

13 December 2006

## HIGHLIGHTS

- **Total OECD industry stocks** fell by 40 mb in October, to 2,721 mb, some 33 mb higher than last year. The decline was centred on US product stocks following strong demand and protracted refinery maintenance. Weekly data show this trend continued in November. Forward demand cover fell to 54 days in October, one day lower than September but one day higher than last year.
- **Tighter market fundamentals** caused crude futures to rise above the recent \$58-62/bbl range in late November. Lower OPEC crude output and falling US product stocks outweighed unusually warm weather. Markets focused on the impact of potential further OPEC cuts arising from its 14 December meeting.
- **Total November oil supply** fell 50 kb/d to 85.4 mb/d. OPEC reductions countered higher OECD supply. Non-OPEC estimates are cut by 40 kb/d in 2006 and by 115 kb/d for 2007. Non-OPEC growth averages 650 kb/d this year and 1.7 mb/d next, supply reaching 52.6 mb/d in 2007. North America, the FSU, Brazil, Angola and Sudan drive 2007 growth.
- **OPEC crude supply** fell 555 kb/d in November to 28.9 mb/d, on lower output from Saudi Arabia, the UAE, Iran, Iraq and Venezuela. Effective spare capacity is 2.4 mb/d, a figure which excludes disrupted Iraqi and Nigerian supply. OPEC-10 output of 27.1 mb/d was 610 kb/d below September levels, versus a proposed 1.2 mb/d cut. The 'call on OPEC crude and stock change' is 29.8 mb/d for 4Q06, but eases in 2007.
- **Global oil product demand** remains unchanged at 84.5 mb/d in 2006 (+1.1% versus 2005) and 85.9 mb/d in 2007 (+1.7%). The 2007 forecast faces downside risks, due to the uncertainties surrounding the US economy. China's 2006 demand growth rate has been revised down to 5.6% given weak apparent demand over the past three months.
- **OECD crude throughputs** fell by 1.5 mb/d to 38.3 mb/d in October as the seasonal peak of autumn maintenance cut runs in all regions. Unplanned outages and previously unreported maintenance reduced the expected November rebound. December should see higher runs as refiners increase throughputs to meet peak heating-related demand.

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## COLD COMFORT

Arguably, oil's bull market began with the recovery from the price collapse in 1999, but there is no doubt that the rally truly kicked off in 2004 following an unexpected surge in global demand. A year of supply-side woes followed, with slowing Russian production growth allied to the hurricane damage from Rita and Katrina. But if 2006 was, until recently, gaining the sobriquet of "year of the product spec.", as it draws to a close it could very quickly become better known for some dramatic inventory shifts.

The 33 mb rise in September OECD total oil stocks was more than reversed by a 40 mb stock draw in October, despite an exceptionally mild start to the fourth quarter in Europe and relatively normal weather in the US. To this, we can also tentatively add November's near 20 mb draw in US stocks, a 3.7 mb fall in Japanese inventories and a decline in independent storage in northwest Europe.

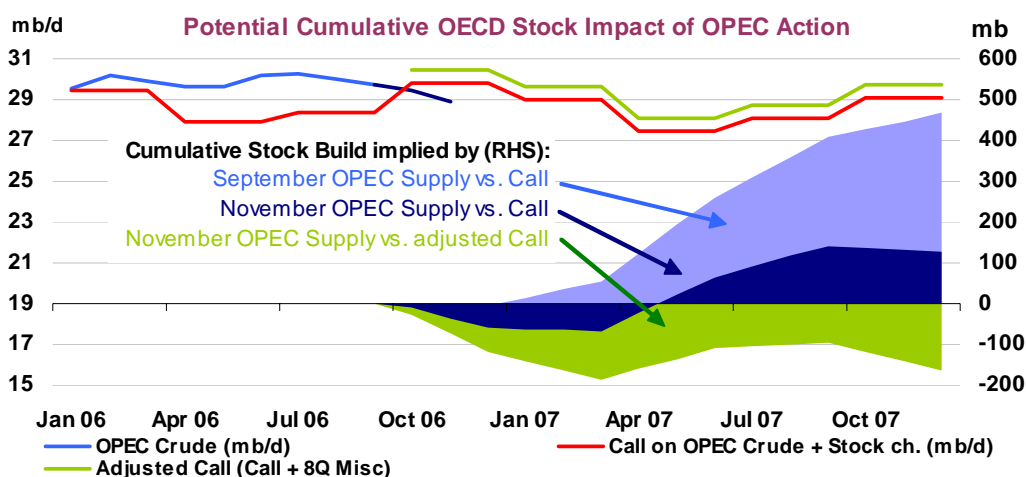
Heavy and protracted refinery maintenance in the US naturally resulted in a sharp decline in product inventories, but the accompanying fall in global crude production appears to have dampened a normally offsetting rise in crude stocks. Admittedly, some of October's primary inventory draw may have been exaggerated by consumer and wholesale restocking, but taken together with November's limited preliminary data, the draws would appear to confirm recent trends in the primary balance.

There remain considerable uncertainties over the levels of both supply and demand over the coming months: the path of global GDP, Iraqi and Nigerian output, OPEC discipline and the outcome of the 14 December meeting in Abuja, but it is still a useful exercise to estimate the impact of recent changes in OPEC output on future stock levels.

The graph below provides a graphical representation of the cumulative stock change implied by three scenarios for OPEC production, based on:

1. September OPEC production and the current 'call on OPEC + stock change' (*call*) (light blue)
2. November OPEC production and the *call* (dark blue)
3. November OPEC production and the *call*, plus an adjustment for statistical difference (green)

The light blue area depicts the outcome had September production been maintained. The dark blue and green areas represent the cumulative stock build/draw implied by the current OPEC cuts, based (respectively) on the call on OPEC + stock change (*call*) and the *call* together with an adjustment for the miscellaneous-to-balance. Although the miscellaneous-to-balance could represent either under-reported demand, over-reported supply or unreported stock builds, including it in the calculation shows a more realistic range of outcomes. It could be argued that a further adjustment should be made for known risks to non-OPEC supply, which can average 300-400 kb/d, but for now we feel that there are offsetting downside risks to global GDP, and thus oil demand growth.



Without doubt, November's output cuts have the potential to tighten the oil market this winter, and offer little prospect, allowing for demand growth, of a recovery in stock cover above the current 54 days; cold comfort for a risk-prone global economy already facing another winter with high oil prices.

## DEMAND

### Summary

- **Global oil product demand growth** remains unchanged at +1.1% in 2006 (84.5 mb/d) and +1.7% in 2007 (85.9 mb/d), as minor downward adjustments in OECD countries were offset by upward revisions in non-OECD countries. The 2007 forecast, though, faces downside risks, given the uncertainties surrounding the US economy.

**Global Oil Demand from 2005 to 2007**

	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
Demand (mb/d)	84.5	82.4	83.3	84.1	83.6	84.8	83.0	83.9	86.2	84.5	86.3	84.5	85.5	87.5	85.9
Annual Change (%)	2.7	1.6	1.6	0.1	1.4	0.3	0.7	0.8	2.5	1.1	1.7	1.7	1.9	1.5	1.7
Annual Change (mb/d)	2.2	1.3	1.3	0.0	1.2	0.3	0.6	0.7	2.1	0.9	1.5	1.4	1.6	1.3	1.4
Changes from last month's report (mb/d)	-	-	-	-	-	0.0	0.0	0.1	-0.1	-	-0.1	0.0	0.1	-0.1	0.0

- **OECD oil product demand** projections have been virtually maintained at 49.4 mb/d in 2006 (-0.5% versus 2005) and 49.6 mb/d in 2007 (+0.5%). Support continues to be provided by strong US demand, even after accounting for last year's hurricane-affected baseline. OECD Europe and the Pacific, meanwhile, will likely continue to see a gradual demand fall.

**Global Oil Demand by Region**

(million barrels per day)

	Demand		Annual Change			Annual Change (%)		
	2006	2007	2005	2006	2007	2005	2006	2007
North America	25.44	25.76	0.13	-0.06	0.32	0.5	-0.3	1.3
Europe	16.20	16.19	0.04	-0.03	-0.01	0.2	-0.2	-0.1
OECD Pacific	8.47	8.44	0.10	-0.12	-0.03	1.2	-1.4	-0.3
China	6.98	7.35	0.18	0.37	0.38	2.8	5.6	5.4
Other Asia	8.87	9.08	0.16	0.09	0.22	1.8	1.0	2.4
Subtotal Asia	24.31	24.87	0.44	0.34	0.57	1.9	1.4	2.3
FSU	3.95	3.99	0.05	0.15	0.03	1.3	4.0	0.8
Middle East	6.45	6.80	0.32	0.33	0.35	5.6	5.4	5.4
Africa	2.94	3.01	0.08	0.07	0.07	3.0	2.4	2.4
Latin America	5.20	5.31	0.13	0.11	0.11	2.7	2.1	2.1
World	84.49	85.93	1.19	0.91	1.43	1.4	1.1	1.7

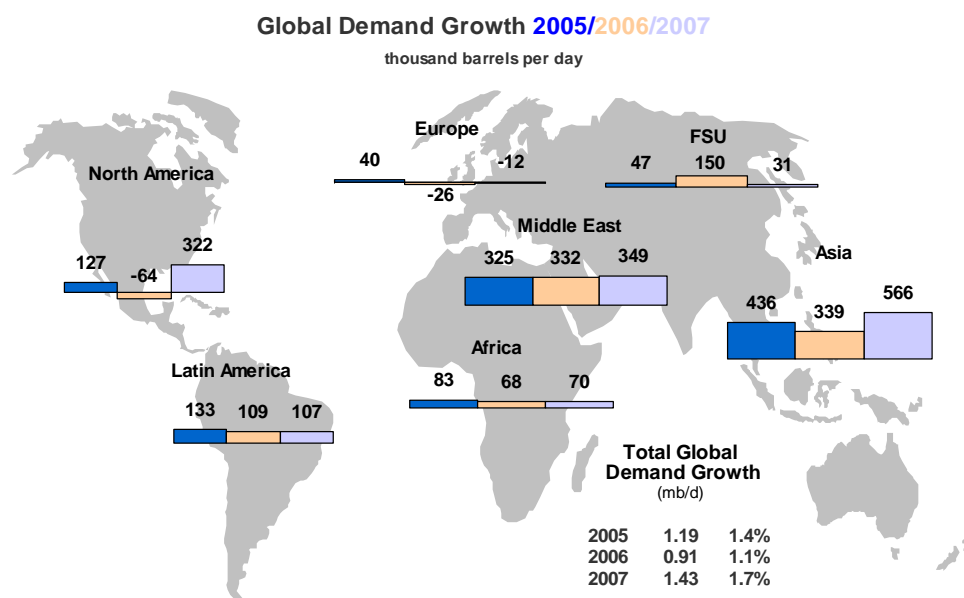
- **Non-OECD oil product demand** is also unchanged at 35.1 mb/d in 2006 (+3.3% versus 2005) and 36.3 mb/d in 2007 (+3.3%), despite a slight downward adjustment in China's oil product demand growth rate for 2006 (from 6.2% to 5.6% on an annual basis). This revision is related to the country's relatively lower apparent demand growth over the past three months, possibly largely explained by the drawdown of stocks. This could justify revising upwards 2007 Chinese demand, but we have decided to wait for new data to confirm or disprove the stock hypothesis.

### Worldwide Overview

We have kept unchanged our global growth forecast for 2006 (+1.1% to 84.5 mb/d) and 2007 (+1.7% to 85.9 mb/d), as downward adjustments in OECD countries were largely offset by upward revisions in the rest of the world. Nevertheless, given adjustments to October data, 4Q06 will be slightly weaker than expected (+2.5% on an annual basis, compared with +2.6% in last month's report).

A big question mark regarding the outcome of the 2007 forecast relates to US economic growth prospects. Although most observers concur that economic activity is slowing, the jury is still out regarding its magnitude and timing, given a host of contradictory signals – e.g., upwardly revised 3Q06 growth (from a preliminary estimate of 1.6% to 2.2%, a much higher revision than the 1.8% expected by most analysts) and concerns by the Federal Reserve regarding inflationary expectations, which contrast with lower consumer confidence and falling house prices.

As such, we have decided, for the time being, to continue to base our forecast on the IMF's US GDP projection for 2007 (+2.9%, compared with an emerging current consensus of 2.5%), but we will review it if appropriate. Moreover, it can be argued that a slower US economic expansion will not necessarily translate into much lower domestic oil demand over the course of next year, since it is mostly driven by income-inelastic transportation fuels. In other words, US citizens are likely to maintain their driving and flying habits in the short term.



The oil price fall after last summer's highs encouraged the marginal substitution of hitherto cheaper natural gas by naphtha and fuel oil in the US. However, this effect has somewhat vanished following the rebound in oil prices over the past month. As a result, demand for the heavy end of the barrel has resumed its long-term downward trend, thus contributing to the OECD's relatively stagnant oil product consumption – a structural feature of this high-price era.

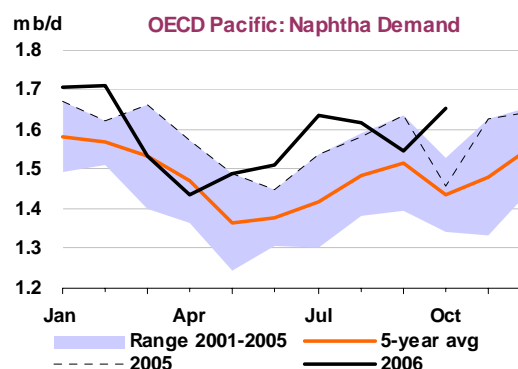
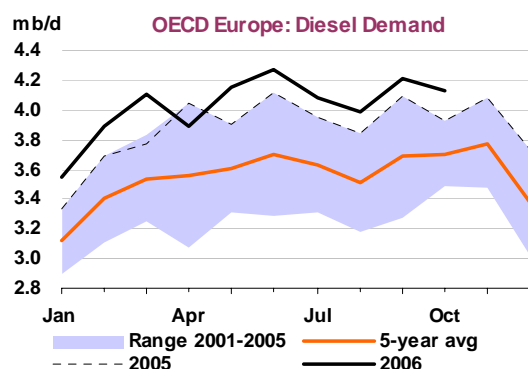
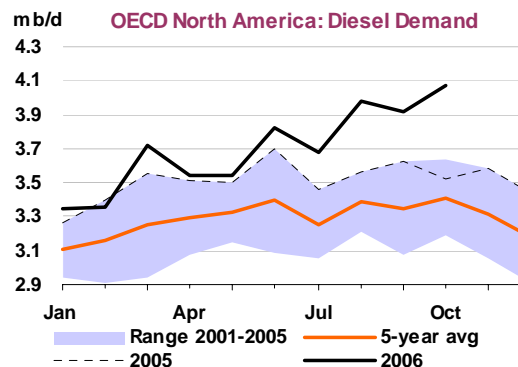
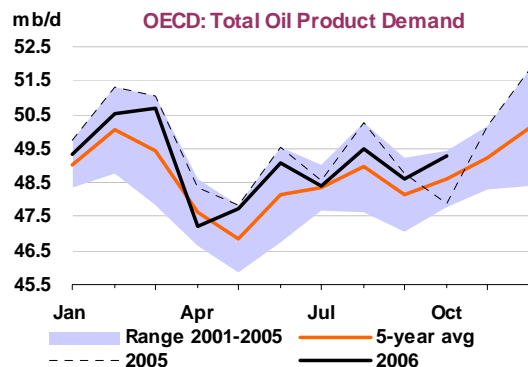
## OECD

Total OECD demand growth was quite strong in October (+3.0% versus levels of a year ago), supported mostly by North America, which rebounded from last year's hurricane-depressed baseline (+3.8%) in all product categories bar residual fuel oil. More surprisingly, perhaps, growth was also strong in the Pacific (+3.5%), due to strong inland deliveries of transportation fuels (gasoline and diesel) and naphtha, and in Europe (+1.4%), where deliveries of both jet/kerosene and gasoil (diesel and heating oil) were also resilient.

**OECD Demand based on Adjusted Preliminary Submissions - October 2006**  
(million barrels per day)

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
<b>OECD North America</b>	<b>10.95</b>	<b>4.7</b>	<b>2.11</b>	<b>8.5</b>	<b>4.07</b>	<b>15.5</b>	<b>1.53</b>	<b>0.0</b>	<b>1.10</b>	<b>-31.0</b>	<b>6.03</b>	<b>4.10</b>	<b>25.80</b>	<b>3.8</b>
USA*	9.47	4.8	1.87	8.2	3.55	16.7	1.04	0.5	0.57	-42.7	4.68	5.8	21.18	4.6
Canada	0.70	0.6	0.14	15.3	0.19	8.4	0.34	-4.2	0.15	1.0	0.72	8.3	2.25	3.7
Mexico	0.69	8.1	0.06	8.9	0.26	9.7	0.11	9.7	0.26	-22.0	0.55	-12.0	1.94	-2.9
<b>OECD Europe</b>	<b>2.53</b>	<b>-0.8</b>	<b>1.33</b>	<b>7.0</b>	<b>4.13</b>	<b>5.1</b>	<b>2.33</b>	<b>7.7</b>	<b>1.67</b>	<b>-0.6</b>	<b>3.55</b>	<b>-5.3</b>	<b>15.53</b>	<b>1.4</b>
Germany	0.52	-3.8	0.19	2.5	0.62	3.1	0.60	9.5	0.17	-0.9	0.55	-9.6	2.66	-0.2
UK	0.41	-0.6	0.37	12.0	0.42	6.8	0.14	-5.9	0.07	-1.6	0.36	-10.9	1.78	0.5
France	0.23	-1.4	0.16	4.4	0.67	7.5	0.42	35.0	0.06	-16.9	0.46	-1.8	2.01	7.4
Italy	0.31	-2.7	0.09	5.3	0.57	7.1	0.16	-1.4	0.22	-22.5	0.34	-0.3	1.68	-1.9
Spain	0.16	-3.0	0.12	3.6	0.48	3.0	0.21	8.5	0.24	15.6	0.34	-1.8	1.54	3.8
<b>OECD Pacific</b>	<b>1.58</b>	<b>5.2</b>	<b>0.79</b>	<b>2.3</b>	<b>1.24</b>	<b>6.4</b>	<b>0.51</b>	<b>-7.9</b>	<b>0.89</b>	<b>-8.8</b>	<b>2.96</b>	<b>8.3</b>	<b>7.98</b>	<b>3.5</b>
Japan	1.02	4.4	0.50	0.6	0.62	3.6	0.39	-7.3	0.51	-11.8	1.80	7.8	4.84	2.1
Korea	0.17	7.3	0.17	3.3	0.29	7.3	0.11	-11.1	0.36	-5.4	0.95	12.3	2.04	5.5
Australia	0.34	8.6	0.09	10.7	0.28	10.1	0.00	29.7	0.02	-17.8	0.20	-3.0	0.94	5.8
<b>OECD Total</b>	<b>15.06</b>	<b>3.8</b>	<b>4.23</b>	<b>6.8</b>	<b>9.44</b>	<b>9.5</b>	<b>4.38</b>	<b>2.9</b>	<b>3.65</b>	<b>-13.9</b>	<b>12.54</b>	<b>2.1</b>	<b>49.30</b>	<b>3.0</b>

\* Fifty States Only



Total OECD Demand by Product

(million barrels per day)

	2005	2006	4Q05	1Q06	2Q06	3Q06	Jul 06	Aug 06	Sep 06*	Latest month vs.	
										Aug 06	Sep 05
LPG & Ethane	4.73	4.66	4.76	5.03	4.44	4.42	4.50	4.54	4.22	-0.32	0.00
Naphtha	3.22	3.13	3.09	3.22	2.94	3.13	3.09	3.17	3.14	-0.03	0.01
Motor Gasoline	14.84	14.89	14.76	14.35	14.96	15.27	15.43	15.50	14.86	-0.64	0.24
Jet & Kerosene	4.25	4.23	4.40	4.48	3.99	3.98	3.98	3.98	3.99	0.01	-0.03
Gas/Diesel Oil	13.06	13.27	13.41	13.74	12.64	12.86	12.28	12.93	13.38	0.45	0.21
Residual Fuel Oil	4.44	4.07	4.50	4.64	3.79	3.80	3.85	3.90	3.65	-0.25	-0.71
Other Products	5.05	5.14	5.02	4.73	5.23	5.38	5.27	5.50	5.38	-0.11	0.14
<b>Total Products</b>	<b>49.60</b>	<b>49.37</b>	<b>49.96</b>	<b>50.19</b>	<b>47.99</b>	<b>48.84</b>	<b>48.39</b>	<b>49.50</b>	<b>48.62</b>	<b>-0.88</b>	<b>-0.14</b>

\* Latest official OECD submissions (MOS)

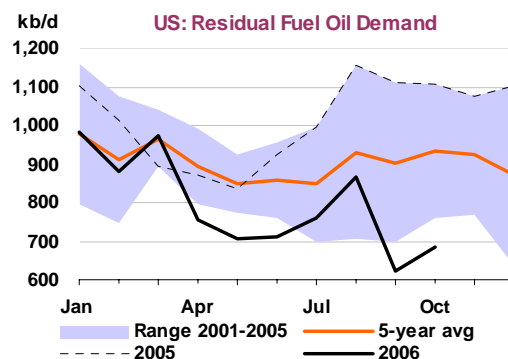
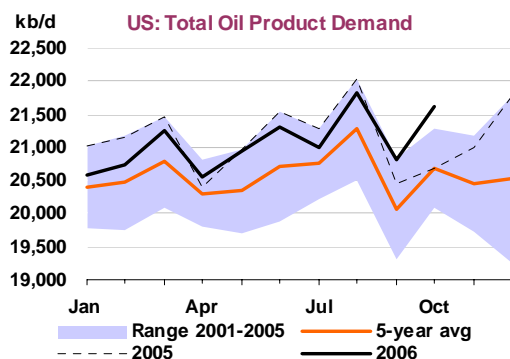
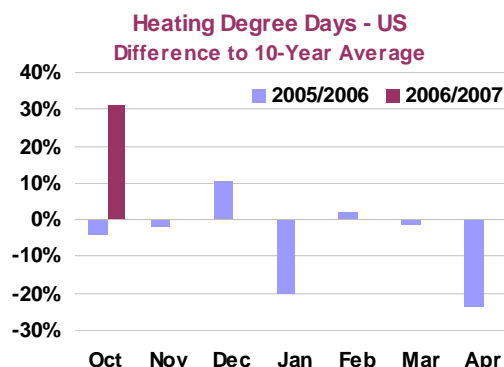
### North America

In the **United States**, preliminary October inland deliveries – a proxy of demand – of all product categories bar residual fuel rose compared with year-ago levels (LPG: 0.5%; naphtha: 9.3%; gasoline: 4.8%; jet/kerosene: 8.2%; diesel: 16.7%; heating oil: 0.5%; other products: 9.1%). These products largely offset significantly lower deliveries of fuel oil (-42.7%). Overall, total US petroleum deliveries rose by 4.6% versus October 2005. Revisions, meanwhile, stood at -190 kb/d in September, mostly because of downward adjustments in diesel and heating oil, and upward changes in naphtha and jet/kerosene.

October's strong growth in inland deliveries is related to last year's hurricane-stricken base. In addition, lower transportation fuel retail prices – which continued to fall for the second month in row – also played a role in sustaining demand. Indeed, October's average gasoline pump price, at \$2.25/gallon, was the lowest observed since December 2005. The dramatic rise of diesel deliveries was related both to last year's depressed demand, the retail introduction of ultra-low sulphur diesel (ULSD) in mid-October, lower prices (\$2.52/gallon on average) and resilient freight shipments. The fall in prices, combined with the economic, geographical and social structure of the US (which encourages people to drive more than in other OECD countries), and its demographics (the population recently passed the 300-million mark), will thus continue to support strong growth in transportation fuels demand.

The weakness of heating oil deliveries ran counter to weather conditions. October was colder-than-normal: the number of 'heating-degree days' or HDDs was some 30% higher than the past ten-year average (our US temperature model is based on average daily data from 200 weather stations across the country, weighted by population and compiled by the US National Climatic Data Center). The difference was arguably met by consumer stocks. Moreover, given milder conditions in November, heating oil demand is expected to remain subdued. The fall of residual fuel oil deliveries, meanwhile, is more likely related to the increased availability of natural gas and, to a lesser extent, to emission considerations. Demand for fuel oil as a whole will likely resume its slow decline, even though demand may be briefly supported by the forthcoming winter.

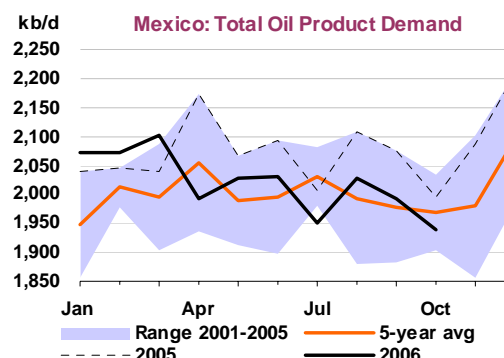
Fuel oil with 1% sulphur content is increasingly being phased out in favour of lower-sulphur grades (0.5% and 0.7%) as a result of tightened environmental regulations, especially in the northeast. It has been reported that 1% sulphur fuel oil is being blended with 3% sulphur for use as bunkers (international specifications mandate no more than 4.5% sulphur in ships). However, it appears that even as a bunker blend, the US 1% sulphur fuel oil is unpopular, since it contains metal impurities (vanadium and aluminium) that can harm engines.



**Mexico** posted a large downward adjustment in October (-115 kb/d), due to much lower than expected deliveries of LPG, gasoline and residual fuel oil. Overall, given two weak quarters (2Q and 3Q) demand is forecast to decline slightly in 2006 (-1.6%) to 2.0 mb/d.

In late November, a new biofuels bill that would mandate Pemex to substitute ethanol for MTBE in gasoline and promote the use of biodiesel (following a similar US policy this year) foundered in Congress, as legislative activity came to a halt amid infighting between opponents and supporters of President-elect Felipe Calderón. Although calm has returned (after the new President was sworn in on 1 December), it is unclear when – or whether – the bill, which was passed by the Senate last April, will be submitted to the Lower Chamber.

The widespread adoption of biofuels in Mexico – more specifically, of sugarcane ethanol – could potentially bring a number of benefits aside from lower emissions, but requires either subsidising or reforming the country's sugar industry to make it competitive. Proponents argue that a nascent ethanol industry could allow the country to lower its gasoline import bill, promote investment and job creation in poor areas, and curb migration from the countryside to both domestic urban areas and to the United States.



Seeking to tackle the country's ballooning oil product import bill (see *OMR* dated 10 November 2006), the Mexican government increased gasoline and diesel prices by 4.2% and 3.3%, respectively. There are concerns that the diesel price increase may stoke inflation, since the freight and

transportation industry depends overwhelmingly on this type of fuel. The impact of the gasoline price rise, by contrast, is likely to be more muted, since it only affects the so-called 'Premium' type, generally only used by new and more expensive cars – a market that is relatively small and geared towards the more affluent social sectors.

