	2163	14%
Europe	2686	2808	2655	2653	2771	2720	2782	2439	3203	3040	2654	13%
Pacific	1631	1811	1879	1879	1862	1910	1960	2068	2049	1813	1795	1%
Total OECD	6420	6506	6578	6639	6394	6863	6903	6705	7544	7382	6613	10%
Total Oil												
North America	10122	9471	10073	10581	9775	10260	10711	10836	10845	11217	10525	6%
Europe	11277	11431	11638	11881	11819	12015	12218	11742	12832	13254	11864	10%
Pacific	8526	8233	8590	7975	8545	8921	8130	8217	7857	8383	8185	2%
Total OECD	29925	29135	30301	30437	30138	31195	31059	30794	31534	32854	30574	7%

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

2 Excludes intra-regional trade. For most recent months, imports might be overstated as a full trade breakdown is not available for all countries at the time of reporting and intra-regional trade can not be excluded.

3 Includes additives

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Readers are referred to the Users' Guide, published in conjunction with the Annual Statistical Supplement (current issue dated 11 August 2004), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to US\$ per barrel according to the Platt's specification of products (©2004 Platt's - a division of McGraw-Hill Inc.).

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