### OECD North America Demand by Product

(million barrels per day)

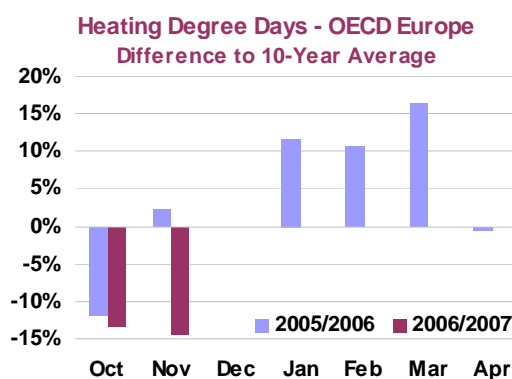
	2005	2006	4Q05	1Q06	2Q06	3Q06	Jul 06	Aug 06	Sep 06*	Latest month vs.	
										Aug 06	Sep 05
LPG & Ethane	2.81	2.79	2.81	2.98	2.65	2.71	2.67	2.79	2.66	-0.13	0.28
Naphtha	0.46	0.40	0.31	0.37	0.41	0.45	0.39	0.46	0.51	0.05	0.18
Motor Gasoline	10.59	10.74	10.60	10.35	10.80	11.00	11.11	11.17	10.70	-0.48	0.37
Jet & Kerosene	1.97	1.95	1.99	1.87	1.95	1.94	1.97	1.91	1.94	0.03	-0.01
Gas/Diesel Oil	5.09	5.24	5.15	5.35	5.01	5.07	4.83	5.26	5.11	-0.15	0.03
Residual Fuel Oil	1.56	1.25	1.63	1.43	1.15	1.18	1.19	1.30	1.06	-0.24	-0.57
Other Products	3.01	3.07	2.99	2.78	3.14	3.19	3.05	3.35	3.18	-0.17	0.21
<b>Total Products</b>	<b>25.50</b>	<b>25.44</b>	<b>25.48</b>	<b>25.12</b>	<b>25.09</b>	<b>25.54</b>	<b>25.20</b>	<b>26.25</b>	<b>25.15</b>	<b>-1.10</b>	<b>0.49</b>

\* Latest official OECD submissions (MOS)

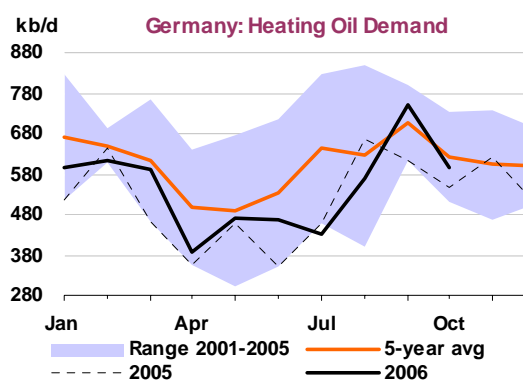
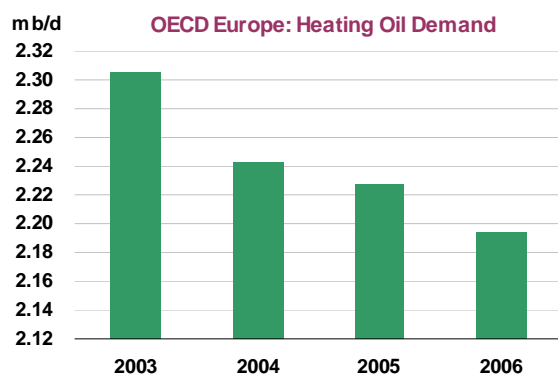
### Europe

According to preliminary estimates of October's inland deliveries, oil product demand in Europe rose by a robust +1.4% compared with the same month in 2005, pulled up by strong demand for jet/kerosene (+7.0%), diesel (+5.1%) and heating oil (+7.7%).

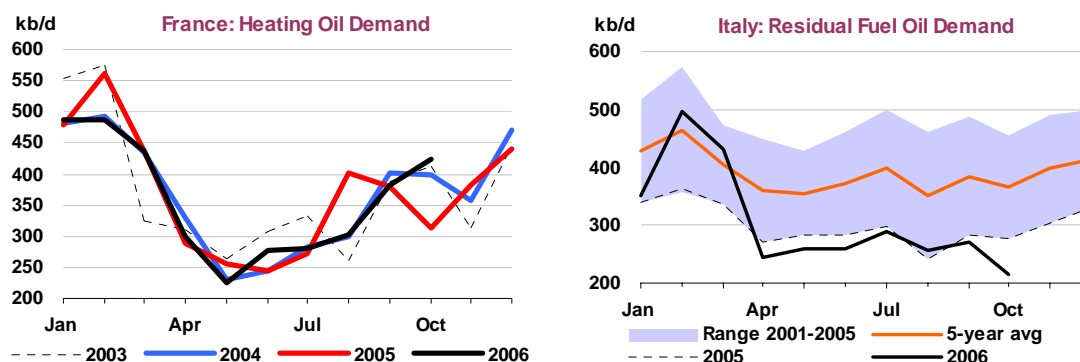
The fact that heating oil deliveries were high despite a milder-than-normal weather may seem surprising. The number of HDDs in October was almost 15% lower than the past ten-year average (our European temperature model is based on average daily data from 80 cities across the continent, weighted by population and compiled by the US National Climatic Data Center). However, most of these deliveries have arguably been stored ahead of the colder winter months (in the case of Germany, stocking was also prompted by the expectation of higher prices from next January as a result of an announced VAT increase). Therefore, the observed heating oil deliveries do not represent actual, but rather future, demand. As such, heating oil demand in early 2007 will probably be quite weak. Thus, depending on how prices evolve over the next few weeks, we may revise our assessment of next year's European heating oil consumption.



Germany's September heating oil demand figures were sharply revised upwards (+112 kb/d), indicating that household tank-filling ahead of winter, which began in August, was much stronger than earlier anticipated (+21.9% on a yearly basis). Moreover, the filling pace remained strong in October (+9.5% compared with levels of a year ago).



In **France**, deliveries of heating oil also gathered considerable speed (+35.0% compared with October 2005). Although French heating oil stock data are not available, this jump is arguably explained by the fact that in 2005 French consumers began building winter stocks much earlier (in August). This year, consumers may have felt that prices were unlikely to fall further and that the time was ripe to store the fuel.



In **Italy**, meanwhile, residual fuel oil's weak deliveries (-22.5% on an annual basis) are related to both mild weather and high hydropower supplies, which together dampened demand for conventional electricity (generated by fuel-powered stations).

#### OECD Europe Demand by Product

(million barrels per day)

	2005	2006	4Q05	1Q06	2Q06	3Q06	Jul 06	Aug 06	Sep 06*	Latest month vs.	
										Aug 06	Sep 05
LPG & Ethane	1.03	0.98	1.07	1.13	0.96	0.84	0.92	0.84	0.75	-0.09	-0.22
Naphtha	1.18	1.12	1.21	1.20	1.05	1.08	1.07	1.09	1.08	-0.01	-0.08
Motor Gasoline	2.64	2.55	2.56	2.44	2.61	2.64	2.67	2.63	2.60	-0.03	-0.09
Jet & Kerosene	1.24	1.28	1.23	1.19	1.28	1.37	1.33	1.41	1.38	-0.03	0.03
Gas/Diesel Oil	6.10	6.22	6.35	6.46	5.85	6.10	5.79	5.95	6.57	0.62	0.27
Residual Fuel Oil	1.84	1.82	1.81	2.06	1.70	1.71	1.76	1.70	1.67	-0.03	-0.09
Other Products	1.49	1.51	1.47	1.29	1.59	1.67	1.70	1.60	1.72	0.11	0.02
<b>Total Products</b>	<b>15.51</b>	<b>15.47</b>	<b>15.69</b>	<b>15.77</b>	<b>15.03</b>	<b>15.40</b>	<b>15.24</b>	<b>15.23</b>	<b>15.76</b>	<b>0.54</b>	<b>-0.16</b>

\* Latest official OECD submissions (MOS)

#### Pacific

According to October's preliminary data, oil product demand in **Japan** rebounded by a strong +2.1% compared with October 2005 – the highest pace since January 2006, which had marked the beginning of an anaemic growth period (in fact, demand plummeted by 10.1% year-on-year in September). Growth was mostly fed by naphtha (+5.4% year-on-year), gasoline (+4.4%) and diesel (+3.6%). It remains to be seen, however, whether this rebound will be sustained and/or confirmed once definitive figures are made available.

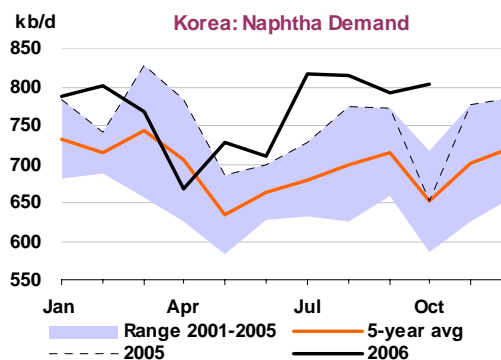
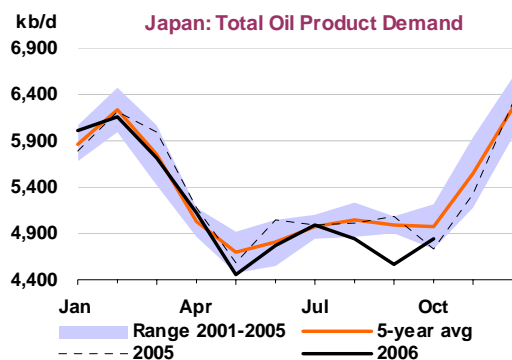
Naphtha demand in **Korea** rebounded strongly in October (+23.1%, compared with the same month in the previous year), following the end of the petrochemical maintenance season (usually September-October). Combined with strong growth in transportation fuels, robust naphtha demand helped push up the country's total oil product demand by 5.5% on a yearly basis – the fastest pace in the year to date.

#### OECD Pacific Demand by Product

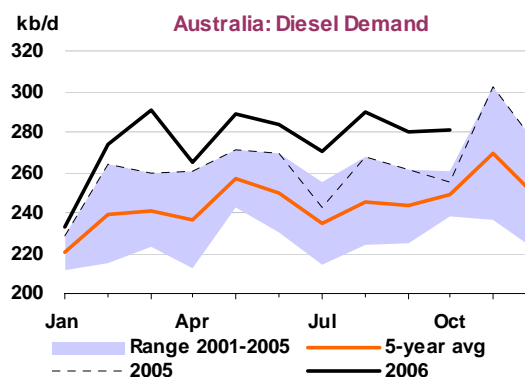
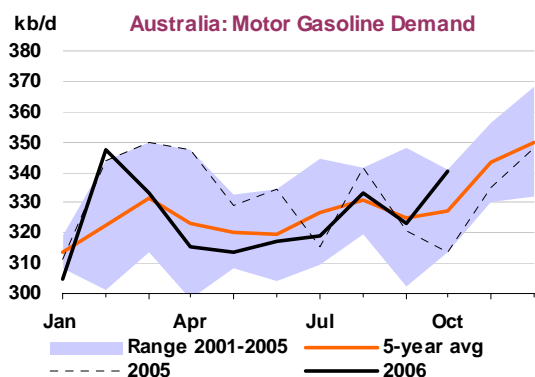
(million barrels per day)

	2005	2006	4Q05	1Q06	2Q06	3Q06	Jul 06	Aug 06	Sep 06*	Latest month vs.	
										Aug 06	Sep 05
LPG & Ethane	0.89	0.88	0.88	0.92	0.84	0.87	0.90	0.90	0.81	-0.09	-0.05
Naphtha	1.58	1.60	1.58	1.65	1.48	1.60	1.63	1.62	1.55	-0.07	-0.08
Motor Gasoline	1.61	1.60	1.61	1.57	1.56	1.63	1.65	1.69	1.56	-0.13	-0.04
Jet & Kerosene	1.04	1.00	1.19	1.42	0.75	0.67	0.69	0.66	0.67	0.02	-0.06
Gas/Diesel Oil	1.87	1.82	1.91	1.92	1.79	1.69	1.66	1.71	1.70	-0.01	-0.09
Residual Fuel Oil	1.05	1.00	1.07	1.16	0.95	0.91	0.90	0.89	0.93	0.03	-0.05
Other Products	0.55	0.56	0.55	0.67	0.50	0.52	0.53	0.55	0.49	-0.05	-0.10
<b>Total Products</b>	<b>8.59</b>	<b>8.47</b>	<b>8.79</b>	<b>9.30</b>	<b>7.87</b>	<b>7.90</b>	<b>7.96</b>	<b>8.02</b>	<b>7.71</b>	<b>-0.31</b>	<b>-0.48</b>

\* Latest official OECD submissions (MOS)



Sales of unleaded gasoline blended with 10% ethanol began in early December in eastern **Australia**. Current production stands at some 30 million litres per year, equivalent to approximately 0.1% of total gasoline consumption. The marketing of E10 (initially started by Shell, to be followed by Caltex and BP) should eventually rise to some 350 million litres per year by 2010, according to the government – however, that would be equivalent to less than 2% of total gasoline demand.



## Non-OECD

### China

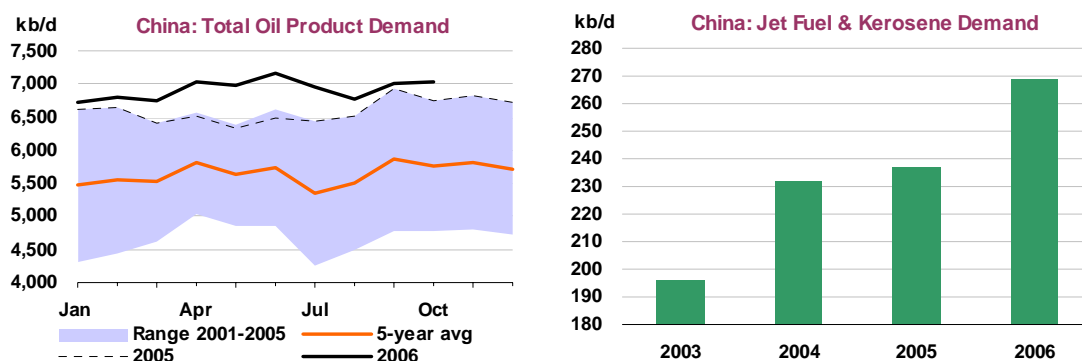
China's apparent oil product demand figures were sharply revised downwards for both September (-170 kb/d) and October (-284 kb/d), highlighting once again the intrinsic difficulties in estimating Chinese apparent consumption (defined in this report as refinery output plus net oil product imports, adjusted for fuel oil and direct crude burning, smuggling, and stock changes). September's apparent demand was thus much weaker than previously estimated (it grew by 0.8% on an annual basis, instead of the previous 3.2%). Moreover, preliminary October data indicate that apparent demand grew by a relatively modest annual rate of 4%. Demand was mostly driven by naphtha (+5.8%), jet/kerosene (+23.8%, reflecting strong travel in the Golden holiday weekend) and gasoil (+6.1%).

The fact that, for the past three months, demand appears subdued suggests that China may be drawing commercial stocks, since there is no evidence that the underlying structural support of Chinese consumption – economic growth – is losing steam. While there have been some comments from government officials regarding the need to curb investment, such a policy would take some time to work and would likely be suspended if US demand for Chinese goods were to slow down significantly. In addition, domestic retail prices remain relatively insulated from global pressures.

Although both net crude and oil product imports fell sharply in October to some 2.4 mb/d and 0.6 mb/d, respectively, refining output from Sinopec and PetroChina (which represent approximately 90% of total output) hit a high of about 5.7 mb/d in October, while apparent demand rose to some 7.0 mb/d, the highest level in the year to date (bar June).

Local sources note that October's sharp fall in net fuel oil imports (to some 360 kb/d from about 520 kb/d in September) was due to stock draws in the Huangpu market, which includes several major terminals (Yuehai Xiaohudao, BP Nansha, Guishan, Jinming and Nanhua). Meanwhile, weaker LPG

net imports (130 kb/d versus 150 kb/d the previous month) were attributed to the fuel's high price, substitution by LNG in Guangdong province and the coming on stream of Sinopec's Hainan Yangpu refinery.



Overall, we have adjusted downwards our annual growth forecast of Chinese apparent demand for 2006 (+5.6%). Regarding 2007, we have kept unchanged thus far our assessment of China's oil demand (+5.4%); however, if new data and/or future revisions confirm the stock hypothesis, we may revise our forecast.

#### China Demand by Product

(thousand barrels per day)

	Demand			Annual Change		Annual Change (%)	
	2005	2006	2007	2006	2007	2006	2007
LPG & Ethane	637	614	626	-23	12	-3.6	1.9
Naphtha	772	874	927	102	54	13.2	6.1
Motor Gasoline	1088	1153	1233	66	80	6.1	6.9
Jet & Kerosene	237	268	281	31	12	13.2	4.6
Gas/Diesel Oil	2122	2216	2380	94	164	4.4	7.4
Residual Fuel Oil	785	811	820	26	8	3.4	1.0
Other Products	963	1039	1087	76	48	7.9	4.6
<b>Total Products</b>	<b>6602</b>	<b>6975</b>	<b>7353</b>	<b>373</b>	<b>378</b>	<b>5.6</b>	<b>5.4</b>

On 1 November, China's Ministry of Finance began levying for the first time a 5% tariff on crude oil exports and a lower tariff on oil product imports (2% on average, instead of 6%, for gasoline, gasoil and jet fuel). The official line is that these tax changes will shift import patterns toward less energy-intensive products and contribute to saving energy domestically, reducing environmental pollution and avoiding future product shortages. However, the new measures are arguably essentially geared to increase domestic crude supply and help alleviate the financial burden of state-owned companies, which have been importing oil products at a loss (given domestic and international price differentials) – i.e., China Aviation Oil (CAOHC) with respect to jet fuel and Sinopec and PetroChina with regards to gasoil. Note that an additional regulation, also implemented in November, bans third-party distillate imports, thus further entrenching the position of the national companies.

#### China Crude & Product Trade

(thousand barrels per day)

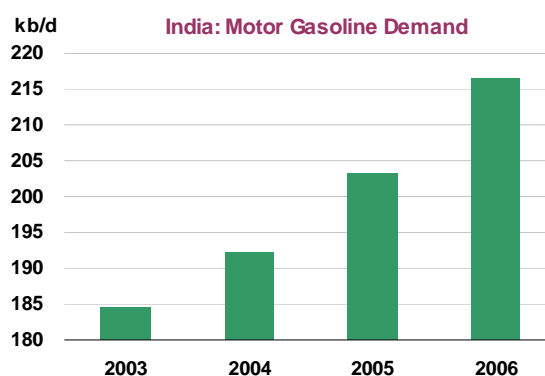
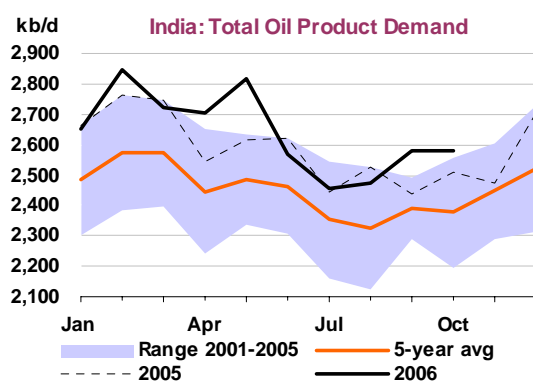
	2004	2005	4Q2005	1Q2006	2Q2006	3Q2006	Aug 06	Sep 06	Oct 06	Latest month vs. Sep 06	Oct 05
<b>Net Imports/(Exports) of:</b>											
<b>Crude Oil</b>	2346	2387	2407	2878	2821	2757	2618	3253	2363	-891	-212
<b>Products &amp; Feedstocks</b>	660	479	599	512	765	707	695	709	567	-142	-41
Gasoil/Diesel	43	-19	-3	-10	-14	-6	-12	5	6	1	11
Gasoline	-125	-130	-55	-107	-56	-63	-86	-51	-86	-35	-43
Heavy Fuel Oil	506	418	402	406	522	575	578	519	357	-162	-22
LPG	201	194	182	146	227	125	111	153	134	-19	-45
Naphtha	-33	-35	1	-15	-36	-31	-37	-32	9	41	10
Jet & Kerosene	16	11	30	43	33	43	70	65	79	15	39
Other	51	40	42	49	90	65	71	51	66	16	10
<b>Total</b>	<b>3007</b>	<b>2866</b>	<b>3006</b>	<b>3390</b>	<b>3586</b>	<b>3464</b>	<b>3313</b>	<b>3962</b>	<b>2930</b>	<b>-1033</b>	<b>-253</b>

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

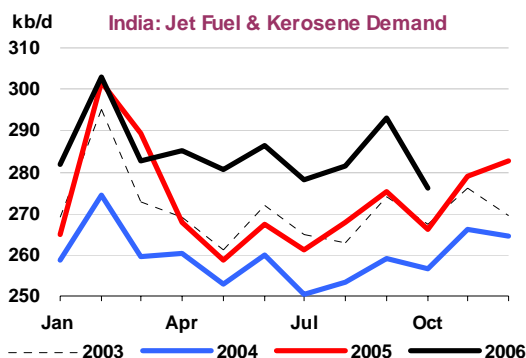
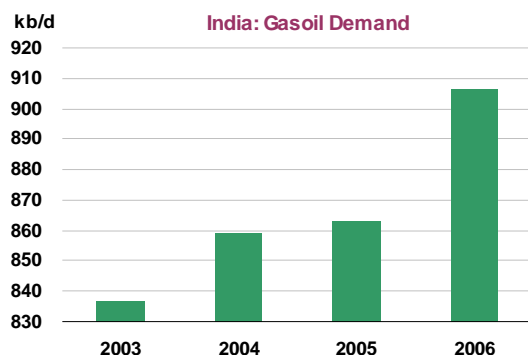
China became a full member of the WTO on 11 December. As a result, the country is obliged in principle to open its crude and oil product wholesale markets to competition (with the exception of fuel oil, which was already freely traded). To that effect, on 6 December the Ministry of Commerce issued a set of new regulations – the so-called ‘rules of crude market management’, to be implemented on 1 January 2007. As in many countries, though, China’s existing and new regulations are likely to favour incumbents, and newcomers will probably find that joint-ventures with state-owned companies are the easiest route to enter the market. Therefore, change will arguably be slow in the Chinese domestic oil market, where Sinopec and PetroChina account for 90% of total imports (three other firms – Unipecc, Zhuhai Zhenrong and CNOOC – account for the remaining 10%).

### Other Non-OECD

According to preliminary data, **India’s** oil product demand rose by some 2.8% year-on-year in October, pulled by strong gains in transportation fuels (gasoline sales rose by 10.7%, jet/kerosene by 3.8% and gasoil by 7.4%). More unexpectedly, naphtha sales, which have been structurally depressed by India’s gradual adoption of natural gas, rose by 0.1%, in part because of marginal power generation requirements. Still, naphtha demand is expected to decline by almost 6.0% in 2006, since India’s two state-owned naphtha-fired power stations (NTPC’s 350-MW Kerala and 740-MW Maharashtra) account for only 4.1% of the country’s total installed capacity (26.4 GW, of which 21.3 GW are coal-fired). Total product demand, meanwhile, is forecast to rise by a modest 2.2% in 2006, compared with 2005 levels.



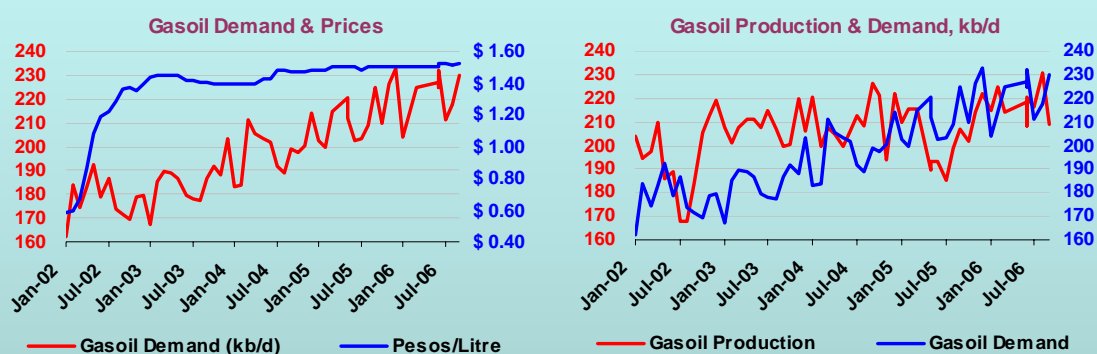
In late November, the government cut retail transportation prices – gasoline prices fell by 4.3% and diesel prices by 3.0%. The move, which partly reverses last June’s price hikes (when gasoline rose by 9.2% and diesel 6.6%), was presented as a natural consequence of the fall in international crude prices, but is probably more closely related to political considerations (a string of elections is due in early 2007). However, the decision will probably have little effect on the finances of refiners and retailers, since domestic fuel retail prices are still low by international standards. India’s retailing market includes three large state-owned companies – Indian Oil Corporation (IOC), Bharat Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation Ltd (HPCL) – and several private companies – Shell, Reliance and Essar. Only state-owned companies are subsidised by the government through bond issuance; private firms, by contrast, are forced to absorb retailing losses (some companies, such as Reliance, have unsuccessfully lobbied the government for support). As a result, the latter have scaled back their operations, notably by putting on hold – or at least reducing – their retail expansion plans (i.e., the commissioning of new service stations).



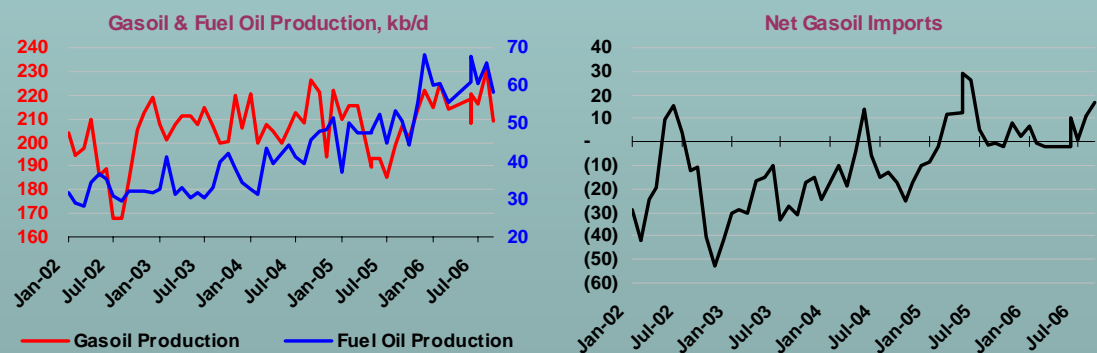
## Argentina's Gasoil Conundrum

In early December, the Argentine government took the unprecedented step of fining one of the country's main retailers – Shell – for allegedly failing to supply the market with enough gasoil. The \$7.5 million fine was supported by an old emergency law (the 1974 Supply Law), which forces companies to meet demand in key markets – in this case, the gasoil market. The move is the latest chapter of an increasingly confrontational relationship between the government and private companies.

The core of the problem is the government's reluctance to allow domestic retail prices to rise, in order to curb an already high inflation rate (currently running at some 10% on an annual basis). Following the country's economic meltdown of 2002, triggered by a sharp devaluation and a debt default, the government and private companies had tacitly agreed to more or less freeze retail fuel prices to foster a recovery. The economy indeed rebounded strongly (GDP has been growing by about 9% annually over the past three years). The combination of strong economic growth and low prices boosted oil product demand, notably of gasoil. Total gasoil demand (including bunkers and refinery and petrochemical feedstocks) jumped from almost 170 kb/d in January 2003 to about 230 kb/d in September 2006 – a 35% increase. By contrast, gasoil prices barely budged over the same period, rising by less than 6% in nominal terms (and hence actually falling in real terms).



Meanwhile, however, international crude prices rose sharply. Unsurprisingly, both refiners and retailers have shown a growing lack of enthusiasm to keep up with demand, having gradually seen their profits not only vanish but become negative (Argentine retail prices are currently some 40-50% below international levels). On the one hand, downstream players have reduced gasoil production, thus boosting fuel oil output (which is exported at international prices or sold to domestic utilities). On the other, they have tried to export gasoil or at least minimise imports (the government, though, recently imposed both an export tax and an export pre-approval rule).

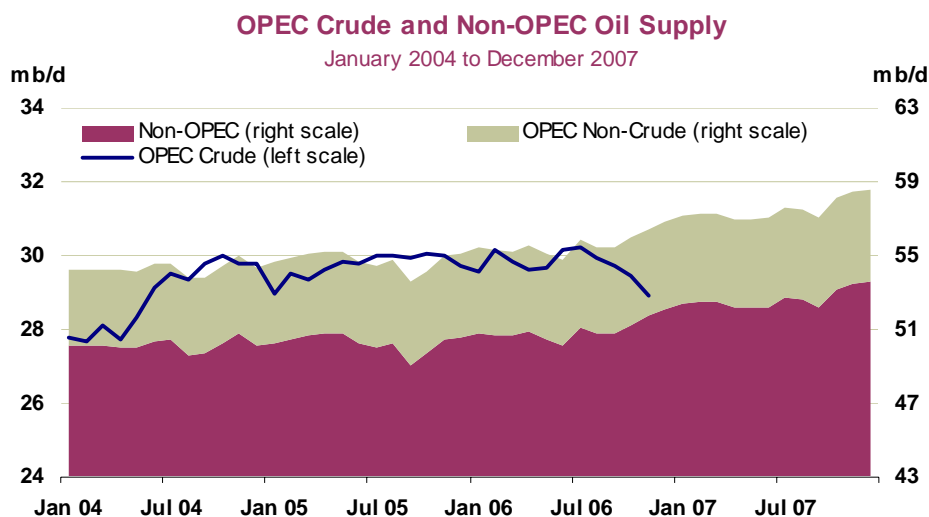


Arguably, the end result was unavoidable: in September and October Argentina faced gasoil shortages for several days in some areas – an unwelcome occurrence as the country was readying itself for the start of the soy planting season, which is one of the most important agricultural crops. Looking ahead, the Argentine government faces difficult choices: escalate the conflict with private companies, heavily subsidize imports, or let the market work by lifting price caps – and risk an unpopular rise in inflation or, worse, an economic slowdown.

## SUPPLY

### Summary

- **World oil supply** slipped by 50 kb/d in November to 85.4 mb/d, with lower OPEC crude supply outstripping an OECD-inspired rise from non-OPEC. August and September production estimates are revised down by close to 90 kb/d, based on a lower baseline for non-OPEC Africa and the North Sea. October supply is revised up by 120 kb/d on the strength of higher FSU and OPEC crude availability. A yearly comparison shows 3Q06 global output 1.3 mb/d above disrupted year-ago levels.
- **Non-OPEC supply** estimates are revised down by 40 kb/d for 2006 and by 115 kb/d for 2007. Next year's adjustments are focused in the 1Q-3Q period, when Australia, Russia, Brazil, Sudan, Egypt and Mauritania now appear headed for lower than previously expected output. A partial offset comes from higher expectations for North America and China. All told, non-OPEC supply rises by 650 kb/d in 2006 (constrained by weak 2Q performance) and a potential 1.7 mb/d in 2007, reaching 52.6 mb/d. OPEC NGL supply growth remains unchanged at 0.2 mb/d both years, averaging 4.7 mb/d and 4.9 mb/d respectively for 2006 and 2007.
- **Total OPEC crude supply** fell by 555 kb/d in November after a 225 kb/d reduction in October. November supply averaged 28.9 mb/d, with substantial reductions from Saudi Arabia, the UAE, Venezuela and Iran, albeit the latter two were partly connected to facility maintenance. There were ongoing disruptions to supply from Iraq and Nigeria.
- **OPEC-10 (excluding Iraq) output** fell 500 kb/d in November to 27.1 mb/d. In all, OPEC-10 production is running 610 kb/d below September, versus a cut of 1.2 mb/d pledged at the October OPEC meeting. Notional spare capacity reached 3.8 mb/d, but this report's measure of effective spare capacity (excluding Iraq, Nigeria, Venezuela and Indonesia) rose only modestly to 2.4 mb/d.
- **The 'call on OPEC crude and stock change'** is revised up by 0.1 mb/d for 2007 to 28.4 mb/d, based on now-lower expectations for non-OPEC supply in the first three quarters of the year. The current quarter's call stands at 29.8 mb/d, nearly 1 mb/d above prevailing OPEC supply, suggesting the potential for a substantial 4Q stock draw unless winter weather proves markedly milder than normal. Similarly, the 1Q07 call stands marginally above recent OPEC output, at 29.0 mb/d.



*All world oil supply figures for November discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska and Russia are supported by preliminary November supply data.*

**Note: Random events present downside risk to the non-OPEC production forecast contained in this report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. Allowance has been made in the forecast for scheduled maintenance in all regions and for typical seasonal supply outages (including hurricane-related stoppages) in North America. These aside, no contingency allowance for random events is subtracted from the supply forecast. While upside variations can occur, experience in recent years indicates that the random events listed above may cause supply losses of between 300 kb/d and 400 kb/d for non-OPEC supply each year.**

## OPEC

OPEC crude supply for November came in 555 kb/d below October levels and averaged 28.9 mb/d, its lowest in almost two years. October levels themselves were revised up by 110 kb/d to 29.5 mb/d on evidence of higher output from Iran, the UAE, Iraq and Saudi Arabia. Cuts in November were centred on Saudi Arabia (165 kb/d), Venezuela (105 kb/d), UAE (75 kb/d), Iran (70 kb/d) and Iraq (55 kb/d). However, facility maintenance and unplanned disruptions respectively account for much of the reduction from Iran/Venezuela and Iraq.

Both Iraq and Nigeria saw renewed rebel attacks on oil facilities, with the two countries facing more than 1.0 mb/d of combined production shut-in for security reasons. Nominal OPEC spare capacity reached 3.8 mb/d. However, given the physical constraints impeding the above two producers, and a perceived downward drift in Indonesian and Venezuelan supply potential, effective spare capacity may be closer to 2.4 mb/d. As noted in previous months, we do not adjust capacity estimates for perceived marketability problems which may, at certain points in time, further limit the ability of OPEC to bring 'spare oil' to market. Refining capability changes over time, and most barrels can be sold, at the right price.

### OPEC Crude Production

(million barrels per day)

	1 July 2005 Target <sup>1</sup>	November 2006 Production	Sustainable Production Capacity <sup>2</sup>	Spare Capacity vs Nov 2006 Production	Production vs. Target
Algeria	0.89	1.34	1.39	0.05	0.45
Indonesia	1.45	0.86	0.95	0.09	-0.59
Iran	4.11	3.73	3.90	0.17	-0.38
Kuwait <sup>3</sup>	2.25	2.49	2.60	0.11	0.24
Libya	1.50	1.73	1.75	0.02	0.23
Nigeria	2.31	2.20	2.60	0.40	-0.11
Qatar	0.73	0.80	0.85	0.05	0.07
Saudi Arabia <sup>3</sup>	9.10	8.90	10.80	1.90	-0.20
UAE	2.44	2.59	2.70	0.11	0.15
Venezuela <sup>4</sup>	3.22	2.41	2.70	0.29	-0.81
<b>Subtotal</b>	<b>28.00</b>	<b>27.05</b>	<b>30.24</b>	<b>3.19</b>	<b>-0.95</b>
Iraq		1.88	2.50	0.62	
<b>Total</b>		<b>28.93</b>	<b>32.74</b>	<b>3.81</b>	
<i>(excluding Iraq, Nigeria, Venezuela., Indonesia</i>				<i>2.41)</i>	

<sup>1</sup> Target production levels superseded by decision to cut output by 1.2 mb/d from 1 November 2006

<sup>2</sup> Capacity levels can be reached within 30 days and sustained for 90 days

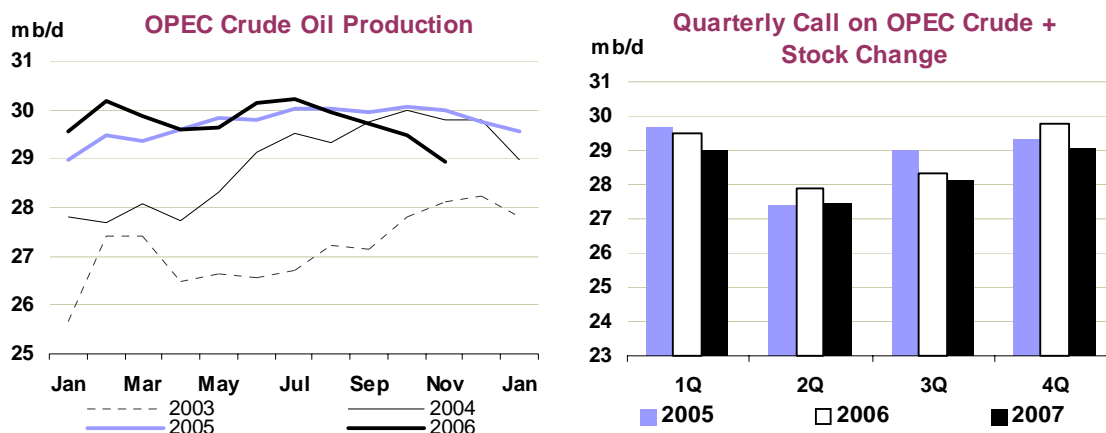
<sup>3</sup> Includes half of Neutral Zone Production

<sup>4</sup> Includes Orinoco extra-heavy oil assumed at 481 kb/d in November

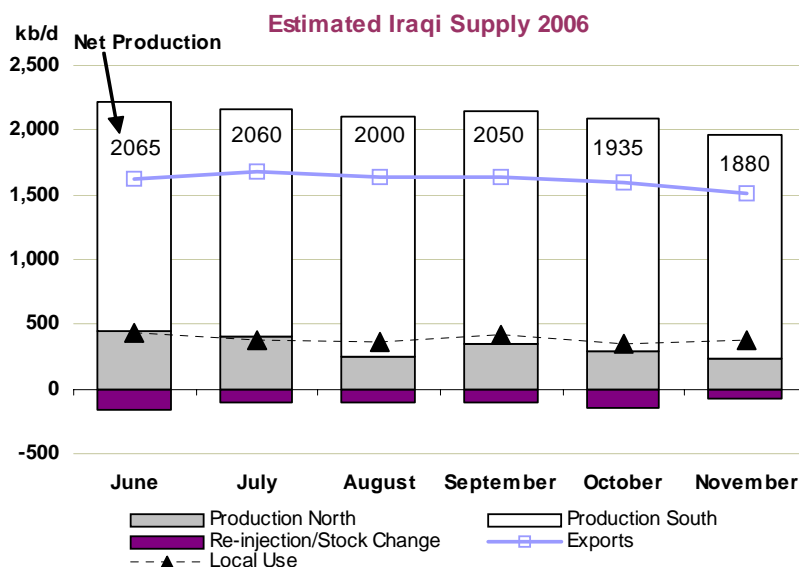
OPEC Ministers are due to meet in Abuja, Nigeria on 14 December to examine market fundamentals and review compliance with an earlier agreement to curb supplies. The organisation on 20 October announced a plan to remove 1.2 mb/d of crude from the market from 1 November, and set an aggregate target for the OPEC-10 (excluding Iraq) of 26.3 mb/d, gauged against September output. Against this benchmark, we estimate actual OPEC-10 cuts of 500 kb/d materialised in November, following on from an observed reduction of 110 kb/d in October.

Some OPEC ministers in the past month have cited what they view as an excessive OECD stock overhang, allied to a depreciating dollar and weakening economic prospects, as being cause for agreeing further production cuts in Abuja. However, inventories have tightened in October and November. And other members have pointed to high prices, the perennial uncertainty over northern hemisphere winter weather and incomplete compliance with the existing curbs as reason to defer any further formal action into the first quarter of 2007. Saudi Arabia has clearly stated that it wishes to avoid

shouldering a swing producer role on its own. The tentative nature of supply curbs so far suggests that compliance with the existing target might have to increase before agreement can be reached on a further official reduction. However, the announcement of further official curbs cannot be discounted, in as much as this might provide a psychological prop to market sentiment, while signalling an intention to improve compliance with the first 1.2 mb/d cut.



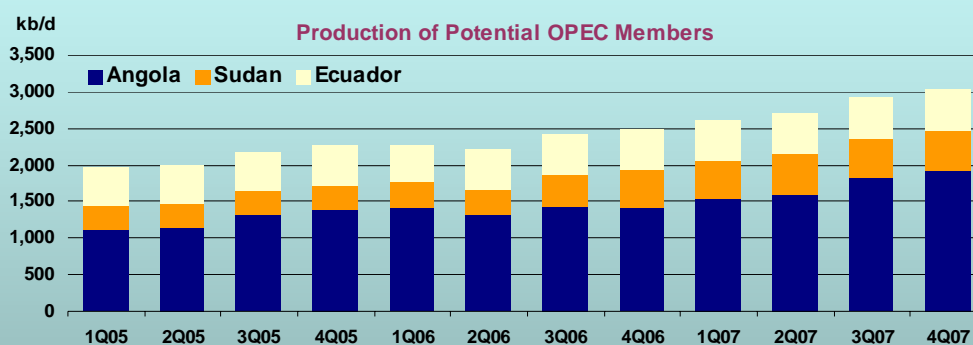
**Iraqi** November crude supply (net of field reinjection and deliveries into storage) fell to an eight-month low at less than 1.9 mb/d, comprising 1.5 mb/d of exports and 375 kb/d of domestic crude use by refineries and power stations. On a positive note, test loadings recommenced from the Khor al Amaya export terminal in late November for the first time since June, exports by pipeline from Kirkuk to Ceyhan restarted around 19 November and progress continued towards initial 2007 production from new fields in the Kurdish-controlled north. However, the oil sector remains chronically prone to disruption, as became clear following mortar attacks on facilities around the Kirkuk oilfield and Baiji refinery which led to a temporary shut-in of northern oilfield production from late November. It was also reported that earlier plans to reinstate crude exports by truck to Jordan are on hold as security en route cannot be guaranteed.



Pipeline deliveries of crude to Ceyhan in Turkey are thought to have averaged some 35 kb/d, taking oil in storage above 3 million barrels. Higher storage than this has tended to be a prerequisite for the authorities to release export tenders for crude at Ceyhan. Preliminary, albeit incomplete, export schedules for December suggest exports could dip further, below 1.3 mb/d. The Basrah terminal is also scheduled for a five-day closure for the reinstallation of metering equipment. Taken together with seasonal weather delays, which played a role in limiting November loadings, December is unlikely to see higher exports in the absence of a new Ceyhan tender.

## Potential New OPEC Members

Reports emerged in late-November that three significant non-OPEC producers are considering joining OPEC. The **Angolan** government has approved a decision to apply to join the cartel, and OPEC sources indicate that if a full application is received in time, it could be discussed at the 14 December Abuja meeting. There is speculation that this could result in Angolan membership becoming effective as early as March 2007. Proposals for **Sudan** and **Ecuador** to join the producer group are less advanced. Sudan's president is reportedly studying a plan for his country to join after OPEC's president suggested in June that an invitation was at a consultative stage. And Ecuador's incoming president has cited plans to take the country back in to an organisation it left in 1992.



For OPEC this holds out the prospect of an immediate 2.5 mb/d increase in its market share, with likely end-decade production from the three reaching over 3.5 mb/d. Proven reserves of 20 billion barrels may seem marginal in comparison to the existing OPEC resource base, but an attractive increment when question marks hang over future production potential, not least from Iran, Iraq, Nigeria and Venezuela. On the downside, future attempts to reinstate individual production quotas might become more complicated with 14 members. For the applicant countries, the attraction of joining OPEC seems overwhelmingly political, with the kudos afforded by joining the 'big league' of producers. But the potential for OPEC production management policies to disrupt future foreign company investment flows should be a concern for host governments and the broader market alike.

Some 580 kb/d of **Nigerian** supply remained shut-in due to rebel activity in November, as production recovery at Bonny facilities was countered by renewed attacks on ENI's Brass River and offshore Okono facilities. In all, Nigerian November supply is assessed down by 35 kb/d from October, at 2.2 mb/d. Refinery operations remain severely constrained, with only 35% of the country's 450 kb/d refinery capacity operating. ENI restarted production from the onshore Tebidaba facilities later in November, and resumed normal operations from the Okono FPSO around 11 December.

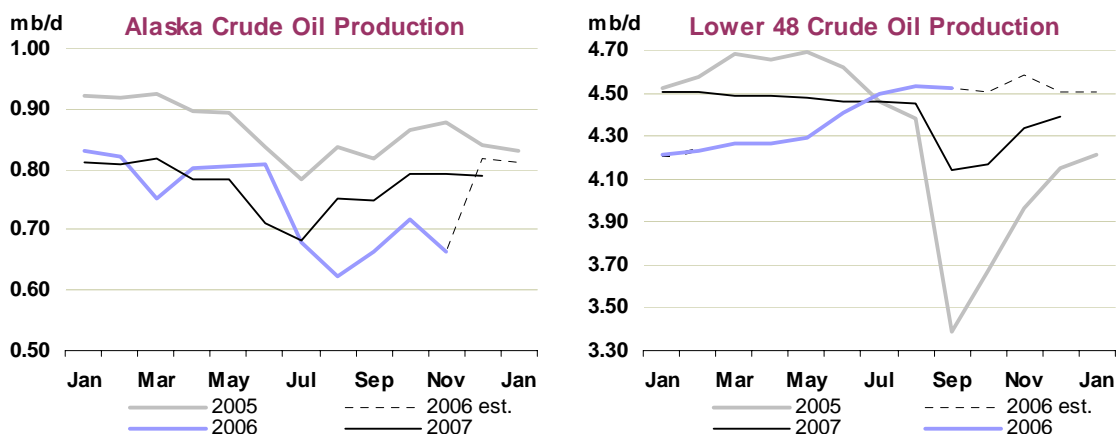
Against a backdrop of intensifying, if fragmented, political unrest leading up to next April's presidential elections, December and January crude export loadings appear likely to remain constrained. However, operator Shell did state in late November that it was preparing to send inspection teams to its shuttered Forcados and EA production facilities in the western Niger Delta. The company suggested that in the absence of renewed attacks or signs of serious damage, up to 50% of its 475 kb/d of shuttered production could be reinstated weeks after inspections are completed, although full recovery could take four to six months.

In **Venezuela**, November supply was cut by an estimated 105 kb/d with maintenance at the Sincor heavy crude upgrader unit running through from late October to mid-November. The Venezuelan authorities had stated in early November that the country's pledge to curb supply by 138 kb/d would be met entirely by restrictions on output at the four joint venture upgrader projects, which account for some 630 kb/d of Venezuelan supply. However, given ongoing negotiations on the contractual status of these projects, there was some market uncertainty on the extent or duration of supply cuts from these facilities.

## OECD

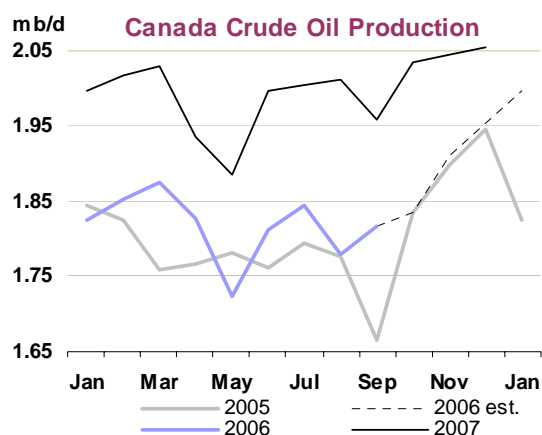
### North America

**US – Alaska November actual, others estimated:** US oil supply in November averaged a preliminary 7.57 mb/d, 65 kb/d up from October. Crude comprised 5.25 mb/d of the total, with NGL at 1.8 mb/d and other hydrocarbons and oxygenates at 0.5 mb/d. In total, US oil supply is revised up by 120 kb/d for the current quarter, following substantial upward revision to September baseline data, particularly for NGL and Lower-48 crude production. GOM supply has also been revised up for 4Q by 125 kb/d, to 1.52 mb/d, after the passing of an uneventful Atlantic hurricane season. GOM supply therefore stands some 0.6 mb/d above storm-ravaged levels from a year ago. US total oil production is revised up by 40 kb/d for 2007, largely based on stronger baseline onshore supply. Overall US growth in 2007 is seen remaining muted, with oil rising from 7.4 mb/d in 2006 to 7.5 mb/d in 2007. Crude averages 5.15 mb/d and 5.18 mb/d respectively. Modest renewed growth is expected from Alaska in 2007, with further gains coming from GOM crude, and from US NGL and ethanol supply.



November Alaskan crude output fell by some 55 kb/d versus October, to 665 kb/d. For the second month running, adverse weather impeded recovery after the summer's pipeline outages. High winds cut tanker liftings from the port of Valdez from mid-month and resulting full storage forced the scaling back of production. However, crude production regained levels close to 800 kb/d in late November and early December, suggesting little downside impact for our earlier December projection. ConocoPhillips and Anadarko announced production start-up at the Nanuq satellite of the Alpine oilfield in late November. Production from Nanuq and an earlier satellite, Fjord, (both of which were already included in our projections) are seen potentially adding 35 kb/d to Alpine supply by 2008.

**Canada – September actual:** The Canadian forecast for 2H06 is revised down by around 20 kb/d, following September data showing weaker NGL and bitumen supply, alongside indications of weaker 4Q supply from offshore Newfoundland. The Terra Nova FPSO returned to service in November after maintenance, as expected, and should regain production levels around 110 kb/d in early 2007. However, PetroCanada guidance on likely 4Q06 output causes us to trim 25 kb/d from our earlier offshore east coast forecast. For 2007, higher conventional crude and bitumen expectations from the western provinces result in a 10 kb/d upward revision for 2007 Canadian supply. Canadian total production reaches 3.4 mb/d in 2007 from 3.2 mb/d in 2006, including 1.3-1.4 mb/d of synthetic crude and NGL. Rising bitumen, offshore east coast and syncrude output account for growth in 2007.



Longer-term growth in Canadian supply is expected to focus on the Alberta oil sands, which in 3Q06 accounted for 1.2 mb/d of total Canadian production. The *Medium-Term Oil Market Report (MTOMR)*, released in July 2006, envisaged oil sands supply potentially exceeding 2.2 mb/d by 2011.

A recently released report from Natural Resources Canada (NRCan) came to similar conclusions, projecting 2.0 mb/d of production in 2010 and 2.5 mb/d by 2015. However, as noted last month, progress on expanding pipeline capacity to bring this oil to US and Asian markets will be crucial in realising this supply potential. Furthermore, the Canadian Association of Petroleum Producers (CAPP) in November released a report citing end-2005-established oil sands reserves of 8.6 billion barrels. This is markedly below earlier Albertan provincial estimates of 174 billion barrels, although CAPP estimates include developed projects only.

### What a Difference a Year Makes: Minimal 2006 Hurricane Impact in US GOM

While the impact of 2005's devastating hurricane season on US crude supply carried over well into 2006, removing upwards of 200 kb/d from first-half 2006 supply, no direct losses have been suffered due to Atlantic hurricane activity in the second half of 2006. Using a five-year rolling average of storm outages, this report had been working on an assumption of 165 kb/d of shut-ins for 3Q 2006 and 215 kb/d for 4Q 2006. As recently as June, this report was projecting 1.3 mb/d crude output for 2006 from the Federal Gulf of Mexico. Now, based on preliminary US data through November, the GOM looks like averaging 1.4 mb/d in 2006.

#### US Gulf of Mexico Hurricane Outages

(thousand barrels per day)

	July	August	September	October	November	December
2001	0	0	0	0	0	0
2002	0	0	290	400	100	50
2003	90	0	0	0	0	0
2004	0	40	470	420	200	150
2005	175	245	1130	910	630	400
2006	0	0	0	0	0	0
<b>5-Year Averages</b>						
2005	18	8	315	164	60	40
2006	53	57	378	346	186	120
2007	53	57	378	346	186	120

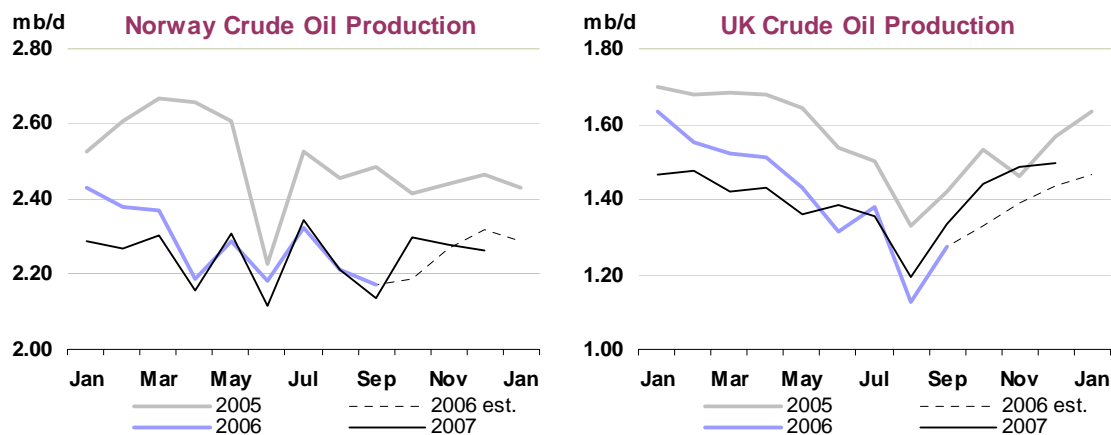
Coincidentally, our 2007 forecast retains an assumption of outages averaging 190 kb/d in second-half 2007, the same as originally projected for 2006. This is because the rolling average of outages has now replaced one 'zero disruption' year (2001), with another (2006). On a net basis the rolling five-year average is thus unchanged. The severity of the 2007 hurricane season remains to be seen, although forecasters are predicting another stronger-than-normal season, as they did for 2006. In the absence of another catastrophic year like 2005, there is clearly the potential for some upside for GOM production in 2007 compared with our forecast. However, further downside risks also surround supply from the area, and project slippage may continue to play a role. Recent high-profile announcements concerning delays, including those for the Thunder Horse and Atlantis projects, have reduced forecast 2007 GOM supply from 1.62 mb/d in July's OMR, to a present outlook of 1.44 mb/d.

### North Sea

**Norway – September actual, October provisional:** Contrary to expectations last month, provisional data for October show Norwegian production rising by 125 kb/d from September, with a further possible rise of over 100 kb/d in November. The increases occurred despite a series of outages in October due to lifeboat system safety checks and, in November, the shut-down of the 30 kb/d Visund field due to a faulty compressor. October estimates suggest overall 2.2 mb/d of crude oil production alongside 0.5 mb/d of condensate and NGL. Total oil production is now seen averaging 2.79 mb/d in 2006 and 2.84 mb/d in 2007.

This report's estimates for 2007 Norwegian production come in below recent government forecasts, but there are signs of increasing E&P activity in the Norwegian sector, which could result in upward revisions for production forecasts in the months ahead. Statistics Norway has upgraded its projections

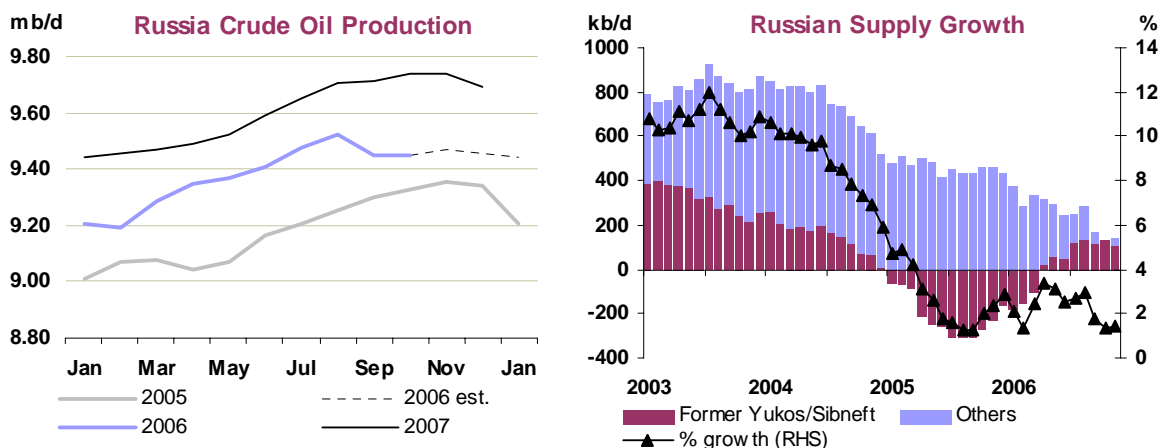
for 2006 and 2007 oil and gas investment, which is seen approaching \$16.5 billion in both years. Exploration spending for 2007 was upgraded to \$4.1 billion from a third-quarter forecast of \$3.2 billion, and represents the highest nominal spend since 1985. However, the report acknowledged that some of the planned exploration investment may be deferred due to capacity shortages. And a Norwegian Oil Industry Association (OLF) report in early December raised concerns about longer-term supply potential, dependent upon access to northern areas of the continental shelf and larger reserve discoveries than those made recently.



**UK – September actual:** August field by field data result in a redistribution of production estimates away from the Forties and west of Shetlands systems, and more towards other areas. Maintenance in both August and September has proved stronger than expected, while baseload UK NGL supply is also running below expectations. Start-up at Nexen’s Buzzard field in the Forties system has also been pushed back from November to late December due to weather-related delays in completing hook-up and commissioning work. In all, UK production is revised down by 60 kb/d in 4Q06 and by 70 kb/d for 1Q07 to reflect the lower baseload and Buzzard delays. But downward adjustments taper off running through 2007, as a number of reports now suggest build-up in supply from Buzzard towards 200 kb/d capacity will be more rapid than we had previously expected. Buzzard is now seen contributing 120 kb/d to 2007 supply compared with 100 kb/d in last month’s report. This should help stabilise UK crude offshore production at around 1.4 mb/d after four years, each of which has seen near-200 kb/d decline. NGL and onshore crude contribute a further 275 kb/d of production in 2007.

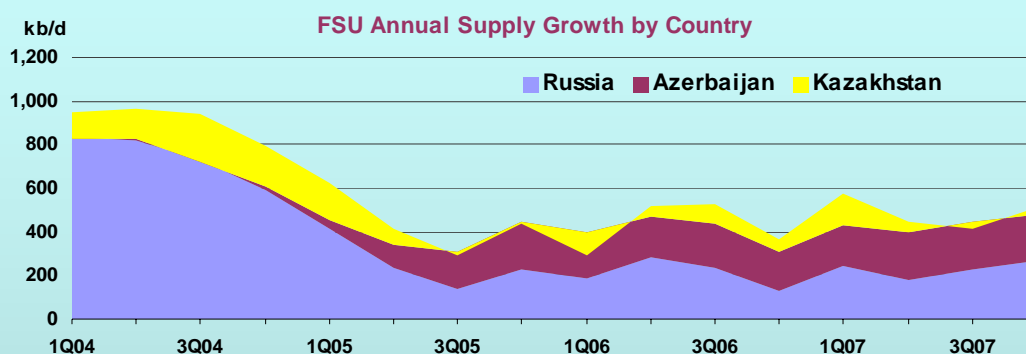
**Former Soviet Union (FSU)**

**Russia – October actual, November provisional:** October and November government data point to Russian oil production respectively 10 kb/d and 30 kb/d above this report’s previous estimates, at some 9.8 mb/d. The upward revisions derive from stronger performance by smaller operators and, ironically given geopolitical factors discussed below, from the two producing Sakhalin projects in Russia’s far east. Despite stronger 4Q-to-date outcomes, growth has now slipped below 2% on an annual basis, raising questions over projections of growth above this level for 2007 and beyond.



## Storm Clouds on the FSU Supply Horizon

FSU production is on course for growth of over 400 kb/d in 2006, and expansion of 490 kb/d is currently envisaged for 2007. This compares to annual rises of 650-900 kb/d during 2001-2004. Russia and Azerbaijan provide the main impetus for 2006/2007 expansion, with Kazakhstan coming more into the frame later in the decade. However, the Russian government's attempts to reinstate control and influence over regional energy assets and infrastructure, reversing the trend towards widespread liberalisation seen in the 1990s, may impede growth prospects. Future access to Russian reserves and the legal operating framework remain uncertain. Geopolitical and infrastructure issues, not below-ground risks, may limit the FSU contribution to medium-term non-OPEC growth.



Recent factors which could impact upon supply growth from the FSU include the following:

- The Sakhalin 2 project expansion is stalled by a combination of environmental infringements and government concerns over cost overruns, which undermine project revenues accruing to the state. Operator Shell may be forced to cede part of its stake to Gazprom;
- The recently-started Sakhalin 1 project (250 kb/d) faces permit delays for the De Kastri export terminal. Sakhalin 1 had been thought less prone to delay as state-favoured operator Rosneft is a partner;
- Russia (24% stakeholder) continues to block the doubling of the 680 kb/d CPC pipeline from Kazakhstan to Novorossiysk, seeking 40% tariff increases and accelerated loan repayments. November saw Russian threats to close the export terminal on alleged license irregularities;
- Moves by the Natural Resource Ministry to rigorously enforce the terms of existing production licenses. This could impact upon over-production, believed by the Ministry to amount to as much as 10% currently, but also conversely could reactivate idle production assets;
- Russian state pipeline operator Transneft's moves to impede crude exports to Ukraine, Lithuania and Belarus, and a revised pricing strategy that could constrain the availability of gas and liquids exports from Azerbaijan's soon-to-start Shah Deniz project;
- A general trend towards greater state control of Russian production (currently 35%, but seen by some as rising ultimately in excess of 50%), with state producers seen unlikely to preside over such rapid capacity expansion as achieved by the private operators.

Both the *OMR* and *MTOMR* already take account of project risks, discounting, where appropriate, company growth plans, deferring headline start-up dates and assessing the feasibility of new pipeline completion and capacity. Recent weeks have seen intensified Russian political pressure on both domestic and neighbouring country operators which, if followed through, may undermine growth. The uncertain impact of political rhetoric means that much of the risk is incorporated in our habitual 300-400 kb/d "downside" proviso for the non-OPEC forecast. But there comes a time when the balance of probability tips in favour of scaling back base case supply projections. For now, only the latest problems facing Sakhalin 1 feed directly into the forecast. There may be more to come.

Production assets formerly held by Yukos and Sibneft, which drove the initial slow-down in Russian growth from mid-2004, have now recovered, albeit growth remains modest. However, production from other major operators such as Lukoil, TNK-BP, Rosneft and Gazprom now seems to have levelled off. Some rebound is expected from 1Q07, bearing in mind the exceptional, weather-related outages suffered in early 2006. And 2007's growth of 230 kb/d is also heavily dependent on the attainment by Sakhalin 1 of targeted export levels. Moreover, there have been reports of some producers trying to maximise margins by shutting in low-productivity wells and of others deferring production increments into 1Q07 to capture improved fiscal terms due from January. The first quarter will therefore be a valuable barometer of the robustness of our 2.4% growth forecast for 2007.

#### FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2004	2005	4Q2005	1Q2006	2Q2006	3Q2006	Aug 06	Sep 06	Oct 06	Latest month vs. Sep 06 Oct 05	
<b>Crude</b>											
Black Sea	2.20	2.27	2.23	2.25	2.26	2.27	2.36	2.15	2.14	-0.01	-0.18
Baltic	1.51	1.59	1.55	1.54	1.73	1.49	1.42	1.46	1.34	-0.12	-0.25
Arctic/FarEast	0.25	0.19	0.17	0.10	0.11	0.20	0.24	0.20	0.21	0.02	0.00
BTC	0.00	0.00	0.00	0.00	0.01	0.22	0.27	0.22	0.25	0.03	0.25
<b>Crude Seaborne</b>	<b>3.96</b>	<b>4.05</b>	<b>3.95</b>	<b>3.89</b>	<b>4.11</b>	<b>4.18</b>	<b>4.29</b>	<b>4.02</b>	<b>3.94</b>	<b>-0.08</b>	<b>-0.18</b>
Druzhba Pipeline	1.10	1.15	1.23	1.20	1.16	1.23	1.17	1.23	1.12	-0.11	0.00
Other Routes	0.23	0.25	0.26	0.31	0.38	0.38	0.37	0.42	0.46	0.04	0.22
<b>Total Crude Exports</b>	<b>5.29</b>	<b>5.45</b>	<b>5.44</b>	<b>5.39</b>	<b>5.65</b>	<b>5.80</b>	<b>5.83</b>	<b>5.67</b>	<b>5.53</b>	<b>-0.15</b>	<b>0.03</b>
Of Which: Transneft	3.76	4.04	4.07	4.05	4.23	4.16	4.11	4.10	3.78	-0.32	-0.32
<b>Products</b>											
Fuel oil	0.90	0.93	1.04	0.87	1.05	0.94	0.99	0.88	0.95	0.07	-0.02
Gasoil	0.84	0.87	0.95	1.01	0.95	0.94	0.95	0.94	0.92	-0.02	0.10
Other Products	0.46	0.58	0.60	0.60	0.70	0.63	0.66	0.52	0.52	0.00	-0.02
<b>Total Product</b>	<b>2.19</b>	<b>2.38</b>	<b>2.58</b>	<b>2.47</b>	<b>2.69</b>	<b>2.50</b>	<b>2.61</b>	<b>2.34</b>	<b>2.40</b>	<b>0.05</b>	<b>0.06</b>
<b>Total Exports</b>	<b>7.48</b>	<b>7.83</b>	<b>8.02</b>	<b>7.87</b>	<b>8.34</b>	<b>8.30</b>	<b>8.44</b>	<b>8.02</b>	<b>7.92</b>	<b>-0.09</b>	<b>0.09</b>
Imports	0.01	0.02	0.02	0.03	0.03	0.03	0.03	0.01	0.02	0.00	-0.01
<b>Net Exports</b>	<b>7.47</b>	<b>7.81</b>	<b>8.00</b>	<b>7.84</b>	<b>8.31</b>	<b>8.27</b>	<b>8.41</b>	<b>8.00</b>	<b>7.91</b>	<b>-0.10</b>	<b>0.11</b>

Sources: Petro-Logistics, IEA estimates

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

September **net FSU exports** are revised down by 160 kb/d compared with last month's estimate on evidence of lower seaborne Baltic crude shipments. Total net exports come to 8.0 mb/d for September and are believed to have fallen further to 7.9 mb/d in October. Baltic and Druzhba pipeline crude shipments account for October's fall, offset in part by a 60 kb/d increase in products exports. Based on Russian crude export schedules, and a likelihood that in general, crude and products exports may have remained constrained ahead of lower December export duties, overall FSU exports may have slipped by a further 100 kb/d or so in November. However, Russian crude export schedules, and a more benevolent fiscal export regime, suggest sharply higher December exports.

## Other Non-OPEC

### Revisions to Other Non-OPEC Estimates

Non-OPEC supply is revised down by 40 kb/d for 2006 and by 115 kb/d for 2007. For 2006, the adjustments centre on the North Sea, China, Brazil, Egypt and Sudan. The impact of 2007 adjustments tapers off through the year, but is focused on now-weaker forecast supply from the North Sea, Australia, Russia, Brazil, Egypt, Mauritania and Sudan. The USA, Kazakhstan, China, India and Malaysia provide some upward supply offset to an otherwise weaker picture for 2007.

**Australian** production is revised down by 40 kb/d for 2007, with weaker output now expected by operator Woodside Petroleum for the Enfield development in the Carnarvon Basin.

**Chinese** output is trimmed by 25 kb/d for 4Q06 based on official October data. However, 2007 projections have been raised by 15 kb/d on average on evidence of more stable supply from older fields such as Daqing and Shengli, plus a stronger offshore profile.

Further delays to new field start-ups in **Brazil** (at the Piranema, Golfino and Roncador fields) trim 30 kb/d from the 2007 forecast. Nonetheless, Brazil remains a mainstay of non-OPEC growth, with nearly 200 kb/d of incremental crude and ethanol supply expected for 2007. A combination of lower baseline supply for late 2006 and now-weaker expectations for 2007 from industry and government sources account for downward adjustments in 2007 of some 20 kb/d each from **Egypt, Mauritania and Sudan**.

## Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last Month's OMR				This Month's OMR				This Month vs. Last Month			
	2006	2007	06 v 05	07 v 06	2006	2007	06 v 05	07 v 06	2006	2007	06 v 05	07 v 06
North America	14.29	14.45	0.15	0.16	14.32	14.49	0.18	0.17	0.03	0.04	0.03	0.01
Europe	5.23	5.30	-0.37	0.07	5.20	5.27	-0.40	0.06	-0.03	-0.04	-0.03	-0.01
Pacific	0.57	0.68	-0.02	0.11	0.57	0.66	-0.01	0.08	0.00	-0.03	0.00	-0.03
<b>Total OECD</b>	<b>20.10</b>	<b>20.44</b>	<b>-0.23</b>	<b>0.34</b>	<b>20.09</b>	<b>20.42</b>	<b>-0.23</b>	<b>0.32</b>	<b>0.00</b>	<b>-0.03</b>	<b>0.00</b>	<b>-0.02</b>
Former USSR	12.04	12.58	0.40	0.53	12.05	12.55	0.42	0.49	0.01	-0.03	0.01	-0.04
Europe	0.15	0.13	-0.01	-0.01	0.15	0.13	-0.01	-0.01	0.00	0.00	0.00	0.00
China	3.69	3.72	0.07	0.03	3.68	3.74	0.07	0.05	-0.01	0.02	-0.01	0.02
Other Asia	2.70	2.73	0.02	0.03	2.70	2.74	0.02	0.03	0.00	0.00	0.01	0.00
Latin America	4.44	4.66	0.15	0.22	4.43	4.64	0.13	0.20	-0.01	-0.02	-0.01	-0.01
Middle East	1.75	1.69	-0.12	-0.06	1.74	1.70	-0.12	-0.05	0.00	0.01	0.00	0.01
Africa	4.02	4.53	0.30	0.51	3.99	4.46	0.28	0.47	-0.03	-0.07	-0.03	-0.04
<b>Total Non-OECD</b>	<b>28.79</b>	<b>30.04</b>	<b>0.82</b>	<b>1.25</b>	<b>28.75</b>	<b>29.95</b>	<b>0.78</b>	<b>1.20</b>	<b>-0.04</b>	<b>-0.09</b>	<b>-0.03</b>	<b>-0.05</b>
Processing Gains	1.90	1.92	0.04	0.02	1.90	1.92	0.04	0.02	0.00	0.00	0.00	0.00
Other Biofuels	0.18	0.34	0.06	0.17	0.18	0.34	0.06	0.17	0.00	0.00	0.00	0.00
<b>Total Non-OPEC</b>	<b>50.96</b>	<b>52.74</b>	<b>0.68</b>	<b>1.78</b>	<b>50.92</b>	<b>52.63</b>	<b>0.65</b>	<b>1.70</b>	<b>-0.04</b>	<b>-0.12</b>	<b>-0.04</b>	<b>-0.08</b>

OMR = Oil Market Report

**Kazakhstan** supply growth is expected to lag both its own buoyant mid-decade levels and those of neighbours Russia and Azerbaijan in 2007. However, oil supply is revised up by 15 kb/d for 2007, growing by 50 kb/d versus 2006 and averaging 1.34 mb/d for the year. A higher late-2006 baseline underpins the adjustment. Longer-term expansion involving the Kashagan project and the sour gas injection phase of the producing Tengiz field, will partly depend on access to new pipeline capacity.

## OECD STOCKS

### Summary

- **Total OECD oil inventories** fell by 40 mb in October to 2,721 mb. Oil product stock draws in North America and Europe outweighed a smaller crude build in North America, while modest crude and product stock movements in the OECD Pacific balanced each other. The year-on-year difference in total OECD stocks fell sharply to 33 mb, compared with 121 mb for September.
- **The North American product stock draw**, as anticipated in last month's report, was significant, reflecting longer and heavier US refinery maintenance and continued strong demand. While this indicates a tightening of the market, total product stocks in North America – as in the OECD as a whole – remain higher than in previous years both in terms of volume and forward demand cover.

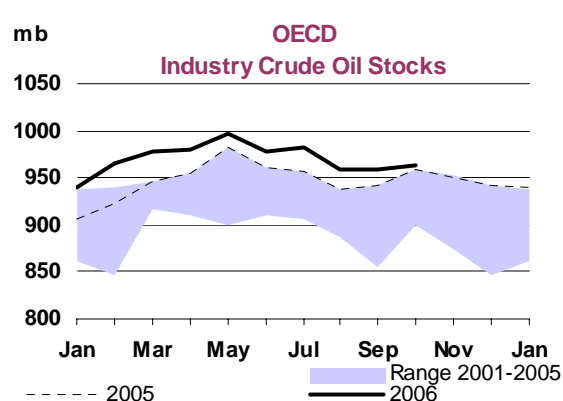
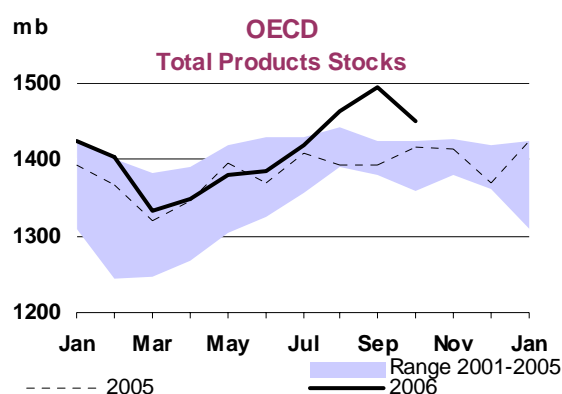
#### Preliminary Industry Stock Change in October 2006 and Third Quarter 2006

(million barrels per day)

	October (preliminary)				Third Quarter 2006			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
<b>Crude Oil</b>	<b>0.28</b>	<b>-0.15</b>	<b>0.04</b>	<b>0.18</b>	<b>-0.02</b>	<b>-0.12</b>	<b>-0.07</b>	<b>-0.21</b>
Gasoline	-0.41	-0.04	0.01	-0.43	0.03	0.04	-0.01	0.06
Distillates	-0.43	-0.32	0.03	-0.72	0.25	0.16	0.18	0.59
Residual Fuel Oil	-0.02	0.03	-0.01	0.00	0.01	0.01	0.01	0.03
Other Products	-0.17	0.00	-0.08	-0.24	0.29	0.08	0.13	0.50
<b>Total Products</b>	<b>-1.03</b>	<b>-0.33</b>	<b>-0.04</b>	<b>-1.40</b>	<b>0.59</b>	<b>0.29</b>	<b>0.30</b>	<b>1.18</b>
Other Oils <sup>1</sup>	-0.04	-0.03	-0.02	-0.09	0.15	0.02	0.02	0.19
<b>Total Oil</b>	<b>-0.79</b>	<b>-0.50</b>	<b>-0.01</b>	<b>-1.31</b>	<b>0.72</b>	<b>0.19</b>	<b>0.25</b>	<b>1.16</b>

<sup>1</sup> Other oils includes NGLs, feedstocks, and other hydrocarbons.

- **OECD crude oil stocks** rose by 5.5 mb in October to 964 mb, reflecting lower refinery throughputs due to seasonal maintenance. They now stand 5.3 mb higher than last year. The rise came mainly in North America and to some extent in the Pacific, while European crude stocks fell slightly on lower stocks in the Netherlands, Italy, Germany and Norway.
- **OECD total product inventories** in October reversed their September trend, and fell by 43 mb to 1,451 mb. This was largely due to product stock drawdowns in the US, where demand was healthy and refinery runs remained muted due to longer-lasting maintenance. European product stocks also fell by 10 mb, while Pacific product stocks were virtually unchanged. The comparison with last year's hurricane-affected stock levels is somewhat misleading, but it is nevertheless striking that September's year-on-year product stock increase of 102 mb was slashed to only 35 mb in October.
- **Days of forward demand cover** for the OECD as a whole fell to 54 days in October. This was one day lower than in September, but still one day higher than in October last year. Cover came to 51 days for North America, 61 days for Europe and 50 days for the Pacific.

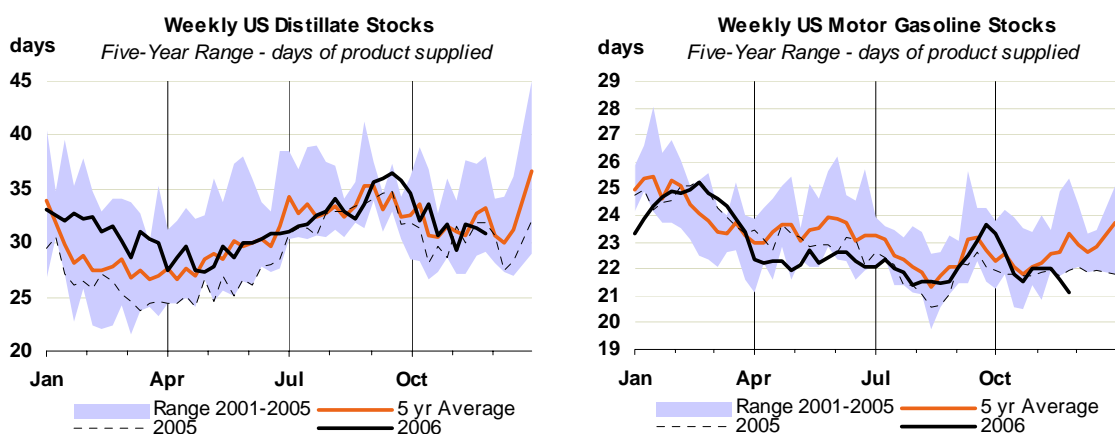


## OECD Industry Stock Changes in October 2006

### OECD North America

North American crude oil inventories increased by 8.7 mb in October, on builds of 5.8 mb and 2.9 mb in the US and Mexico respectively. This was due to maintenance reducing US refinery runs by 673 kb/d in October, while NYMEX WTI's near-month contango widened further, encouraging stock building. In November, US-50 crude stocks added another 5.2 mb, according to preliminary data, as increased crude production outpaced a rise in runs and slightly lower imports. Stocks in Cushing, Oklahoma, the delivery point for NYMEX WTI crude, averaged 25 mb in November, up from October, and reached a record high of 26.8 mb in the week ended 1 December.

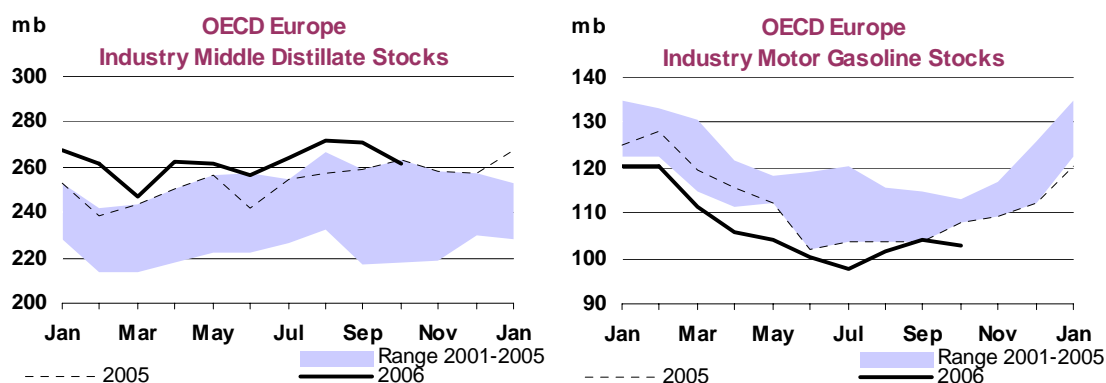
Conversely, North American product stocks fell by 32 mb in October to 691 mb, largely on lower stocks in the US. Total US distillate and gasoline inventories were down by 12 mb and 11 mb respectively, as transport demand stayed high, and refineries underwent maintenance.



In November, US-50 product stocks fell a further 25 mb, of which 4.3 mb were gasoline, 4.0 mb jet fuel and 7.4 mb distillate. Of the latter, some 2.5 mb were heating oil, 1.6 mb were ultra-low-sulphur diesel (ULSD) and 3.2 mb were of low-sulphur diesel stocks. Some of the diesel may have been exported to Europe, while some of the shift was likely related to drawdowns in low-sulphur diesel stocks after the final stage in the shift to ULSD for on-road vehicles. In terms of forward demand cover, both gasoline and distillate stocks have now fallen below their respective five-year averages for this time of the year. The total US stock draw (crude and products) in October and November combined comes to 45 mb.

### OECD Europe

European crude oil stocks fell by 4.6 mb to 322 mb in October and are nearly 12 mb lower than last year. This was mainly due to draws in the Netherlands, Italy, Germany and Norway. Mid-September saw a peak in WTI's premium over Dated Brent, which may have encouraged a higher flow of crude westwards across the Atlantic in October. European refining margins also improved somewhat in October compared with September, but refinery throughputs fell slightly in Europe as a whole. In November, results were more mixed, with Mediterranean cracking margins improving, while NWE margins fell.



European product inventories were down by 10 mb in October, falling to 550 mb. This was almost wholly due to a fall of 10 mb in middle distillates. A gasoline draw of 1.2 mb was balanced by a similar increase in residual fuel oil and 'other products'. Product stocks were down in all major European countries, though France and the Netherlands alone accounted for almost half the draw in middle distillates. In France's case, this was due to a dip in refinery runs of 122 kb/d and strong inland deliveries. Preliminary data show October heating oil supplied in France to be up 35% year-on-year, but this is somewhat exaggerated by a weak figure last year.

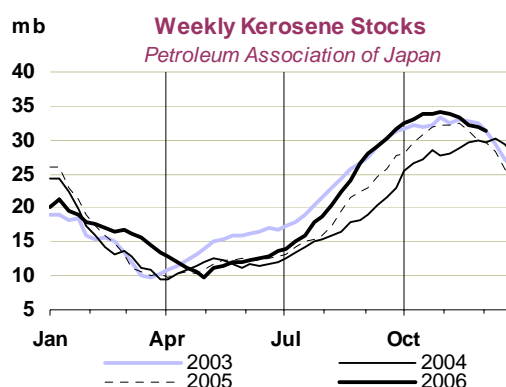
In the Netherlands, higher deliveries into barge markets and strong pre-winter buying reported from Germany contributed to falling distillate stocks. Total European refinery runs were down some 290 kb/d in October. While European gasoline demand and stock levels are structurally declining, middle distillate inventories are at the top of the range. German consumer heating oil stocks rose to 68% of storage capacity in October, continuing to reflect a desire to stock up ahead of a tax increase next year rather than cold temperatures. This is up from 65% at end-September, and up from 59% one year ago.

### OECD Pacific

In the Pacific, crude oil stocks rose by 1.4 mb in October to 176 mb, only a marginal 1.7 mb up on the year. A Japanese crude stock build of 6.4 mb outpaced a fall in crude levels in Korea of 5.0 mb. Japanese crude throughputs were lower than in the last three years on weak demand for refined products and high kerosene stocks. November data from the Petroleum Association of Japan have shown refinery runs pick up as demand for winter heating fuel kerosene in particular rose. Nevertheless, onshore crude stocks remained steady in November. In Korea, crude stocks fell in October as lower imports outpaced reduced refinery throughputs.

Pacific product inventories only inched down by 1.2 mb in October, to 210 mb. This is 7.6 mb higher than October last year. The fall came mainly in residual fuel oil and 'other products' in Japan (each -1.4 mb), while Korean 'other products' were also down by 900 kb. Unlike North America and Europe, the OECD Pacific saw small builds in gasoline and middle distillate stocks of 400 kb and 1 mb respectively on lower demand. Japanese October refinery runs were down by 9% from September, and 12.5% from October last year, at 3.6 mb/d.

Weekly data from the Petroleum Association of Japan show that refinery throughputs increased by 470 kb/d in November. Nevertheless, a prevailing kerosene stock overhang in early November has been transformed by five consecutive weekly draws, marking the beginning of the winter heating season. Total finished product stocks are still slightly higher than one year ago. In contrast, unfinished product stocks have failed to build with the return of refineries from autumn maintenance, and at 55 mb remain lower than average.



### OECD Inventory Position at End-October and Revisions to Preliminary Data

OECD total industry stocks stood at 2,721 mb at the end of October, 41 mb lower than at the end of September, and 33 mb higher than one year ago. This year-on-year increase is sharply lower than one month ago, when total industry oil inventories were 121 mb higher than the previous year. Total product stocks were 35 mb higher than October last year, while crude stocks are up 5 mb. In terms of regions, total North American stocks are 41 mb higher year-on-year, European levels are 14 mb lower, while total Pacific oil stocks are 6 mb up on the year.

#### Year-on-Year OECD Industry Stock Comparisons for October 2006

	(million barrels)				(Days of Forward Demand)				
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total	
<b>Crude Oil</b>	<b>15.3</b>	<b>-11.7</b>	<b>1.7</b>	<b>5.3</b>	<b>Total Oil</b>	<b>0.9</b>	<b>-0.5</b>	<b>1.4</b>	<b>0.6</b>
Total Products	27.3	0.2	7.6	35.1	Versus 2004	4.3	0.4	1.4	2.5
Other Oils <sup>1</sup>	-1.3	-2.7	-3.3	-7.3	Versus 2003	2.4	0.5	2.6	1.8
<b>Total Oil</b>	<b>41.3</b>	<b>-14.2</b>	<b>6.0</b>	<b>33.1</b>	<b>Total Products</b>	<b>0.7</b>	<b>0.3</b>	<b>1.2</b>	<b>0.6</b>
Versus 2004	115.0	-1.1	20.4	134.2	Versus 2004	1.8	0.5	1.9	1.4
Versus 2003	103.8	22.5	21.4	147.7	Versus 2003	1.0	1.6	1.4	1.3

<sup>1</sup> Includes feedstocks, NGLs and other hydrocarbons.

Days of forward demand cover for the OECD as a whole fell to 54 days in October. This was one day lower than September, but still one day higher than in October last year. Cover came to 51 days for North America, 61 days for Europe and 50 days for the Pacific.

### Revisions versus 10 November 2006 Oil Market Report

	(million barrels)							
	North America		Europe		Pacific		OECD	
	Aug 06	Sep 06	Aug 06	Sep 06	Aug 06	Sep 06	Aug 06	Sep 06
<b>Crude Oil</b>	<b>-3.5</b>	<b>-0.8</b>	<b>-0.8</b>	<b>3.2</b>	<b>0.4</b>	<b>-2.0</b>	<b>-3.9</b>	<b>0.5</b>
Gasoline	0.0	-2.0	-0.6	0.2	0.0	-0.9	-0.6	-2.7
Distillates	0.0	-8.2	2.7	4.5	0.1	0.4	2.8	-3.3
Residual Fuel Oil	0.0	0.2	0.5	-1.1	0.0	-0.1	0.5	-0.9
Other Products	0.0	5.9	-0.1	2.3	0.0	-0.7	-0.1	7.4
<b>Total Products</b>	<b>0.0</b>	<b>-4.1</b>	<b>2.5</b>	<b>5.9</b>	<b>0.2</b>	<b>-1.3</b>	<b>2.7</b>	<b>0.5</b>
Other Oils <sup>1</sup>	-1.7	0.9	0.0	0.3	0.0	-0.1	-1.7	1.0
<b>Total Oil</b>	<b>-5.2</b>	<b>-4.0</b>	<b>1.7</b>	<b>9.4</b>	<b>0.6</b>	<b>-3.4</b>	<b>-2.9</b>	<b>2.0</b>

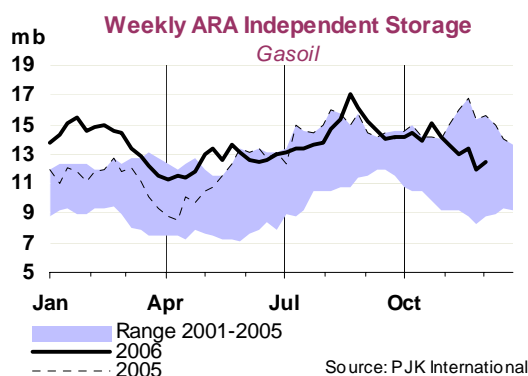
<sup>1</sup> Other oils includes NGLs, feedstocks, and other hydrocarbons.

Revisions to September stock data show only a minor upward shift of 2.0 mb, of which 500 kb each were crude and refined products, and another 1 mb 'other oils'. An upward revision in Europe of 9.4 mb, of which 5.9 mb was products and 3.2 mb crude (+0.3 mb 'other products'), was largely offset by downward revisions for both North America and the Pacific. August figures were revised downwards by 2.9 mb, with a 5.2 mb downward revision for Canada partly offset by an upward revision for Europe.

### Recent Developments in ARA Independent Storage

Total oil product inventories held in independent storage in the Amsterdam-Rotterdam-Antwerp (ARA) area fell sharply in November, according to consultant PJK International. In a reversal of October's trend, fuel oil stocks saw a strong draw in the course of the month, which in combination with a decrease in gas oil inventories outweighed increases in gasoline, naphtha and jet/kerosene.

Fuel oil stocks were down after BP reportedly loaded three VLCCs for shipment to Asia, despite unfavourable arbitrage economics. Deliveries of gas oil have increased ahead of winter consumption, with consumers apparently taking advantage of lower retail prices while temperatures remain unseasonably mild. Meanwhile, gasoline and jet fuel stocks were up again marginally, despite reports of strong flows of gasoline to the US, and favourable arbitrage economics on paper.

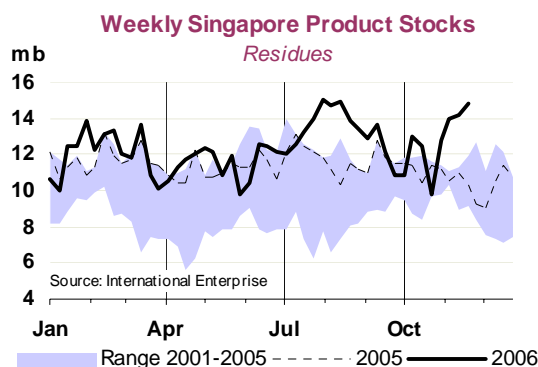


Source: PJK International

### Recent Developments in Singapore Stocks

According to International Enterprise, total oil product stocks held in Singapore rose by 2.2 mb in November. Inventories of all three product categories rose, but most of the increase was due to fuel oil and light distillate stocks increasing. An influx of fuel oil from the west, rising refinery throughputs after maintenance and low bunker demand, were the primary causes. Moreover, Chinese fuel oil imports in November were lower.

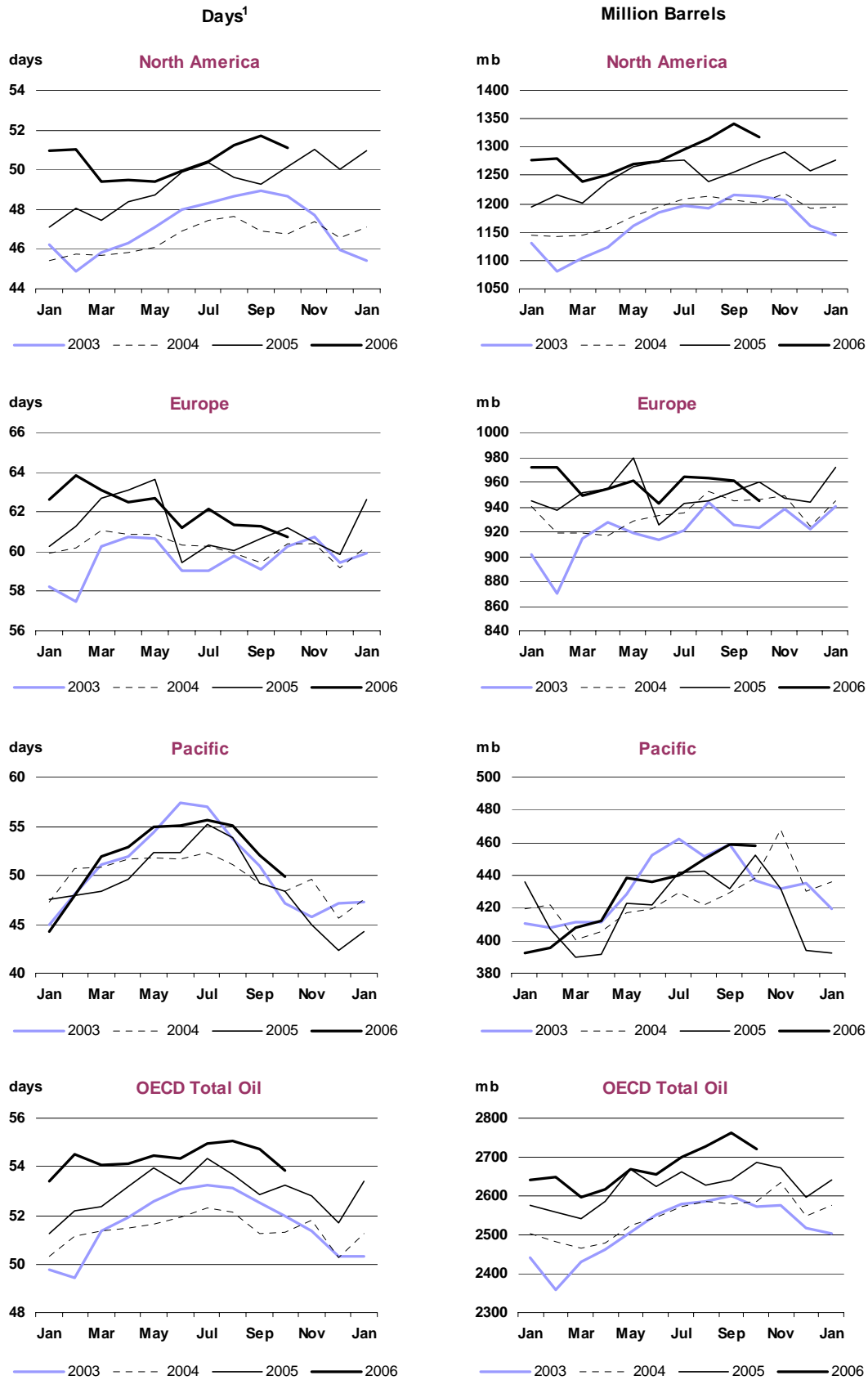
Light distillate stocks rose by 750 kb to the middle of the five-year average range. Unusually, Europe has been sending some naphtha to Asia recently. Middle distillate stocks only rose marginally, after interest in jet fuel and kerosene picked up in Japan and China, where buying interest has been muted. Some diesel cargoes have also been sent to Europe.



Source: International Enterprise

### Regional OECD End-of-Month Industry Stocks

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

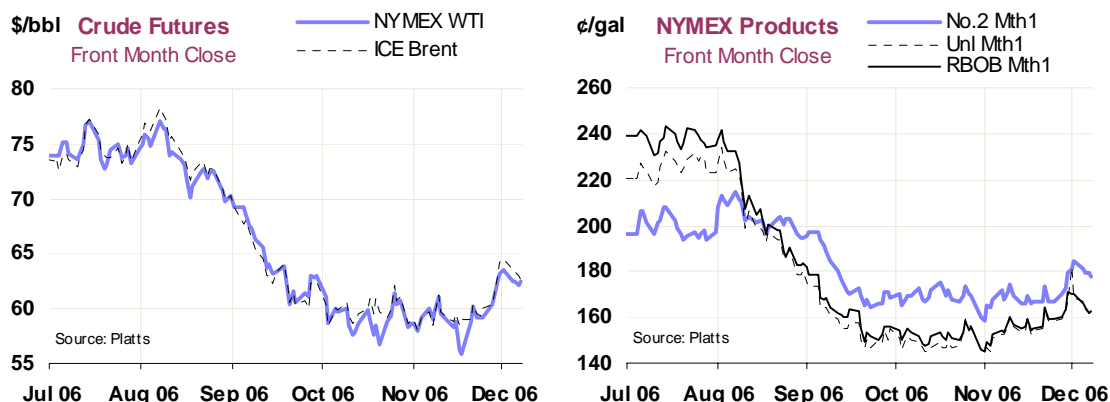


<sup>1</sup> Days of forward demand are based on average demand over the next three months

## PRICES

### Summary

- **Oil prices traded in a narrow range** around \$60/bbl in November as heavier-than-expected US refinery maintenance was offset by an observed OPEC-10 output cut of 500 kb/d. Prices rose in early December, as US product stocks fell amid the first winter cold snap, and markets mulled the prospects for a further OPEC cutback arising from its meeting held on 14 December.
- **Average November crude prices were marginally higher** than in October and picked up further in early December. Light sweet crudes in particular benefited, as a lack of upgrading capacity due to US refinery maintenance drew West African crudes across the Atlantic despite unfavourable arbitrage economics. Physical WTI remained cheaper than Brent due to heavy Midwestern refinery maintenance and high crude stocks.
- **Refining margins diverged in November** as upgrading margins strengthened. Complex refineries benefited from price gains for light and middle products, and stayed relatively attractive. Simple refining margins in contrast, were dragged down by weakening fuel oil prices and remained in negative territory.
- **Product prices trended sideways for most of November**, and then rose in early December due to sustained demand and falling US product stocks. Heating fuels benefited from the first cold snap in the US, and a series of kerosene stock draws in Japan.
- **Freight rates from the Middle East Gulf extended counter-seasonal declines** in November. Reduced OPEC exports and high third-quarter OECD crude stocks left a vessel overhang, which weighed on VLCC rates. Shorter-haul crude rates in the Atlantic Basin however firmed in late November on renewed US interest for light sweet crudes.

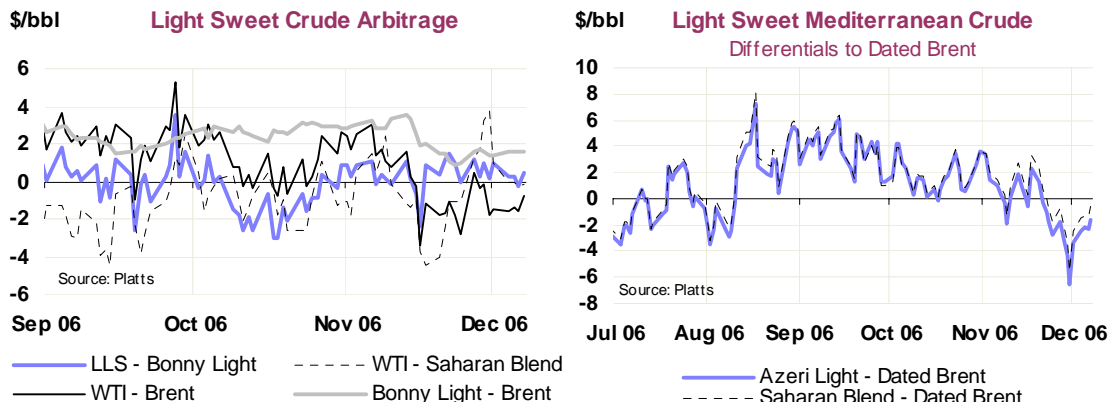


### Overview

Oil prices continued to trade sideways for most of November on mixed market signals. Heavier-than-expected US refinery maintenance was largely offset by an OPEC-10 cut of 500 kb/d. Throughout the month however there was much uncertainty about whether and by how much the group had reduced output. Divergent weather forecasts, concerns about the US economy and a rise in geopolitical tensions created additional volatility and kept benchmark futures trading in the \$58-62/bbl range. An exception was a sharp dip in NYMEX WTI on 17 November, when the contract touched \$55.08/bbl on bearish US natural gas stock news.

Towards the end of November, however, prices broke through the upper end of the range, rising to their highest level since early September. OPEC's net 610 kb/d cut since September appears likely to curtail stocks, but the jury is still out on whether the group will announce a further cut at its meeting of 14 December. Given the fact that OPEC has so far only realised half the 1.2 mb/d cut announced on 20 October, a further declared reduction would have a primarily psychological impact on markets until the actual extent of any cutback became apparent.

Meanwhile, product stocks in the US have fallen by 25 mb in November, as refinery maintenance was heavier and more extended than had been anticipated. Despite unusually warm temperatures in most parts of the northern hemisphere, US consumption in particular remained strong due to ongoing firm transport demand. The advent of the US's first winter temperatures at the beginning of December gave a boost to prices, even though the cold snap did not last long. In terms of demand cover, total distillate and gasoline stocks have now dropped below their five-year average.



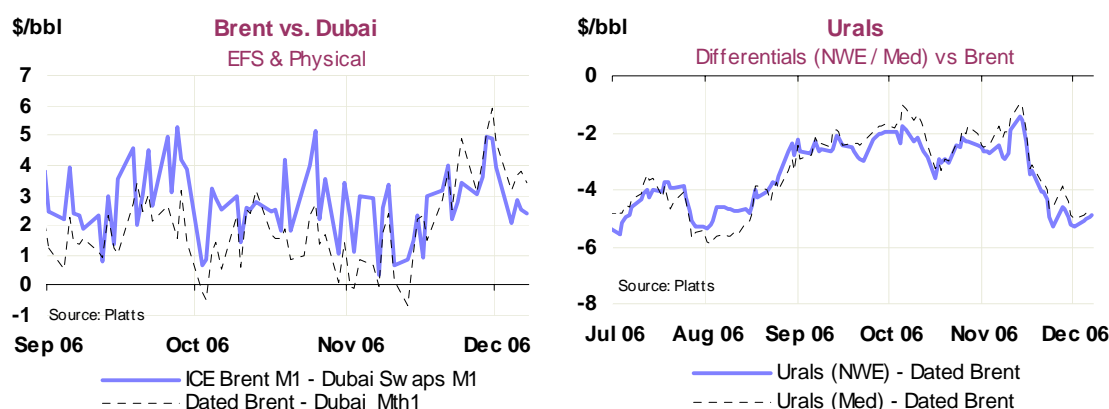
Lastly, geopolitical tensions rose after new attacks in Nigeria curbed oil exports further. ENI declared *force majeure* on some 100 kb/d of Brass River and Okono exports in late November. In the Middle East, King Abdullah of Jordan warned of the risk from three potential civil wars in the region. Violence appears to have increased in Iraq and there are concerns for future security in the country. The situation in Lebanon has deteriorated since the assassination of the industry minister, and large rallies have put pressure on the government. It is also unclear whether a fragile ceasefire between Israelis and Palestinians that came into force in late November will hold.

**Spot Crude Oil Prices**

A combination of protracted refinery maintenance and strong demand for transport fuels has raised interest in lighter, sweeter crudes. Prices of Dated Brent and other similar North Sea, Mediterranean and West African crudes have risen more sharply than others, as US refiners in particular have drawn barrels across the Atlantic. A temporary lack of sophisticated upgrading capacity required higher imports of these crudes, despite the unattractive economics, with Dated Brent consistently more expensive than WTI. On the other hand, refiners were helped by lower freight rates. Nigerian crudes rose on the renewed outages, making Med grades such as Saharan Blend and Azeri Light look increasingly attractive.

Spot Crude Oil Prices and Differentials  
**Table Unavailable**

Dated Brent appears to have also risen due to tightness in the North Sea forward market. Refiners may be keen to snap up cargoes before the introduction of new Buzzard crude to the Forties stream in late December. Quality issues worry refiners, and may subsequently pressure the price of marker Dated BFO. This current tightness has contributed to a narrowing of ICE Brent's near-term contango.



Across the Atlantic, WTI prices have risen less sharply because of high crude stocks in the US, in part because of an increasing influx of Canadian pipeline crudes heading south. Moreover, Midwestern (PADD 2) refinery maintenance was particularly heavy, with considerable cracking capacity offline. Nationwide crude stocks are 7.3 mb below the 2006 peak, but are at a level last seen at this time of the year in 1998. And in delivery point Cushing, Oklahoma, crude stocks were at a record high 26.8 mb. WTI's weakness in turn has prompted some shipments of Latin American crudes, such as Brazilian Marlim, to Asia.

#### Selected Refining Margins in Major Refining Centres

		(\$/bbl)								
		Monthly Average			Change		Week Ending:			
		Sep 06	Oct 06	Nov 06	Nov 06-Oct 06	10 Nov	17 Nov	24 Nov	01 Dec	08 Dec
<b>NW Europe</b>	Brent (Cracking)	2.59	2.43	2.25	-0.18	2.65	2.62	1.94	1.32	0.04
	Urals (Cracking)	3.77	4.15	4.46	0.31	4.38	3.75	5.06	4.69	3.67
	Brent (Hydroskimming)	-2.52	-2.05	-2.67	-0.62	-2.20	-2.25	-3.11	-4.10	-5.55
	Urals (Hydroskimming)	-2.79	-1.67	-1.81	-0.13	-1.42	-2.43	-1.54	-2.43	-3.36
<b>Mediterranean</b>	Es Sider (Cracking)	1.52	1.31	2.80	1.49	2.42	2.21	3.49	3.32	2.45
	Urals (Cracking)	2.97	3.45	4.03	0.58	3.93	3.48	4.48	4.21	3.58
	Es Sider (Hydroskimming)	-4.09	-3.99	-3.00	0.99	-3.31	-3.43	-2.34	-3.15	-4.13
	Urals (Hydroskimming)	-3.91	-2.89	-2.90	0.00	-2.72	-3.33	-2.59	-3.58	-4.34
<b>US Gulf Coast</b>	Brent (Cracking)	-4.06	-2.85	-2.17	0.68	-0.97	-2.23	-3.02	-3.04	-5.27
	LLS (Cracking)	-0.48	1.49	0.86	-0.62	1.20	0.77	0.91	0.80	-1.12
	Mars (Cracking)	0.15	1.64	1.00	-0.64	1.52	1.08	1.27	0.29	-0.97
	Mars (Coking)	6.37	7.63	7.65	0.02	7.85	7.34	8.12	7.82	6.02
	Maya (Coking)	8.08	8.61	10.51	1.91	9.71	10.39	11.64	11.50	9.83
<b>US West Coast</b>	ANS (Cracking)	0.64	4.64	7.91	3.27	8.02	8.11	8.56	7.65	9.01
	Kern (Cracking)	3.55	6.22	7.29	1.07	7.06	7.02	7.06	8.74	8.59
	Oman (Cracking)	-2.21	-1.75	1.44	3.18	1.22	0.23	1.97	3.63	3.64
	Kern (Coking)	14.34	14.85	18.24	3.39	19.69	18.18	17.95	17.09	17.00
<b>Singapore</b>	Dubai (Hydroskimming)	-3.81	-2.68	-3.95	-1.27	-4.16	-4.42	-3.44	-4.08	-5.49
	Tapis (Hydroskimming)	-7.98	-5.72	-4.75	0.97	-5.21	-5.23	-4.06	-4.32	-5.26
	Dubai (Hydrocracking)	0.99	1.04	0.46	-0.58	-0.41	0.10	1.45	1.22	-0.52
	Tapis (Hydrocracking)	-4.06	-2.01	-0.79	1.22	-1.51	-1.27	0.14	-0.10	-1.43
<b>China</b>	Cabinda (Hydroskimming)	-5.37	-5.87	-6.50	-0.63	-6.72	-6.04	-6.16	-7.42	-7.38
	Daqing (Hydroskimming)	-10.09	-7.13	-8.19	-1.06	-8.34	-8.45	-8.06	-8.49	-9.78
	Dubai (Hydroskimming)	-4.37	-3.09	-4.29	-1.20	-4.52	-4.79	-3.79	-4.34	-5.80
	Daqing (Hydrocracking)	-4.60	-1.81	-2.13	-0.31	-2.59	-2.43	-1.70	-1.85	-3.35
	Dubai (Hydrocracking)	0.36	0.58	0.15	-0.42	-0.74	-0.23	1.14	1.02	-0.82

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

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

Sources: IEA, Purvin & Gertz Inc.

Lower OPEC sour crude production in the Middle East Gulf gave Dubai some support in mid-November. Dubai may have also gained some support from closely-linked Oman, as China apparently bought an additional 2.5 mb of the grade in November. These developments led to a sharp narrowing of the Brent-Dubai spread. On paper this should have encouraged the arbitrage of Atlantic Basin crudes to Asia, but tanker loading data show an increase of exports to the west rather than the east. This increased Atlantic Basin buying due to refiners' thirst for grades with higher gasoline and distillates yields, coupled with falling fuel oil cracks, has since widened the spread again.

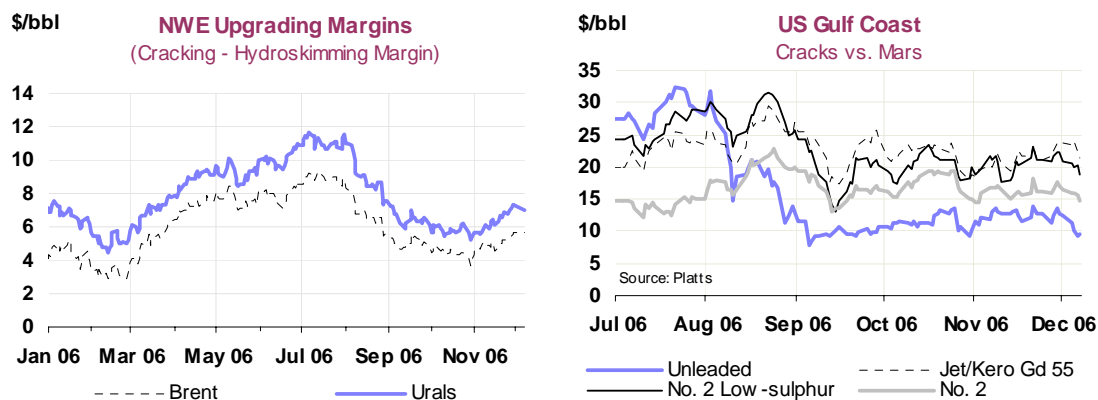
In Europe, Urals prices were pressured by the prospect of higher December export volumes from Russia. A lower crude export duty from 1 December is making shipments abroad more attractive. Relatively rapid round journeys through the Turkish Straits also helped. Hence, in early December, Urals's discount to Dated Brent had tripled from around \$1.50/bbl in mid-November. Relative to Oman, Urals thus remains relatively attractive for Asian buyers.

### Delivered Crude Prices in September

IEA countries paid, on average, \$62.77/bbl for delivered crude in September. This was almost \$7/bbl less than August and was a direct result of late-summer decreases in global crude prices. European IEA countries felt a \$9/bbl decrease in CIF crude in September, compared with a month-on-month decrease of \$6.92/bbl in IEA North America. Pacific IEA countries paid \$2.88/bbl less in September than August but should see more reductions in October as cheaper long-haul arrivals lower the average delivered price for the region.

### Refining Margins

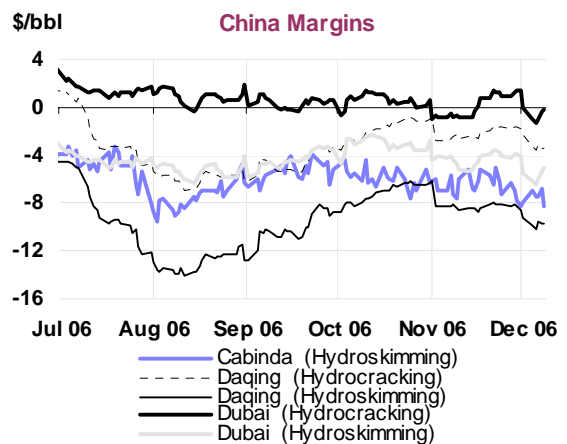
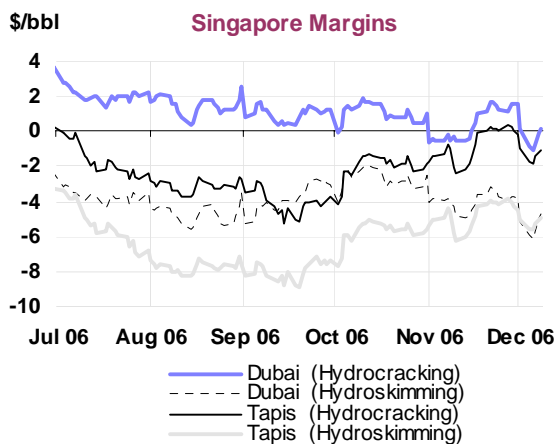
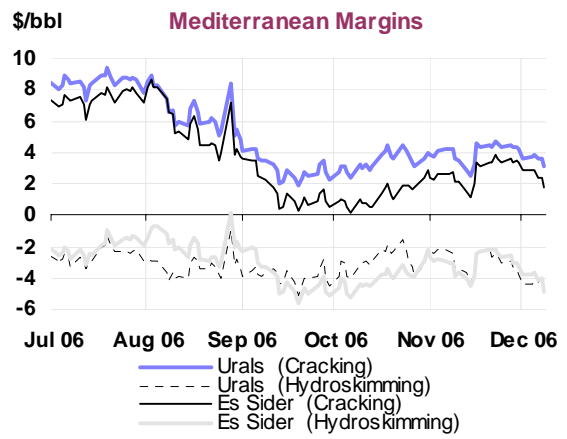
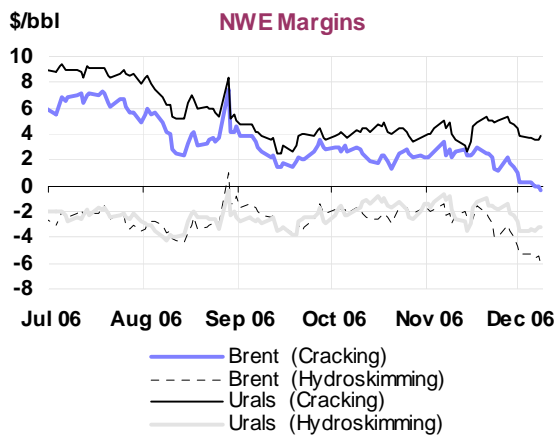
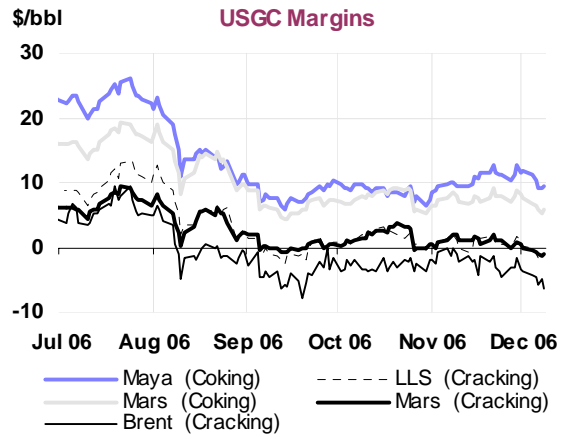
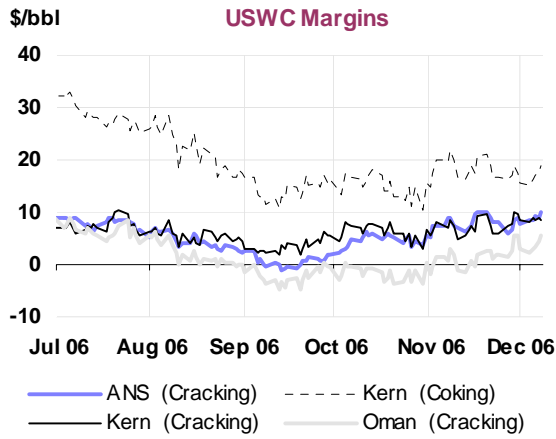
Refining margins in November were mixed. Most complex margins rose versus October and stayed high as late-month rises in product prices outpaced crude gains. Simple margins, in contrast, mostly fell as fuel oil weakened, and they remain negative. Hence upgrading margins widened over the month. Margins in the US West Coast saw the strongest gains in November, as heavy turnarounds and high crude stocks boosted cracks. In Europe, Urals's relative weakness towards the end of the month contributed to gains in cracking margins in both NWE and the Med. Brent cracking in Rotterdam suffered due to Brent's relative strength, while most hydroskimming margins fell. In Asia, margins were mixed, but remain weaker than in other regions.



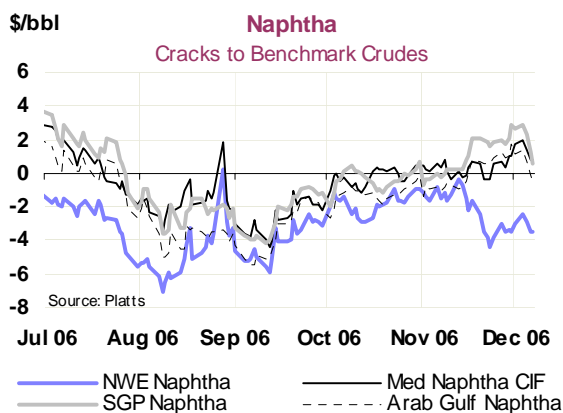
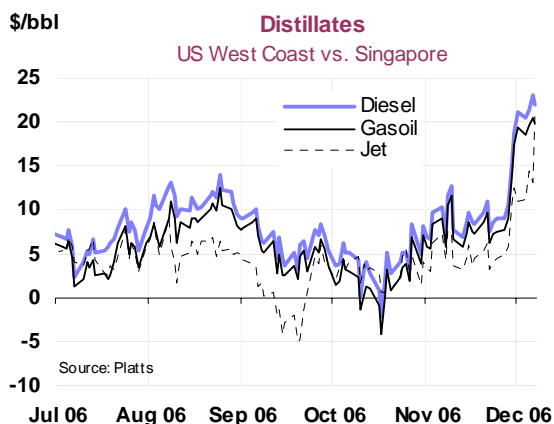
### Spot Product Prices

Spot prices of light and middle distillates trended sideways throughout most of November, but then rose late in the month and in early December. They were buoyed by sustained demand and supply tightness in the US, where autumn refinery maintenance was unexpectedly heavy. US total product stocks in November fell by 25 mb, of which 7.4 mb was distillate. Temperatures have mostly been warmer than average, but this winter's first cold snap in the US led to stock drawdowns and price rises. Jet fuel prices have shown the strongest rise in November and early December, in part squeezed by competing needs for heating oil and diesel. China returned to the market to buy jet supplies for

### Regional Full-Cost Refining Margins



January, which gave some support. Japanese kerosene stocks have seen five successive weekly draws, bringing them more in line with previous years, and encouraging refiners to ramp up production. An opening arbitrage from Singapore to Rotterdam saw several fixtures of diesel cargoes to Europe. Overall, with the exception of jet fuel, distillate cracks remained steady in recent weeks.



Gasoline prices rose gently from mid-November, but cracks remained relatively low. In contrast, naphtha prices increased more substantially on lower scheduled exports from India in December. Increased demand there for power generation has reduced exports below the high volumes seen in the last couple of months. As a result naphtha's Singapore crack pulled itself out of negative territory in mid-November, where it had been languishing since July. But in early December, it fell again, as unusually, some cargoes were reportedly fixed from Europe and the Middle East to Asia.

Spot Product Prices  
**Table Unavailable**

The discount of fuel oil to benchmark crudes widened again in most regions as refiners increased output after maintenance and demand remained weak. China, which usually absorbs a lot of the excess product, imported less fuel oil in November. Despite a decline in the spread between Rotterdam and Singapore prices making the arbitrage uneconomical, BP reportedly fixed at least three VLCCs to move fuel oil to Asia. Western arrivals in Singapore in December are expected to be in the region of 2.2-2.3 million tonnes, around a third higher than in November. Independently-held Singapore residue stocks rose 1.37 mb or 10% over the month, while in the Amsterdam-Rotterdam-Antwerp (ARA) region, they fell by a similar amount. The exception to fuel oil's weakness was the price of low-sulphur waxy residual (LSWR), which rose in late November and early December. Supplies tightened after Indonesia brought a hydrocracker back online at its Dumai refinery.

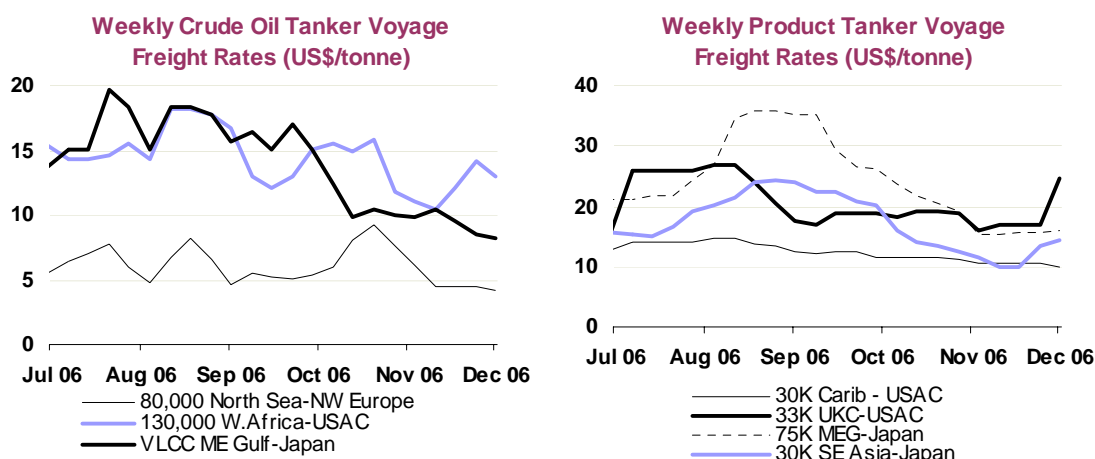
### End-User Product Prices in November

Despite previous declines in product prices, middle-distillate tightness kept November end-user diesel and heating oil prices flat compared with October, while gasoline prices weakened only marginally. US consumers paid \$0.67/litre for diesel in November, as they did in October, while prices at the gasoline pump fell by 1.3% month-on-month to \$0.59/litre. Without tax and in dollar terms, diesel and heating oil prices also remained relatively flat in other OECD countries in November, while gasoline prices fell by up to 2%. Exceptions were in Japan, where all three products lost between 1% and 4% month-on-month, and Germany where heating oil prices dropped 3.2% in November. Comparative low-sulphur fuel oil prices in OECD Europe rose by up to 3% in November, but decreased by 0.9% in Japan.

### Freight

Reduced OPEC exports prompted further counter-seasonal declines in crude freight rates from the Middle East Gulf in November. VLCC spot charter rates to Japan are now at a quarter of last year's rates and corresponding front-quarter freight futures recently hit a four-year low. In a depressed dirty sector, only Suezmax rates in the Atlantic basin showed any firmness, temporarily buoyed by protracted US refinery maintenance which boosted demand for vessels to import light, sweet crudes. Clean tanker rates lost ground in November until some Asian product trade activity spurred an end-month rebound.

A November slump in Middle East Gulf crude rates suggested slackening export activity as OPEC supply cuts took effect. Tanker movements reports confirmed this, showing steep declines in sailings from the region in November and significantly reduced volumes of oil in transit. The resultant surplus of vessels for hire in the region dragged November VLCC rates to Japan down by \$2/tonne to finish around \$8/tonne. Corresponding rates to the US Gulf lost slightly less than \$2/tonne and ended the month around \$16/tonne.



Declining VLCC rates in November are unusual. Even ignoring the exceptional fourth quarters in 2004 and 2005, dirty shipping rates normally rise as refiners build crude stocks ahead of winter. This year, busy summer flows left third-quarter OECD crude stocks high, which has helped undermine crude vessel demand in the fourth quarter. Nonetheless, OECD product stocks dropped to seasonal levels in October and preliminary November data showed further draws in the US. A cold snap in

consumer regions would not only push refiners to raise utilisation rates but would also increase competition for spot crude cargoes. This could have trade implications which support crude freight rates especially if long-haul arbitrage windows are forced open.

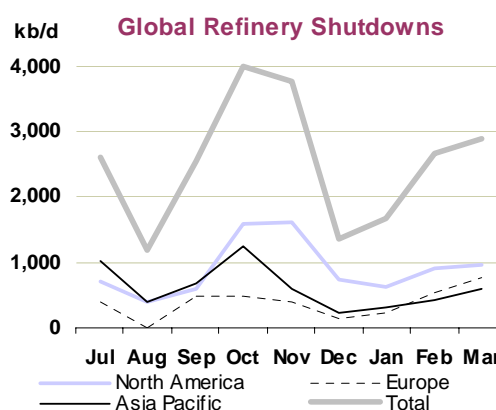
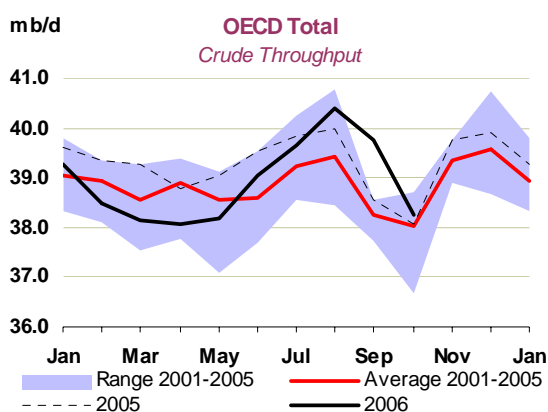
A slow restart after US refinery maintenance lent some late-November support to dirty freight rates in the Atlantic basin. Upgrading units were particularly slow to return, boosting interest in transportation for million-barrel cargoes of distillate-rich Atlantic crudes. West Africa to US Atlantic Suezmax rates rose by \$4/tonne in the second half of November to \$14/tonne but lost most of these gains in early December. Caribbean Aframax rates weakened throughout November and briefly fell below \$10/tonne in the first week of December after highs of over \$14/tonne in October. Heavy maintenance to complex refinery units in the US Gulf deflated demand for transportation for low-quality crude from Mexico and Venezuela. Mediterranean rates fared little better.

Clean tanker rates rebounded at the end of November after falling to multi-month lows in the first half of the month. Maintenance at exporting refineries and importing petrochemical plants had stemmed product flows in Asia, reducing clean tanker demand. Rising Indian naphtha exports have also diluted large product tanker rates from the Middle East by offering an alternative naphtha supply option but exporting in smaller product vessels. Transatlantic product trade was tempered by mild weather, despite heavy refinery maintenance. However, forecasts of colder US temperatures, a couple of trans-Pacific charters, diversions of Indian naphtha to the domestic power sector and draws in Japanese kerosene stocks all combined to prop up clean rates as November ended. Singapore to Japan rates for 30,000-tonne clean cargoes, which reached \$24/tonne in August, hit a low of \$11.50/tonne mid-November before rebounding back over \$20/tonne at the start of December.

## REFINING

### Summary

- **OECD refinery throughput** declined by 1.5 mb/d to 38.3 mb/d in October. The seasonal peak in OECD refinery maintenance curtailed crude runs during the month. Nonetheless, crude runs were still above October 2005's hurricane-disrupted level, as gains in the US were only partly offset by declines in Europe and the Pacific.
- **OECD refinery runs** are expected to have recovered by 0.6 mb/d in November. This rebound in throughputs is lower than previously forecast as unplanned shutdowns and previously unannounced maintenance have increased our estimates for offline capacity. The increase in runs is biased towards the Pacific with small contributions from Europe and North America. December crude runs should show a marked improvement over November.
- **OECD refinery yield data** for September indicate that distillate production reached record seasonal levels. Refiners continue to maximise diesel production, at the expense of jet/kerosene production, with strong growth particularly noticeable in the US. Gasoline yields fell from August levels as maintenance of upgrading capacity impacted yields.
- **Global offline capacity** is estimated to have decreased from 4.0 mb/d in October to 3.8 mb/d in November. Offline refinery capacity in the OECD is projected to decline from the October peak of 2.9 mb/d to 2.3 mb/d in November and to 1.1 mb/d in December. The first quarter of next year is forecast to see an increase in maintenance work from December levels.



### Refinery Throughput

OECD refinery crude runs in October were an estimated 38.27 mb/d, as autumn refinery maintenance increased in line with forecasts. Heavier maintenance was seen in all three OECD regions month-on-month, although increases in the US and Japan were particularly heavy. The 1.47 mb/d decline in runs from September's downwardly revised (-52 kb/d) figure of 39.74 mb/d was weighted towards North America, which accounted for half of this decline. Average October OECD throughputs were only 186 kb/d above October 2005's level, as North America's increase of 1.37 mb/d was largely offset by year-on-year declines in Europe (-635 kb/d) and the Pacific (-550 kb/d). The decline from October 2005's level in Europe and the Pacific is perhaps more a reflection of last year's high baseline as refiners responded to the disruption caused by Hurricanes Katrina and Rita. Furthermore, the recent weak margin environment is also likely to be partly responsible. Hydroskimming margins in Europe and Asia are more than \$5/bbl weaker than a year ago, averaging less than -\$2/bbl over the course of October. As a result of lower throughputs, average OECD capacity utilisation decreased to 84.9% in October, from 88.2% in September, on a par with last October's 85.2%.

Weekly data for November indicate that crude runs in Japan recovered during the month as refiners returned from maintenance, reaching 4.1 mb/d in late November. However, the expected recovery in US throughputs failed to materialise for two reasons. Firstly, several refineries encountered problems with upgrading and hydrotreating units which curtailed crude runs. Secondly, higher-than-expected maintenance in the US Midwest and West Coast regions cut reported runs, thus delaying the projected rebound in crude throughputs by a further month. OECD December crude runs are expected to

register an increase of just over 1 mb/d from November's level, before refiners start a new round of maintenance in the first quarter of 2007. In December, economic run cuts totalling some 100 kb/d have been reinstated in Korea, due to high stocks and poor margins. Conversely, Japanese refiner Nippon Oil is planning to increase runs, subject to sustained product demand. Furthermore, reports suggest that some European refiners are also considering run cuts due to the weaker margin environment and the particularly mild weather which has curtailed demand for gasoil in some countries.

### Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day						Change from		Utilisation rate <sup>2</sup>	
	May 06	Jun 06	Jul 06	Aug 06	Sep 06	Oct 06	Sep 06	Oct 05	Oct 06	Oct 05
<b>OECD North America</b>										
US <sup>3</sup>	15.52	15.84	15.67	15.79	15.74	15.06	-0.67	1.42	86.60	79.65
Canada	1.49	1.73	1.88	1.92	1.81	1.81	0.00	-0.01	89.86	90.12
Mexico	1.22	1.22	1.25	1.22	1.18	1.14	-0.04	-0.04	67.58	71.96
Total	18.22	18.79	18.79	18.93	18.73	18.01	-0.71	1.37	85.39	79.88
<b>OECD Europe</b>										
France	1.49	1.64	1.72	1.81	1.86	1.74	-0.12	0.17	87.83	80.54
Germany	2.37	2.34	2.37	2.45	2.18	2.19	0.01	-0.19	90.04	96.80
Italy	1.50	1.87	1.87	1.93	1.88	1.90	0.02	-0.15	81.73	88.20
Netherlands	0.92	0.99	0.94	0.98	1.03	1.02	-0.01	-0.01	83.07	83.27
Spain	1.22	1.26	1.19	1.24	1.22	1.17	-0.05	-0.12	91.88	101.68
UK	1.59	1.60	1.61	1.68	1.64	1.65	0.01	-0.05	88.12	93.52
Other OECD Europe	4.21	4.27	4.19	4.16	4.12	3.98	-0.14	-0.28	82.52	91.26
Total	13.31	13.97	13.90	14.25	13.94	13.64	-0.29	-0.64	85.66	90.82
<b>OECD Pacific</b>										
Japan	3.50	3.51	3.84	4.09	3.92	3.50	-0.42	-0.58	74.86	86.64
Korea	2.52	2.14	2.43	2.41	2.46	2.42	-0.04	0.03	94.10	92.74
Other OECD Pacific	0.62	0.65	0.70	0.72	0.70	0.69	-0.01	0.00	85.66	80.80
Total	6.64	6.30	6.97	7.22	7.08	6.61	-0.47	-0.55	82.09	87.96
<b>OECD Total</b>	<b>38.18</b>	<b>39.06</b>	<b>39.66</b>	<b>40.40</b>	<b>39.74</b>	<b>38.27</b>	<b>-1.47</b>	<b>0.19</b>	<b>84.90</b>	<b>85.20</b>

1 Estimate

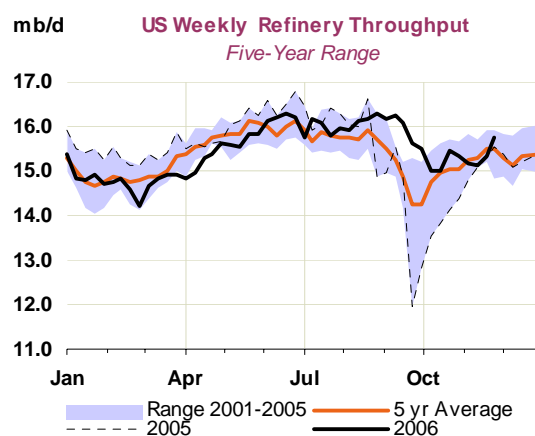
2 Based on crude throughput and current operable refining capacity

3 US\$0

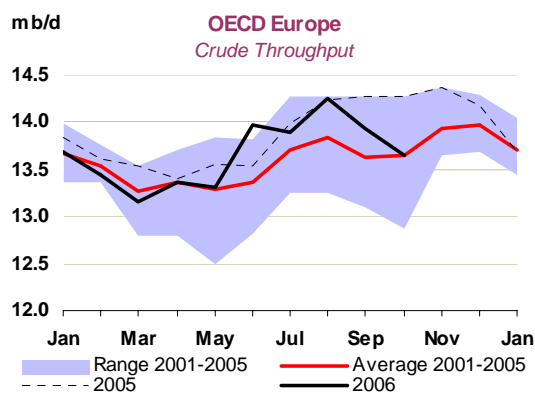
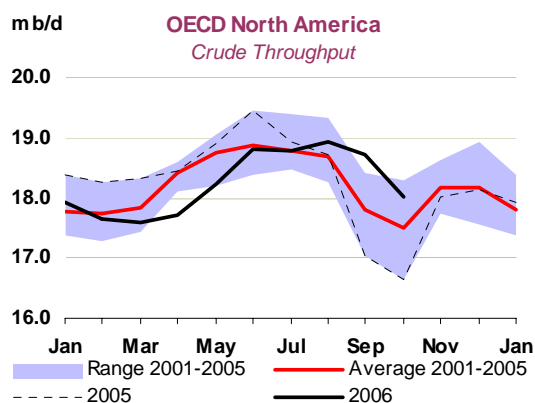
### OECD North America

Provisional data for October show that North American crude throughputs fell by 711 kb/d month-on-month to an estimated 18.01 mb/d. The decline from September's level of 18.73 mb/d was the result of lower throughputs in the US (-673 kb/d) and Mexico (-41 kb/d). Crude runs registered a 1.37 mb/d gain over October 2005 as US refiners suffered no interruptions from hurricanes which markedly affected last year's activities. Consequently, North American capacity utilisation was 85.4% in October, down from September's 88.8%, but up from last year's 79.9%.

US throughputs averaged 15.06 mb/d in October, a decline of 673 kb/d from September. Refiners made use of the post driving-season lull in demand for gasoline to undertake maintenance work on catalytic cracking and alkylation capacity. The reduced availability of upgrading capacity in October led to high imports of West African crudes, as refiners moved to lighten and sweeten their crude slate during their turnaround period and minimise residue production. Despite the decline in crude runs, they remained 1.42 mb/d above the October 2005 level. Average capacity utilisation fell to 86.6% from September's 90.5%. Canadian crude runs are estimated to have been 1.81 mb/d in October, broadly unchanged from September's estimate. Maintenance work at Suncor's Sarnia and Irving Oil's St John refineries ended, while Shell's Ontario plant started a turnaround. Mexican October crude runs are estimated to have declined 41 kb/d from September's level to 1.14 mb/d, their lowest level in the last two years.



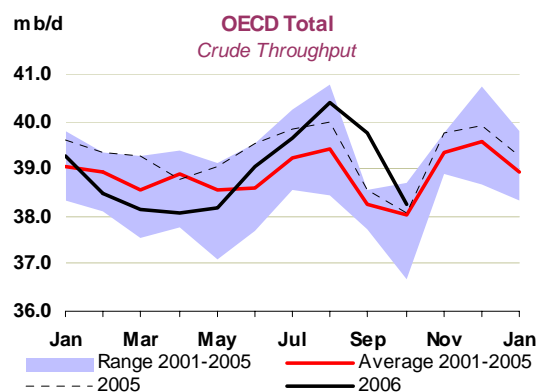
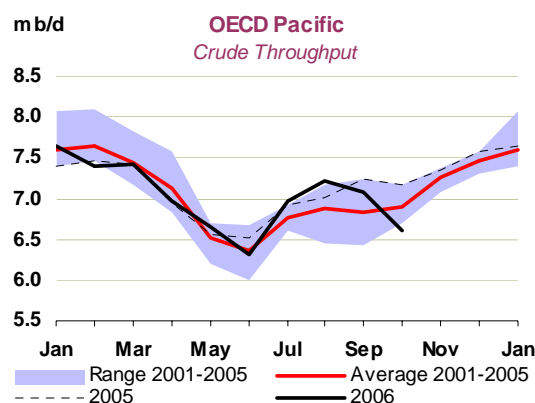
Weekly US data indicate that November crude throughputs were slightly higher on average at 15.14 mb/d. Crude runs increased at the end of the month, rising by almost 500 kb/d from the mid-month low of 14.93 mb/d. Crude runs were particularly weak in the US Midwest and West Coast. In the US Midwest, crude runs reached an 18-month low, with maintenance work reported at ConocoPhillips' Ponca City refinery, Valero's Lima plant, BP's Toledo and Whiting operations, Flint Hill Resources' Pine Bend and Citgo's Lemont facilities. Similarly, on the West Coast, crude runs reached their lowest level in two years and were within 155 kb/d of the five-year low of 2.18 mb/d. The shutdown of BP's Carson refinery, plus work at Tesoro's Anacortes refinery, were largely responsible for the decline in crude runs. Some reports suggest that operational problems at ConocoPhillips and ExxonMobil plants in California also contributed to the lower crude runs.



### OECD Europe

European crude throughputs averaged 13.64 mb/d in October, a decrease of 292 kb/d from September's downwardly revised (-106 kb/d) level of 13.94 kb/d, and 635 kb/d below October 2005's level. The decline was broad-based, although French crude runs fell more than most, down 122 kb/d. While the possibility remains that some of the work we had anticipated for September was delayed until October, it should be noted that refining margins were -\$3/bbl for Urals hydroskimming in the Mediterranean and therefore likely to have led to some refiners curtailing throughputs. Crude runs should pick up in November, despite the reported shutdown of ExxonMobil's 250 kb/d Antwerp facility and problems at Neste's Porvoo catalytic cracker.

Early December has seen renewed weakness in margins, with Urals hydroskimming falling to -\$4.34/bbl in the Mediterranean, suggesting that hydroskimming refineries who have not already done so will seek to minimise runs. During December there is little evidence of planned refinery maintenance, suggesting runs should increase from November's level, notwithstanding the possibility of run cuts.



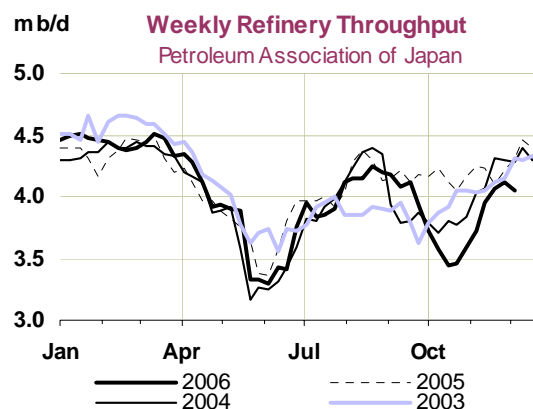
### OECD Pacific

OECD Pacific crude throughputs declined by 470 kb/d in October to average 6.61 mb/d. This represents a fall from the upwardly revised (+58 kb/d) September estimate of 7.08 mb/d and is 550 kb/d below October 2005's level. The decrease was centred in Japan where runs fell by 424 kb/d

to average 3.50 mb/d from September's upwardly revised (+52 kb/d) level of 3.92 mb/d. Korean runs fell by 38 kb/d to average 2.42 mb/d. The seasonal peak in refinery maintenance ahead of winter heating-related demand pushed runs lower. In both countries, reports suggest economic run cuts of around 40 kb/d further reduced crude runs.

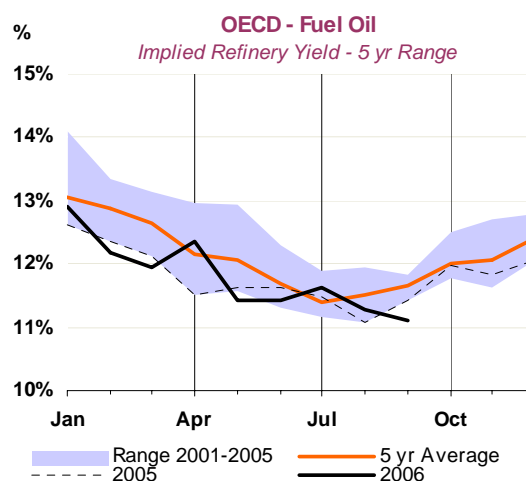
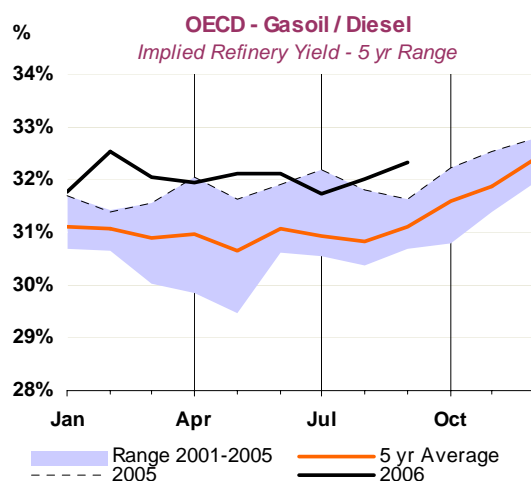
Weekly data from the Petroleum Association of Japan show that crude runs recovered in November as refineries returned from maintenance shutdowns. Runs increased from 3.7 mb/d in early November to 4.1 mb/d by the end of the month. The closure in early December of a 110 kb/d crude unit at Cosmo's Chiba refinery for unplanned maintenance through to the end of January is the presumable cause of the recent drop in throughputs. Nippon Oil, which operates just over a quarter of Japan's refining capacity, recently cancelled its planned voluntary run cuts for December. This should increase runs by around 137 kb/d to 1.08 mb/d for the month. The increase in runs is subject to demand for kerosene remaining strong enough to absorb product supplies, with the further proviso that weak demand, due to warm weather, and rising kerosene stocks could lead to the reimposition of run cuts later in the month.

Conversely, Korean refiners have reimposed voluntary run cuts for December, having removed them in November. Reports indicate that refiners cutting runs include S-Oil, which usually does not need to reduce throughputs as it operates the most sophisticated refinery in Korea. S-Oil's refinery has significantly more upgrading capacity relative to its crude distillation capacity than other Korean refiners and hence a lower yield of fuel oil. This suggests that the cuts are aimed at reducing stock levels of kerosene rather than as a result of deteriorating refining economics.



## OECD Refinery Yields

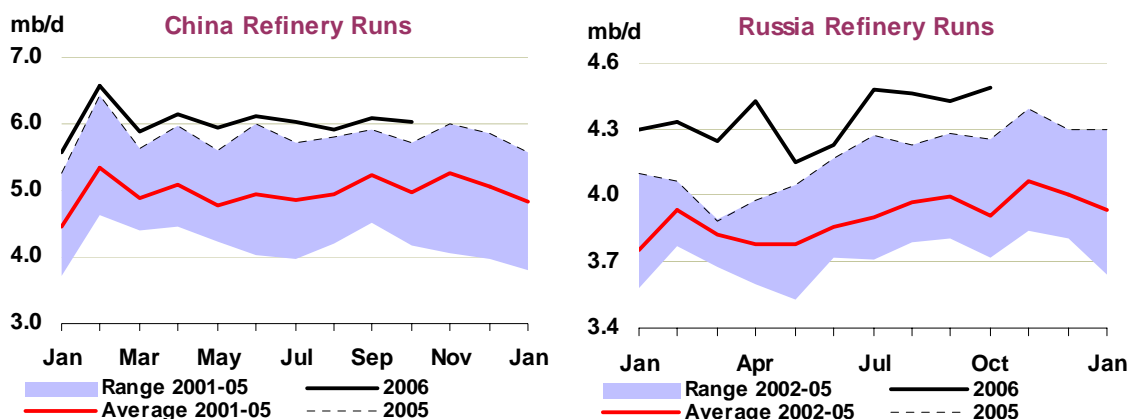
OECD refinery yield data for September show refiners continue to raise diesel/gasoil yields in response to strong demand growth. Regionally, growth was most pronounced in North America, when measured against last year's hurricane-affected yields and the five-year average. Unusually, the diesel/gasoil yield in North America is now above the OECD Pacific's. In Europe, rising diesel demand has pushed refiners to raise distillate yields which, at 40.8%, are the highest of the three OECD regions.



Dramatically weaker gasoline cracks during September encouraged refiners to reduce gasoline yields in favour of jet/kerosene. This switch was evident in the US, Japan and Korea, where the start of maintenance on upgrading capacity will have reduced gasoline yields. However, refiners in several European countries raised gasoline yields, despite the weaker gasoline cracks. Fuel oil yields have dropped below their five-year range. The deterioration in fuel oil cracks, which remain heavily negative, should encourage refiners to minimise fuel oil production. The increase in Pacific fuel oil yields during September is linked to the shutdown of upgrading capacity, and the crude slate choices made by the regions refiners, i.e. heavy crude grades were discounted to more than offset the higher fuel oil yield.

## Non-OECD Throughput

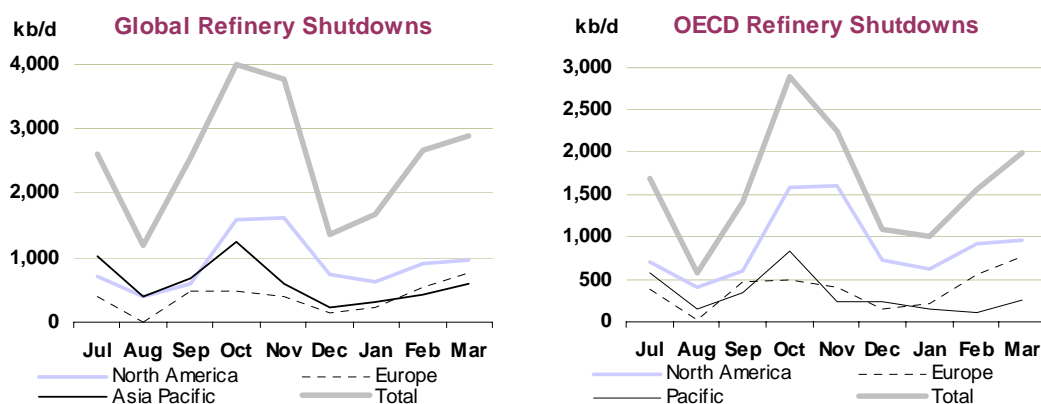
Chinese crude runs decreased by 60 kb/d in October to an average of 6.04 mb/d, representing growth of 5.9% from October 2005. The decline was less than the 80 kb/d drop forecast last month, despite planned maintenance at Sinopec's Zhenhai plant, which is estimated to have cut throughputs by almost 100 kb/d. Crude runs at Sinopec and PetroChina are expected to be broadly flat in December compared with both October and November. Indian data for October show a further rise in crude runs to 2.92 mb/d. November throughputs are expected to have received a boost from Essar's Vadinar refinery which entered commercial service in November and has started exports of naphtha to Asia.



Russian crude runs increased to a new (post-Soviet era) record in October of 4.49 mb/d from September's level of 4.43 mb/d. The Russian export tax changes introduced on 1 October appear to have increased the incentive for Russian oil companies to refine crude domestically and export products. Lower export taxes introduced in December may have marginally increased incentives to export crudes, but it would appear that refined product shipments are still advantaged under the Russian tax system.

## Offline Refinery Capacity

Fourth-quarter estimates for offline capacity have increased for refiners both in the OECD and globally. Higher offline capacity in North America accounts for most of the increase in the OECD, while increases in Asia are largely responsible for the non-OECD increase. The seasonal structure of offline capacity remains unaltered with an October peak of some 4 mb/d offline globally. However, the subsequent sharp decline in offline capacity which we expected during November did not materialise, due to unplanned outages and previously unannounced maintenance. Consequently, we have revised up November's estimate from 2.6 mb/d to 3.8 mb/d, with December currently expected to be 1.4 mb/d. The recovery in crude runs previously expected in November should therefore emerge in December, as heating-related demand picks up, despite the warm start to the winter heating season. For the OECD, we have revised October up to 2.9 mb/d from 2.7 mb/d, November is revised to 2.3 mb/d and December 1.1 mb/d.



We have rolled out our capacity shutdown forecasts until the end of the first quarter, based on average seasonal levels of maintenance activity. We expect to revise these forecasts as more data on planned maintenance activity become available in the coming weeks.

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

	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
<b>OECD DEMAND</b>																	
North America	24.5	25.4	25.6	25.3	25.6	25.5	25.5	25.1	25.1	25.5	26.0	25.4	25.6	25.4	25.9	26.1	25.8
Europe	15.4	15.5	15.6	15.2	15.6	15.7	15.5	15.8	15.0	15.4	15.7	15.5	15.6	15.1	15.5	15.6	15.4
Pacific	8.6	8.5	9.4	8.1	8.1	8.8	8.6	9.3	7.9	7.9	8.8	8.5	9.2	7.8	8.0	8.8	8.4
Total OECD	48.6	49.3	50.7	48.6	49.2	50.0	49.6	50.2	48.0	48.8	50.5	49.4	50.4	48.3	49.4	50.5	49.6
<b>NON-OECD DEMAND</b>																	
FSU	3.6	3.8	3.8	3.7	3.8	3.9	3.8	3.9	3.7	3.9	4.3	4.0	4.0	3.8	4.0	4.2	4.0
Europe	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7
China	5.5	6.4	6.6	6.4	6.6	6.8	6.6	6.8	7.1	6.9	7.2	7.0	7.1	7.4	7.3	7.6	7.4
Other Asia	8.1	8.6	8.9	8.9	8.6	8.7	8.8	8.9	8.9	8.7	8.9	8.9	9.1	9.1	9.0	9.2	9.1
Latin America	4.7	5.0	5.0	5.1	5.2	5.1	5.1	5.1	5.2	5.3	5.2	5.2	5.2	5.3	5.4	5.3	5.3
Middle East	5.4	5.8	6.0	6.1	6.4	6.0	6.1	6.3	6.4	6.7	6.4	6.5	6.7	6.8	6.8	6.9	6.8
Africa	2.7	2.8	2.9	2.9	2.8	2.9	2.9	3.0	3.0	2.9	3.0	2.9	3.0	3.0	2.9	3.0	3.0
Total Non-OECD	30.7	33.1	33.9	33.9	34.1	34.1	34.0	34.6	35.0	35.1	35.7	35.1	35.9	36.2	36.1	37.0	36.3
<b>Total Demand<sup>1</sup></b>	<b>79.3</b>	<b>82.4</b>	<b>84.5</b>	<b>82.4</b>	<b>83.3</b>	<b>84.1</b>	<b>83.6</b>	<b>84.8</b>	<b>83.0</b>	<b>83.9</b>	<b>86.2</b>	<b>84.5</b>	<b>86.3</b>	<b>84.5</b>	<b>85.5</b>	<b>87.5</b>	<b>85.9</b>
<b>OECD SUPPLY</b>																	
North America	14.6	14.6	14.5	14.7	13.7	13.8	14.1	14.2	14.2	14.3	14.6	14.3	14.8	14.4	14.3	14.5	14.5
Europe	6.3	6.1	5.9	5.7	5.4	5.5	5.6	5.5	5.1	4.9	5.2	5.2	5.4	5.2	5.1	5.4	5.3
Pacific	0.7	0.6	0.5	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Total OECD	21.6	21.2	20.9	20.9	19.7	19.8	20.3	20.2	19.8	19.9	20.4	20.1	20.8	20.2	20.1	20.6	20.4
<b>NON-OECD SUPPLY</b>																	
FSU	10.3	11.2	11.5	11.5	11.7	11.9	11.6	11.7	12.0	12.2	12.3	12.1	12.3	12.5	12.6	12.8	12.5
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.4	3.5	3.6	3.6	3.6	3.6	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.8	3.7
Other Asia	2.6	2.7	2.7	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Latin America	4.0	4.1	4.2	4.4	4.3	4.3	4.3	4.4	4.4	4.4	4.5	4.4	4.6	4.6	4.6	4.7	4.6
Middle East	2.0	1.9	1.9	1.9	1.9	1.8	1.9	1.8	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Africa	3.0	3.4	3.5	3.6	3.8	3.9	3.7	3.9	3.9	4.0	4.1	4.0	4.2	4.4	4.6	4.7	4.5
Total Non-OECD	25.6	27.0	27.5	27.7	28.2	28.4	28.0	28.4	28.6	28.9	29.2	28.8	29.4	29.7	30.1	30.5	29.9
Processing Gains <sup>2</sup>	1.8	1.8	1.9	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Other Biofuels <sup>3</sup>	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Total Non-OPEC <sup>4</sup>	49.1	50.1	50.5	50.6	49.8	50.2	50.3	50.7	50.5	50.9	51.7	50.9	52.5	52.2	52.5	53.4	52.6
<b>OPEC</b>																	
Crude <sup>5</sup>	27.1	28.9	29.3	29.7	30.0	29.9	29.7	29.9	29.8	30.0							
NGLs	3.7	4.2	4.4	4.4	4.5	4.5	4.5	4.6	4.7	4.7	4.7	4.7	4.8	4.8	4.9	5.0	4.9
Total OPEC	30.8	33.1	33.7	34.2	34.5	34.5	34.2	34.5	34.5	34.7							
<b>Total Supply<sup>6</sup></b>	<b>79.8</b>	<b>83.2</b>	<b>84.1</b>	<b>84.8</b>	<b>84.3</b>	<b>84.7</b>	<b>84.5</b>	<b>85.2</b>	<b>84.9</b>	<b>85.5</b>							
<b>STOCK CHANGES AND MISCELLANEOUS</b>																	
<b>Reported OECD</b>																	
Industry	0.1	0.1	-0.1	0.9	0.2	-0.5	0.1	0.0	0.6	1.2							
Government	0.2	0.1	0.1	0.3	0.0	-0.1	0.1	0.0	0.1	0.0							
Total	0.3	0.2	0.1	1.2	0.2	-0.6	0.2	0.0	0.7	1.2							
Floating Storage/Oil in Transit	0.2	0.0	-0.4	0.1	0.0	0.1	-0.1	0.1	-0.1	0.3							
Miscellaneous to balance <sup>7</sup>	0.1	0.6	-0.1	1.0	0.9	1.1	0.7	0.2	1.3	0.1							
<b>Total Stock Ch. &amp; Misc</b>	<b>0.6</b>	<b>0.8</b>	<b>-0.4</b>	<b>2.4</b>	<b>1.0</b>	<b>0.6</b>	<b>0.9</b>	<b>0.4</b>	<b>1.9</b>	<b>1.6</b>							
<b>Memo items:</b>																	
Call on OPEC crude + Stock ch. <sup>8</sup>	26.5	28.1	29.7	27.4	29.0	29.3	28.8	29.5	27.9	28.4	29.8	28.9	29.0	27.5	28.1	29.1	28.4
Total Demand ex. FSU	75.7	78.6	80.7	78.7	79.5	80.2	79.8	80.9	79.3	80.0	81.9	80.5	82.3	80.7	81.5	83.3	81.9
Total demand exc. FSU (% ch) <sup>9</sup>	1.9	3.9	2.4	1.6	1.6	0.2	1.5	0.3	0.8	0.6	2.1	0.9	1.6	1.7	1.9	1.7	1.7

<sup>1</sup> 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

<sup>2</sup> 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

<sup>3</sup> Biofuels from sources outside Brazil and US.

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

<sup>5</sup> No allowance is made in the non-OPEC forecast for exceptional events which have, at certain times historically, reduced non-OPEC supply by 300-400 kbd on an annual basis

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

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

<sup>8</sup> Includes changes in non-reported stocks in OECD and non-OECD areas

<sup>9</sup> Equals the arithmetic difference between total demand minus total non-OPEC supply minus OPEC NGLs

<sup>9</sup> Year on year % growth in global oil demand excluding FSU

**Table 1A**  
**WORLD OIL SUPPLY AND DEMAND: CHANGES FROM LAST MONTH'S TABLE 1**

(million barrels per day)

	2003	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
<b>OECD DEMAND</b>																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
<b>Total OECD</b>	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-0.1	-
<b>NON-OECD DEMAND</b>																	
FSU	-	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1	-	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-0.1	-0.1	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-OECD</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-
<b>Total Demand</b>	-	-	-	-	-	-	-	-	-	0.1	-0.1	-	-0.1	-	0.1	-0.1	-
<b>OECD SUPPLY</b>																	
North America	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total OECD</b>	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	0.1	-
<b>NON-OECD SUPPLY</b>																	
FSU	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-0.1	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1
<b>Total Non-OECD</b>	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-0.1	-0.1	-	-0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Biofuels	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-OPEC</b>	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.2	-0.2	-0.1	-	-0.1
<b>OPEC</b>																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total OPEC</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Supply</b>	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
<b>STOCK CHANGES AND MISCELLANEOUS</b>																	
<b>REPORTED OECD</b>																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-	-	-	-	-	-0.1	-	-0.2	-	-	-	-	-	-	-
<b>Total Stock Ch. &amp; Misc</b>	-	-	-	-	-	-	-	-0.1	-	-0.2	-	-	-	-	-	-	-
<b>Memo items:</b>																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	-	0.1	-	-	0.1	0.2	0.2	-0.1	0.1
<b>Total Demand ex. FSU</b>	-	-	-	-	-	-	-	-	-	-	-0.2	-	-0.2	-	-	-0.1	-0.1

When submitting their monthly oil statistics, OECD Member countries periodically update data for prior periods. Similar updates to non-OECD data can occur.

**Table 2**  
**Summary of Global Oil Demand**

	2004	1Q05	2Q05	3Q05	4Q05	2005	1Q06	2Q06	3Q06	4Q06	2006	1Q07	2Q07	3Q07	4Q07	2007
<b>Demand (mb/d)</b>																
North America	25.37	25.61	25.33	25.58	25.48	25.50	25.12	25.09	25.54	25.98	25.44	25.61	25.41	25.92	26.08	25.76
Europe	15.48	15.62	15.17	15.56	15.69	15.51	15.77	15.03	15.40	15.68	15.47	15.60	15.06	15.50	15.64	15.45
Pacific	8.49	9.45	8.06	8.07	8.79	8.59	9.30	7.87	7.90	8.82	8.47	9.15	7.82	8.00	8.79	8.44
Total OECD	49.35	50.68	48.55	49.22	49.96	49.60	50.19	47.99	48.84	50.48	49.37	50.36	48.30	49.42	50.51	49.65
FSU	3.76	3.82	3.71	3.79	3.89	3.80	3.88	3.71	3.94	4.28	3.95	4.02	3.77	3.97	4.18	3.99
Europe	0.70	0.77	0.71	0.66	0.72	0.72	0.79	0.72	0.67	0.73	0.73	0.79	0.74	0.68	0.74	0.74
China	6.42	6.56	6.45	6.63	6.77	6.60	6.75	7.05	6.91	7.19	6.98	7.12	7.39	7.33	7.58	7.35
Other Asia	8.62	8.90	8.85	8.65	8.72	8.78	8.88	8.93	8.71	8.95	8.87	9.06	9.13	8.95	9.18	9.08
Latin America	4.96	4.96	5.12	5.18	5.10	5.09	5.07	5.20	5.31	5.22	5.20	5.17	5.30	5.43	5.32	5.31
Middle East	5.79	5.96	6.10	6.36	6.05	6.12	6.29	6.43	6.70	6.38	6.45	6.69	6.79	6.78	6.93	6.80
Africa	2.79	2.90	2.91	2.79	2.90	2.88	2.97	2.98	2.86	2.97	2.94	3.05	3.04	2.92	3.05	3.01
Total Non-OECD	33.05	33.87	33.86	34.06	34.15	33.99	34.62	35.03	35.09	35.72	35.12	35.91	36.16	36.07	36.97	36.28
World	82.40	84.55	82.42	83.28	84.11	83.59	84.81	83.03	83.93	86.19	84.49	86.27	84.46	85.49	87.48	85.93
<b>of which:</b>																
US50	20.73	20.84	20.65	20.92	20.79	20.80	20.49	20.60	20.86	21.23	20.80	20.88	20.80	21.21	21.24	21.03
Euro4	8.27	8.25	7.95	8.26	8.21	8.17	8.42	7.88	8.07	8.18	8.14	8.25	7.86	8.13	8.15	8.10
Japan	5.29	6.00	4.94	5.03	5.46	5.35	5.96	4.78	4.81	5.45	5.25	5.75	4.70	4.86	5.39	5.17
Korea	2.16	2.40	2.07	2.01	2.23	2.18	2.28	2.03	2.02	2.27	2.15	2.32	2.04	2.05	2.29	2.18
Mexico	2.00	2.04	2.11	2.06	2.10	2.08	2.08	2.02	1.99	2.09	2.04	2.09	2.06	2.07	2.15	2.09
Canada	2.30	2.36	2.24	2.25	2.23	2.27	2.18	2.14	2.34	2.29	2.24	2.26	2.21	2.29	2.32	2.27
Brazil	2.15	2.12	2.18	2.25	2.21	2.19	2.18	2.19	2.31	2.26	2.23	2.22	2.24	2.35	2.30	2.28
India	2.57	2.72	2.59	2.47	2.56	2.59	2.74	2.70	2.50	2.65	2.64	2.79	2.76	2.57	2.70	2.70
<b>Annual Change (% per annum)</b>																
North America	3.5	1.4	1.0	0.5	-0.9	0.5	-1.9	-0.9	-0.2	2.0	-0.3	2.0	1.3	1.5	0.4	1.3
Europe	0.3	0.7	0.7	0.6	-1.3	0.2	1.0	-0.9	-1.0	-0.1	-0.3	-1.1	0.2	0.6	-0.3	-0.1
Pacific	-1.6	2.3	2.3	-0.5	0.6	1.2	-1.6	-2.4	-2.2	0.3	-1.4	-1.6	-0.5	1.2	-0.3	-0.3
Total OECD	1.5	1.3	1.2	0.4	-0.8	0.5	-1.0	-1.2	-0.8	1.0	-0.5	0.4	0.6	1.2	0.1	0.5
FSU	4.7	8.7	-0.2	0.0	-2.7	1.3	1.6	-0.1	3.9	10.1	4.0	3.6	1.6	0.9	-2.5	0.8
Europe	2.2	2.1	2.1	1.7	1.6	1.9	2.5	1.4	1.6	1.6	1.8	0.7	1.7	1.7	1.4	1.4
China	15.8	4.4	-1.3	5.4	2.7	2.8	2.9	9.4	4.2	6.1	5.6	5.4	4.8	6.1	5.4	5.4
Other Asia	6.8	4.3	2.4	2.5	-1.6	1.8	-0.2	0.9	0.7	2.6	1.0	2.1	2.2	2.8	2.6	2.4
Latin America	5.8	3.1	3.0	2.4	2.1	2.7	2.3	1.6	2.4	2.3	2.1	1.9	2.0	2.3	2.0	2.1
Middle East	6.9	5.7	5.8	5.6	5.3	5.6	5.4	5.4	5.4	5.6	5.4	6.5	5.6	1.2	8.6	5.4
Africa	4.1	3.3	3.3	2.5	2.7	3.0	2.4	2.3	2.4	2.4	2.4	2.7	2.0	2.4	2.5	2.4
Total Non-OECD	7.7	4.7	2.1	3.3	1.3	2.8	2.2	3.5	3.0	4.6	3.3	3.7	3.2	2.8	3.5	3.3
World	3.9	2.7	1.6	1.6	0.1	1.4	0.3	0.7	0.8	2.5	1.1	1.7	1.7	1.9	1.5	1.7
<b>Annual Change (mb/d)</b>																
North America	0.85	0.35	0.26	0.13	-0.23	0.13	-0.49	-0.23	-0.04	0.50	-0.06	0.49	0.32	0.38	0.10	0.32
Europe	0.05	0.11	0.11	0.09	-0.20	0.03	0.15	-0.14	-0.16	-0.01	-0.04	-0.17	0.03	0.10	-0.04	-0.02
Pacific	-0.14	0.21	0.18	-0.04	0.06	0.10	-0.15	-0.19	-0.18	0.03	-0.12	-0.14	-0.04	0.10	-0.02	-0.03
Total OECD	0.75	0.67	0.56	0.19	-0.38	0.25	-0.49	-0.56	-0.38	0.52	-0.22	0.18	0.30	0.58	0.03	0.27
FSU	0.17	0.31	-0.01	0.00	-0.11	0.05	0.06	0.00	0.15	0.39	0.15	0.14	0.06	0.03	-0.11	0.03
Europe	0.02	0.02	0.01	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
China	0.88	0.28	-0.09	0.34	0.18	0.18	0.19	0.61	0.28	0.42	0.37	0.36	0.34	0.42	0.39	0.38
Other Asia	0.55	0.37	0.20	0.21	-0.14	0.16	-0.02	0.08	0.06	0.23	0.09	0.19	0.20	0.24	0.23	0.22
Latin America	0.27	0.15	0.15	0.12	0.11	0.13	0.11	0.08	0.12	0.12	0.11	0.10	0.10	0.12	0.11	0.11
Middle East	0.37	0.32	0.34	0.34	0.31	0.32	0.32	0.33	0.34	0.34	0.33	0.41	0.36	0.08	0.55	0.35
Africa	0.11	0.09	0.09	0.07	0.08	0.08	0.07	0.07	0.07	0.07	0.07	0.08	0.06	0.07	0.07	0.07
Total Non-OECD	2.37	1.53	0.70	1.09	0.43	0.94	0.75	1.17	1.03	1.57	1.13	1.28	1.13	0.98	1.25	1.16
World	3.12	2.20	1.26	1.28	0.05	1.19	0.26	0.61	0.65	2.09	0.91	1.46	1.43	1.56	1.28	1.43
<b>Revisions to Oil Demand from Last Month's Report (mb/d)</b>																
North America	-	-	-	-	-	-	-	0.01	0.03	-	0.01	-0.09	-	0.05	-0.02	-0.01
Europe	-	-	-	-	-	-	0.05	-0.03	-0.02	-0.04	-0.01	0.01	-	-	-0.04	-0.01
Pacific	-	-	-	-	-	-	-	-	0.01	-0.08	-0.02	-0.03	-0.02	-0.01	-0.02	-0.02
Total OECD	-	-	-	-	-	-	0.05	-0.01	0.01	-0.11	-0.02	-0.11	-0.02	0.03	-0.08	-0.05
FSU	-	-	-	-	-	-	-	-	0.05	0.14	0.05	0.05	0.05	0.05	0.05	0.05
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-0.06	-0.10	-0.04	-0.05	0.01	-0.05	-0.06	-0.04
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-0.01	-
Latin America	-	-	-	-	-	-	-	-	0.04	-	0.01	-	-	0.05	0.01	0.01
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	0.04	0.04	0.02	0.01	0.06	0.06	-0.01	0.03
World	-	-	-	-	-	-	0.05	-0.01	0.06	-0.07	-	-0.11	0.04	0.09	-0.08	-0.02
<b>Revisions to Oil Demand Growth from Last Month's Report (mb/d)</b>																
World	0.00	0.00	0.00	0.00	0.00	0.00	0.05	-0.01	0.06	-0.07	0.01	-0.16	0.05	0.03	-0.01	-0.02

**Table 3**  
**WORLD OIL PRODUCTION**

(million barrels per day)

	2005	2006	2007	2Q06	3Q06	4Q06	1Q07	2Q07	Sep 06	Oct 06	Nov 06
<b>OPEC</b>											
Crude Oil											
Saudi Arabia	9.06			9.02	8.95				8.86	8.78	8.62
Iran	3.88			3.78	4.05				3.85	3.80	3.73
Iraq	1.81			1.99	2.04				2.05	1.94	1.88
UAE	2.46			2.63	2.65				2.64	2.67	2.59
Kuwait	2.13			2.22	2.20				2.21	2.22	2.21
Neutral Zone	0.58			0.58	0.57				0.58	0.58	0.57
Qatar	0.77			0.81	0.82				0.83	0.81	0.80
Nigeria	2.40			2.19	2.24				2.19	2.24	2.20
Libya	1.64			1.70	1.73				1.75	1.75	1.73
Algeria	1.34			1.36	1.34				1.35	1.35	1.34
Venezuela	2.71			2.61	2.51				2.55	2.51	2.41
Indonesia	0.94			0.91	0.87				0.87	0.86	0.86
Total Crude Oil	29.74			29.80	29.97				29.71	29.48	28.93
Total NGLs <sup>1</sup>	4.46	4.69	4.89	4.66	4.72	4.75	4.79	4.82	4.70	4.74	4.74
<b>Total OPEC</b>	<b>34.20</b>			<b>34.46</b>	<b>34.69</b>				<b>34.41</b>	<b>34.23</b>	<b>33.67</b>
<b>NON-OPEC<sup>2</sup></b>											
<b>OECD</b>											
<b>North America</b>											
United States	7.32	7.40	7.50	7.36	7.46	7.58	7.62	7.55	7.48	7.50	7.57
Mexico	3.76	3.71	3.58	3.77	3.69	3.60	3.61	3.60	3.69	3.58	3.62
Canada	3.06	3.21	3.41	3.06	3.19	3.39	3.52	3.25	3.22	3.31	3.37
<b>Europe</b>	<b>5.60</b>	<b>5.20</b>	<b>5.27</b>	<b>5.13</b>	<b>4.93</b>	<b>5.22</b>	<b>5.38</b>	<b>5.19</b>	<b>4.75</b>	<b>5.05</b>	<b>5.23</b>
UK	1.83	1.66	1.68	1.66	1.48	1.66	1.75	1.66	1.52	1.59	1.66
Norway	2.97	2.79	2.84	2.70	2.73	2.80	2.87	2.78	2.57	2.70	2.81
Others	0.80	0.76	0.75	0.77	0.72	0.76	0.75	0.75	0.66	0.76	0.76
<b>Pacific</b>	<b>0.58</b>	<b>0.57</b>	<b>0.66</b>	<b>0.50</b>	<b>0.65</b>	<b>0.64</b>	<b>0.64</b>	<b>0.62</b>	<b>0.63</b>	<b>0.63</b>	<b>0.64</b>
Australia	0.54	0.53	0.60	0.46	0.61	0.60	0.60	0.59	0.60	0.60	0.61
Others	0.04	0.04	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
<b>Total OECD</b>	<b>20.33</b>	<b>20.09</b>	<b>20.42</b>	<b>19.83</b>	<b>19.92</b>	<b>20.41</b>	<b>20.77</b>	<b>20.21</b>	<b>19.77</b>	<b>20.08</b>	<b>20.44</b>
<b>NON-OECD</b>											
<b>Former USSR</b>											
Russia	9.48	9.69	9.92	9.67	9.78	9.78	9.77	9.85	9.76	9.76	9.80
Others	2.16	2.36	2.62	2.34	2.41	2.50	2.55	2.61	2.36	2.49	2.49
<b>Asia</b>											
China	6.30	6.39	6.47	6.37	6.35	6.41	6.45	6.45	6.37	6.40	6.40
Malaysia	3.62	3.68	3.74	3.70	3.68	3.67	3.71	3.72	3.65	3.65	3.67
India	0.77	0.75	0.76	0.71	0.75	0.76	0.76	0.75	0.76	0.77	0.75
Others	0.78	0.79	0.82	0.79	0.77	0.81	0.81	0.81	0.80	0.82	0.80
Others	1.13	1.17	1.17	1.16	1.15	1.17	1.18	1.17	1.16	1.16	1.17
<b>Europe</b>	<b>0.16</b>	<b>0.15</b>	<b>0.13</b>	<b>0.15</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>	<b>0.14</b>
<b>Latin America</b>											
Brazil	4.30	4.43	4.64	4.42	4.44	4.51	4.58	4.59	4.46	4.48	4.52
Argentina	1.99	2.11	2.30	2.08	2.10	2.18	2.24	2.26	2.11	2.16	2.19
Colombia	0.78	0.78	0.77	0.78	0.79	0.77	0.77	0.77	0.79	0.78	0.77
Colombia	0.53	0.53	0.53	0.54	0.53	0.53	0.53	0.53	0.53	0.53	0.53
Ecuador	0.53	0.54	0.56	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
Others	0.47	0.48	0.48	0.47	0.48	0.48	0.49	0.48	0.48	0.47	0.48
<b>Middle East<sup>3</sup></b>											
Oman	1.86	1.74	1.70	1.75	1.72	1.71	1.71	1.71	1.71	1.71	1.70
Syria	0.79	0.74	0.71	0.74	0.73	0.72	0.72	0.71	0.72	0.73	0.72
Syria	0.46	0.42	0.38	0.42	0.41	0.40	0.39	0.38	0.41	0.41	0.40
Yemen	0.42	0.39	0.42	0.39	0.38	0.38	0.40	0.42	0.38	0.38	0.39
<b>Africa</b>											
Egypt	3.72	3.99	4.46	3.87	4.04	4.11	4.24	4.35	4.11	4.04	4.12
Egypt	0.70	0.67	0.66	0.68	0.66	0.66	0.66	0.66	0.67	0.66	0.66
Angola	1.25	1.41	1.72	1.33	1.45	1.43	1.53	1.60	1.44	1.38	1.44
Gabon	0.23	0.23	0.23	0.24	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Others	1.54	1.67	1.86	1.62	1.69	1.79	1.82	1.87	1.77	1.77	1.79
<b>Total Non-OECD</b>	<b>27.97</b>	<b>28.75</b>	<b>29.95</b>	<b>28.57</b>	<b>28.88</b>	<b>29.15</b>	<b>29.45</b>	<b>29.70</b>	<b>28.91</b>	<b>29.03</b>	<b>29.18</b>
Processing Gains <sup>4</sup>	1.86	1.90	1.92	1.89	1.88	1.92	1.92	1.92	1.88	1.92	1.92
Other Biofuels <sup>5</sup>	0.12	0.18	0.34	0.18	0.18	0.18	0.34	0.34	0.18	0.18	0.18
<b>TOTAL NON-OPEC</b>	<b>50.28</b>	<b>50.92</b>	<b>52.63</b>	<b>50.47</b>	<b>50.85</b>	<b>51.67</b>	<b>52.48</b>	<b>52.18</b>	<b>50.73</b>	<b>51.21</b>	<b>51.71</b>
<b>TOTAL SUPPLY</b>	<b>84.48</b>			<b>84.93</b>	<b>85.54</b>				<b>85.14</b>	<b>85.44</b>	<b>85.39</b>

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

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

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

**Table 4**  
**OECD INDUSTRY STOCKS<sup>1</sup> AND QUARTERLY STOCK CHANGES**

	RECENT MONTHLY STOCKS <sup>2</sup>					PRIOR YEARS' STOCKS <sup>2</sup>			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Jun2006	Jul2006	Aug2006	Sep2006	Oct2006*	Oct2003	Oct2004	Oct2005	4Q2005	1Q2006	2Q2006	3Q2006
<b>North America</b>												
Crude	458.7	456.1	451.4	456.6	465.3	408.8	405.8	450.0	0.26	0.07	-0.05	-0.02
Motor Gasoline	241.6	238.7	237.9	244.5	231.8	221.3	233.8	231.1	0.10	0.07	-0.01	0.03
Middle Distillate	199.9	209.2	219.1	223.1	209.9	206.3	189.3	197.9	0.16	-0.20	0.06	0.25
Residual Fuel Oil	52.3	52.4	52.4	53.0	52.3	43.3	44.4	43.3	0.03	0.07	0.02	0.01
Total Products <sup>3</sup>	669.5	687.1	703.1	723.4	691.4	643.7	643.3	664.2	-0.04	-0.26	0.38	0.59
Total <sup>4</sup>	1275.7	1297.0	1314.4	1341.5	1317.1	1213.2	1202.1	1275.7	0.01	-0.20	0.40	0.72
<b>Europe</b>												
Crude	338.2	349.6	332.8	327.0	322.3	332.7	328.1	334.1	-0.13	0.18	-0.07	-0.12
Motor Gasoline	100.4	97.7	101.4	104.0	102.9	110.1	113.2	107.8	0.09	-0.01	-0.12	0.04
Middle Distillate	256.2	263.8	271.9	271.3	261.4	233.3	253.4	263.0	-0.02	-0.11	0.11	0.16
Residual Fuel Oil	75.2	74.3	77.0	76.5	77.5	70.9	76.7	76.8	-0.02	-0.04	0.06	0.01
Total Products <sup>3</sup>	533.0	540.3	556.2	560.1	550.0	517.2	546.9	549.8	0.07	-0.16	0.04	0.29
Total <sup>4</sup>	943.2	964.0	963.5	960.9	945.3	922.8	946.4	959.5	-0.08	0.05	-0.06	0.19
<b>Pacific</b>												
Crude	181.1	175.9	173.8	175.0	176.3	167.4	177.1	174.6	-0.12	0.15	0.11	-0.07
Motor Gasoline	24.6	23.4	23.7	23.4	23.8	23.6	23.3	24.4	0.00	0.02	0.00	-0.01
Middle Distillate	69.8	75.4	80.9	86.1	87.1	79.6	75.0	84.5	-0.18	-0.01	0.10	0.18
Residual Fuel Oil	23.1	25.1	24.6	23.8	23.6	22.5	21.1	24.0	-0.04	-0.01	0.04	0.01
Total Products <sup>3</sup>	183.1	192.5	203.2	210.9	209.7	197.7	188.8	202.1	-0.26	0.00	0.17	0.30
Total <sup>4</sup>	435.5	440.2	449.9	458.8	458.3	437.0	438.0	452.4	-0.42	0.16	0.30	0.25
<b>Total OECD</b>												
Crude	978.0	981.6	958.0	958.6	964.0	908.8	910.9	958.7	0.01	0.40	-0.01	-0.21
Motor Gasoline	366.6	359.8	363.0	371.9	358.5	354.9	370.3	363.3	0.19	0.08	-0.12	0.06
Middle Distillate	525.9	548.4	571.9	580.6	558.3	519.2	517.7	545.5	-0.05	-0.33	0.27	0.59
Residual Fuel Oil	150.6	151.8	153.9	153.4	153.4	136.7	142.1	144.1	-0.03	0.02	0.12	0.03
Total Products <sup>3</sup>	1385.7	1419.8	1462.6	1494.4	1451.1	1358.6	1378.9	1416.1	-0.24	-0.42	0.58	1.18
Total <sup>4</sup>	2654.4	2701.1	2727.7	2761.2	2720.7	2573.0	2586.5	2687.6	-0.49	0.01	0.64	1.16

**OECD GOVERNMENT-CONTROLLED STOCKS<sup>5</sup> AND QUARTERLY STOCK CHANGES**

	RECENT MONTHLY STOCKS <sup>2</sup>					PRIOR YEARS' STOCKS <sup>2</sup>			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Jun2006	Jul2006	Aug2006	Sep2006	Oct2006*	Oct2003	Oct2004	Oct2005	4Q2005	1Q2006	2Q2006	3Q2006
<b>North America</b>												
Crude	687.9	687.9	687.8	687.8	688.4	630.9	670.3	685.2	-0.10	0.02	0.02	0.00
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
<b>Europe</b>												
Crude	173.4	174.5	174.5	175.5	175.5	152.9	162.3	166.4	0.01	0.04	0.04	0.02
Products	236.3	235.8	237.3	235.0	235.0	210.7	204.5	236.9	0.02	-0.03	0.00	-0.01
<b>Pacific</b>												
Crude	380.9	382.2	381.5	381.5	381.5	382.8	382.5	381.1	-0.01	-0.01	0.00	0.01
Products	11.8	11.8	11.8	11.8	11.8	10.3	11.0	11.1	0.00	0.00	0.00	0.00
<b>Total OECD</b>												
Crude	1242.1	1244.6	1243.9	1244.8	1245.4	1166.5	1215.1	1232.7	-0.10	0.04	0.06	0.03
Products	250.1	249.7	251.2	248.8	248.8	223.0	217.6	250.0	0.02	-0.04	0.01	-0.01
Total <sup>4</sup>	1493.2	1495.3	1496.0	1494.6	1495.2	1390.6	1433.6	1483.6	-0.08	0.01	0.07	0.02

\* estimated

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

2 Closing stock levels.

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

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

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

**Table 5**  
**TOTAL STOCKS ON LAND IN OECD COUNTRIES<sup>1</sup>**

(millions of barrels<sup>3</sup> and 'days')

	End September 2005		End December 2005		End March 2006		End June 2006		End September 2006 <sup>3</sup>	
	Stock Level	Days Fwd <sup>2</sup> Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
<b>North America</b>										
Canada	170.5	77	178.1	82	169.7	79	169.7	73	174.0	-
Mexico	52.8	25	43.9	21	41.7	21	42.1	21	47.0	-
United States <sup>4</sup>	1706.3	82	1699.6	83	1693.7	83	1731.6	83	1788.3	-
<b>Total<sup>4</sup></b>	<b>1951.7</b>	<b>77</b>	<b>1943.7</b>	<b>78</b>	<b>1927.2</b>	<b>77</b>	<b>1965.5</b>	<b>77</b>	<b>2031.4</b>	<b>78</b>
<b>Pacific</b>										
Australia	34.1	37	32.7	36	35.5	39	38.9	42	35.3	-
Japan	637.9	117	612.1	103	620.1	130	627.2	130	649.1	-
Korea	145.4	65	134.9	59	137.4	68	155.4	77	160.5	-
New Zealand	7.9	48	7.2	44	6.8	45	6.7	46	7.2	-
<b>Total</b>	<b>825.3</b>	<b>94</b>	<b>786.8</b>	<b>85</b>	<b>799.8</b>	<b>102</b>	<b>828.2</b>	<b>105</b>	<b>852.1</b>	<b>97</b>
<b>Europe<sup>5</sup></b>										
Austria	19.8	68	20.4	72	18.7	66	19.2	67	19.6	-
Belgium	30.3	51	28.6	45	27.3	52	30.4	59	31.3	-
Czech Republic	16.7	78	18.8	98	19.6	90	19.5	88	19.3	-
Denmark	20.5	111	20.3	102	19.5	99	20.4	106	21.2	-
Finland	27.3	123	25.1	113	26.7	120	30.5	136	26.8	-
France	191.4	97	195.6	93	196.2	104	188.7	97	187.5	-
Germany	275.8	105	282.6	111	279.9	110	281.4	104	278.5	-
Greece	34.6	75	33.1	69	35.4	93	34.9	86	36.0	-
Hungary	17.1	104	17.6	120	20.8	127	17.6	110	17.4	-
Ireland	13.2	65	11.6	55	13.1	72	12.6	71	14.1	-
Italy	137.0	77	132.0	71	131.5	81	126.0	76	134.1	-
Luxembourg	0.8	13	0.8	11	0.9	15	1.0	17	0.9	-
Netherlands	115.7	115	116.4	116	120.5	121	123.1	119	125.0	-
Norway	30.2	108	30.7	123	21.9	91	21.8	90	29.4	-
Poland	33.8	69	35.2	79	35.5	74	35.7	67	37.3	-
Portugal	26.8	82	25.7	78	24.7	83	24.7	81	23.8	-
Slovak Republic	5.1	59	6.5	83	8.3	102	7.7	89	7.4	-
Spain	131.7	84	128.6	79	130.2	84	129.2	82	133.9	-
Sweden	34.6	95	38.0	102	38.4	109	39.6	113	38.7	-
Switzerland	38.9	137	37.7	128	37.7	144	39.3	141	38.9	-
Turkey	50.9	77	51.1	100	51.6	79	51.6	78	53.7	-
United Kingdom	104.7	57	95.2	50	97.4	54	99.0	56	97.6	-
<b>Total</b>	<b>1356.9</b>	<b>86</b>	<b>1351.2</b>	<b>86</b>	<b>1355.9</b>	<b>90</b>	<b>1353.8</b>	<b>88</b>	<b>1372.4</b>	<b>88</b>
<b>Total OECD</b>	<b>4133.9</b>	<b>83</b>	<b>4081.7</b>	<b>82</b>	<b>4082.9</b>	<b>85</b>	<b>4147.5</b>	<b>85</b>	<b>4255.8</b>	<b>84</b>
<b>DAYS OF IEA Net Imports<sup>6</sup></b>	-	116	-	114	-	115	-	116	-	119

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 September 2006 forward demand figures are IEA Secretariat forecasts.

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

5 Data not available for Iceland.

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

### TOTAL OECD STOCKS

CLOSING STOCKS	Total			Total		
	Government <sup>1</sup> controlled	Industry	Industry	Government <sup>1</sup> controlled	Industry	Industry
	<i>Millions of Barrels</i>			<i>Days of Fwd. Demand<sup>2</sup></i>		
3Q2003	3983	1383	2600	80	28	53
4Q2003	3928	1411	2517	79	28	50
1Q2004	3888	1423	2465	81	30	51
2Q2004	3974	1429	2545	81	29	52
3Q2004	4016	1435	2581	80	29	51
4Q2004	3998	1450	2547	79	29	50
1Q2005	4005	1462	2542	82	30	52
2Q2005	4116	1494	2623	84	30	53
3Q2005	4134	1494	2640	83	30	53
4Q2005	4082	1487	2595	82	30	52
1Q2006	4083	1487	2596	85	31	54
2Q2006	4148	1493	2654	85	31	54
3Q2006	4256	1495	2761	84	30	55

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

2 Days of forward demand calculated using actual demand except in 3Q2006 (when latest forecasts are used).

**Table 6**  
**IEA Member Country Destinations of Selected Crude Streams<sup>1</sup>**  
(million barrels per day)

	2003	2004	2005	4Q05	1Q06	2Q06	3Q06	Jul 06	Aug 06	Sep 06	Year Earlier	
											Sep 05	change
<b>Saudi Light &amp; Extra Light</b>												
North America	0.64	0.55	0.46	0.52	0.51	0.68	0.62	0.62	0.69	0.55	0.32	0.24
Europe	1.00	1.03	0.90	0.91	0.83	0.80	0.72	0.75	0.76	0.63	0.94	-0.31
Pacific	1.18	1.24	1.31	1.37	1.40	1.33	1.29	1.28	1.30	1.28	1.32	-0.04
<b>Saudi Medium</b>												
North America	0.83	0.80	0.81	0.81	0.65	0.61	0.67	0.68	0.61	0.72	0.49	0.23
Europe	0.11	0.11	0.16	0.16	0.17	0.14	0.14	0.13	0.13	0.16	0.18	-0.03
Pacific	0.24	0.23	0.26	0.32	0.38	0.35	0.35	0.36	0.35	0.33	0.23	0.10
<b>Saudi Heavy</b>												
North America	0.30	0.22	0.17	0.16	0.21	0.21	0.21	0.18	0.24	0.21	0.16	0.05
Europe	0.19	0.23	0.23	0.26	0.14	0.22	0.21	0.22	0.18	0.23	0.31	-0.08
Pacific	0.16	0.15	0.25	0.29	0.25	0.20	0.22	0.20	0.24	0.22	0.31	-0.09
<b>Iraqi Basrah Light<sup>4</sup></b>												
North America	0.44	0.71	0.60	0.59	0.44	0.60	0.60	0.60	0.60	0.60	0.52	0.08
Europe	0.09	0.21	0.23	0.31	0.24	0.29	0.40	0.37	0.42	0.41	0.24	0.17
Pacific	0.03	0.12	0.06	0.06	0.08	0.09	0.10	0.03	0.13	0.13	0.07	0.06
<b>Iraqi Kirkuk</b>												
North America	0.06	0.02	..	..	..	..	0.01	..	0.03	..	..	..
Europe	0.12	0.08	0.05	0.03	..	..	0.04	0.06	0.03	0.04	0.16	-0.13
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
<b>Iranian Light</b>												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.19	0.24	0.20	0.22	0.20	0.27	0.31	0.40	0.26	0.27	0.13	0.14
Pacific	0.17	0.16	0.15	0.15	0.19	0.12	0.10	0.08	0.08	0.14	0.12	0.02
<b>Iranian Heavy<sup>3</sup></b>												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.59	0.57	0.63	0.57	0.48	0.57	0.67	0.76	0.54	0.72	0.62	0.10
Pacific	0.69	0.65	0.62	0.63	0.64	0.48	0.51	0.52	0.49	0.54	0.54	0.00
<b>Venezuelan Light &amp; Medium</b>												
North America	0.69	0.67	0.82	0.81	0.76	0.68	0.60	0.65	0.53	0.63	0.69	-0.06
Europe	0.02	0.01	0.04	0.07	0.12	0.15	0.08	0.06	0.10	0.10	0.03	0.07
Pacific	0.00	..	..	..	..	..	..	..	..	..	..	..
<b>Venezuelan 22 API and heavier</b>												
North America	0.60	0.88	0.72	0.56	0.72	0.72	0.73	0.70	0.81	0.67	0.43	0.24
Europe	0.06	0.05	0.06	0.06	0.08	0.05	0.06	0.05	0.07	0.04	0.07	-0.03
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
<b>Mexican Maya</b>												
North America	1.32	1.36	1.27	1.25	1.26	1.24	1.30	1.33	1.35	1.23	1.03	0.20
Europe	0.16	0.16	0.17	0.18	0.13	0.20	0.16	0.17	0.19	0.11	0.21	-0.10
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
<b>Mexican Isthmus</b>												
North America	0.00	..	0.03	0.10	0.09	0.03	0.01	0.01	0.00	0.01	0.05	-0.04
Europe	0.00	0.01	0.03	0.05	0.01	0.00	0.00	..	..	0.01	0.03	-0.03
Pacific	0.00	0.00	..	..	..	..	..	..	..	..	..	..
<b>Russian Urals</b>												
North America	0.14	0.12	0.13	0.09	..	0.16	0.16	0.10	0.25	0.14	0.10	0.03
Europe	1.62	1.86	1.77	1.69	1.68	1.83	1.66	1.62	1.73	1.62	1.74	-0.12
Pacific	0.00	0.01	0.00	..	..	..	0.01	0.03	..	..	..	..
<b>Nigerian Light<sup>2</sup></b>												
North America	0.63	0.80	0.90	0.90	0.87	0.79	0.78	0.84	0.85	0.64	0.91	-0.27
Europe	0.41	0.28	0.35	0.41	0.28	0.27	0.39	0.44	0.46	0.26	0.38	-0.12
Pacific	0.08	0.11	0.05	0.02	0.09	0.03	0.02	0.03	..	0.03	0.06	-0.03
<b>Nigerian Medium</b>												
North America	0.17	0.23	0.17	0.15	0.19	0.17	0.16	0.22	0.02	0.25	0.09	0.16
Europe	0.06	0.04	0.07	0.07	0.08	0.08	0.08	0.05	0.10	0.10	0.11	-0.01
Pacific	0.01	0.01	0.01	..	..	..	0.01	..	0.03	..	..	..

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

IEA North America includes United States and Canada.

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

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

<sup>2</sup> Iraqi Total minus Kirkuk.

<sup>3</sup> Iranian Total minus Iranian Light.

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

**Table 7**  
**Regional OECD Imports<sup>1,2</sup>**  
(thousand barrels per day)

	2003	2004	2005	4Q2005	1Q2006	2Q2006	3Q2006	Jul-06	Aug-06	Sep-06	Year Earlier	
											Sep-05	% change
<b>Crude Oil</b>												
North America	8069	8431	8384	8101	7740	8265	8686	8477	8595	8997	7561	19%
Europe	9096	9478	9792	9954	9398	9753	10168	10326	10136	10037	10279	-2%
Pacific	6711	6659	6801	6967	7399	6509	6683	6624	6768	6655	6311	5%
Total OECD	23876	24569	24978	25022	24537	24526	25537	25427	25498	25689	24152	6%
<b>LPG</b>												
North America	27	24	18	30	8	8	12	16	20	1	32	-98%
Europe	193	225	248	249	280	242	210	205	223	201	237	-15%
Pacific	541	541	527	486	651	575	593	545	643	591	497	19%
Total OECD	760	790	793	764	938	825	815	766	886	792	766	3%
<b>Naphtha</b>												
North America	67	99	110	76	41	49	64	47	74	71	105	-32%
Europe	305	282	273	281	352	276	307	245	361	314	294	7%
Pacific	770	769	746	760	692	731	810	830	797	802	692	16%
Total OECD	1142	1150	1129	1116	1084	1056	1180	1122	1233	1187	1090	9%
<b>Gasoline<sup>3</sup></b>												
North America	669	794	1016	1148	1113	1365	1154	1120	1344	993	1218	-18%
Europe	150	137	165	120	194	149	125	178	51	148	147	0%
Pacific	70	105	102	90	86	145	75	93	68	62	72	-13%
Total OECD	888	1035	1283	1358	1393	1658	1354	1392	1463	1203	1437	-16%
<b>Jet &amp; Kerosene</b>												
North America	97	101	130	268	79	191	203	175	233	200	167	20%
Europe	271	293	375	371	313	382	393	331	429	419	448	-6%
Pacific	102	77	66	49	131	39	43	43	40	45	59	-23%
Total OECD	470	471	571	687	523	612	639	549	702	665	674	-1%
<b>Gasoi/Diesel</b>												
North America	126	123	142	267	210	173	181	159	189	196	123	59%
Europe	652	751	845	867	1078	947	892	954	747	979	862	14%
Pacific	73	74	79	83	80	94	66	64	66	67	80	-17%
Total OECD	850	947	1066	1217	1368	1213	1139	1177	1002	1241	1065	17%
<b>Heavy Fuel Oil</b>												
North America	326	453	525	610	481	320	309	317	325	283	627	-55%
Europe	398	405	490	473	520	479	422	490	407	367	542	-32%
Pacific	88	76	85	82	122	105	76	91	93	44	77	-43%
Total OECD	812	935	1100	1166	1122	904	807	898	825	694	1247	-44%
<b>Other Products</b>												
North America	680	872	1005	1049	972	1162	1298	1279	1334	1281	1339	-4%
Europe	690	676	781	787	891	863	897	940	912	837	805	4%
Pacific	235	256	247	263	271	208	225	269	263	139	206	-33%
Total OECD	1605	1805	2033	2099	2134	2233	2420	2489	2509	2256	2350	-4%
<b>Total Products</b>												
North America	1991	2466	2947	3447	2903	3268	3221	3113	3518	3025	3610	-16%
Europe	2657	2767	3177	3148	3628	3337	3247	3344	3131	3264	3336	-2%
Pacific	1879	1898	1852	1812	2032	1896	1887	1935	1970	1750	1683	4%
Total OECD	6527	7132	7976	8407	8563	8501	8354	8393	8620	8039	8630	-7%
<b>Total Oil</b>												
North America	10061	10897	11332	11548	10643	11533	11907	11590	12113	12022	11171	8%
Europe	11753	12246	12970	13102	13026	13090	13414	13671	13267	13301	13616	-2%
Pacific	8590	8558	8653	8779	9431	8404	8569	8559	8738	8405	7995	5%
Total OECD	30403	31700	32954	33429	33100	33027	33890	33820	34118	33728	32782	3%

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

2 Excludes intra-regional trade

3 Includes additives

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