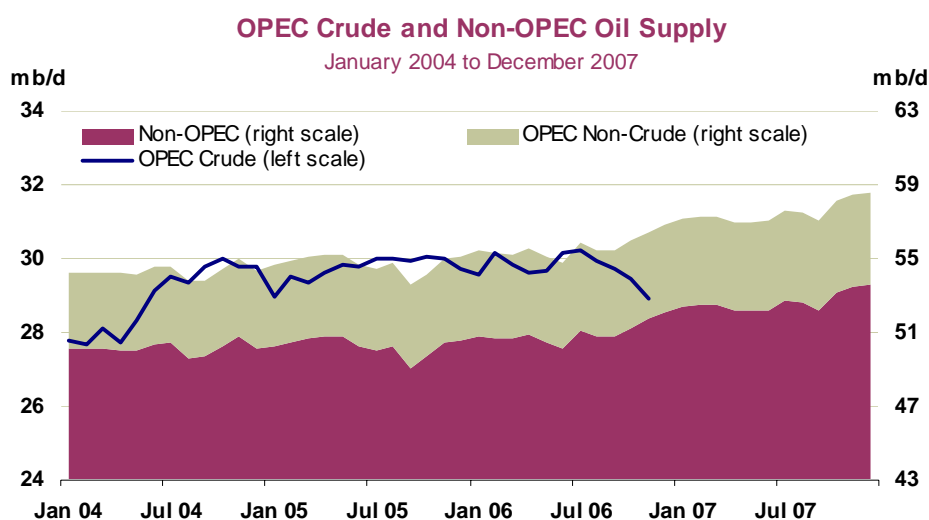


## SUPPLY

### 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

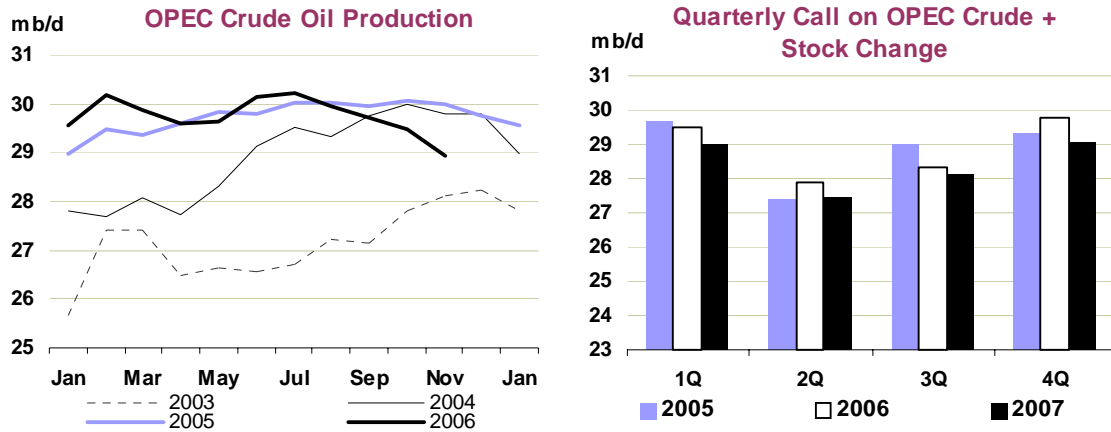
<sup>3</sup> Includes half of Neutral Zone Production

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

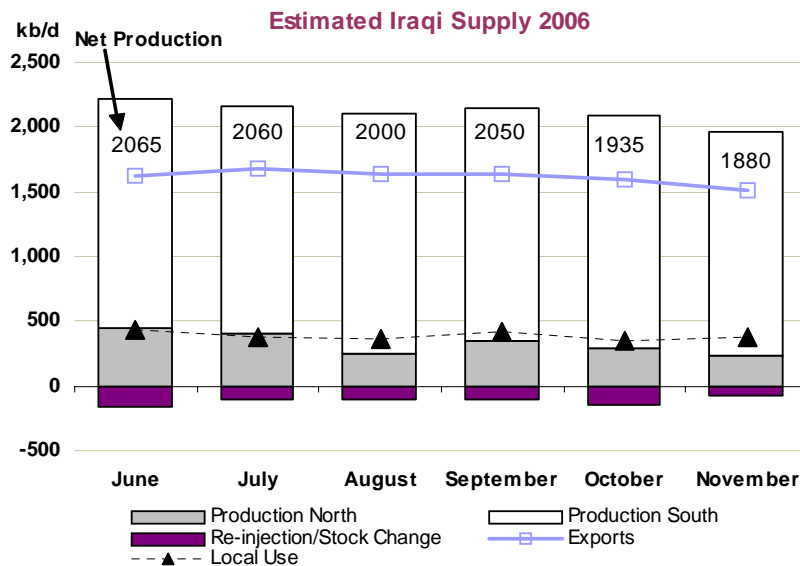
OPEC Ministers are due to meet in Abuja, Nigeria on 14 December to examine market fundamentals and review compliance with an earlier agreement to curb supplies. The organisation on 20 October announced a plan to remove 1.2 mb/d of crude from the market from 1 November, and set an aggregate target for 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.



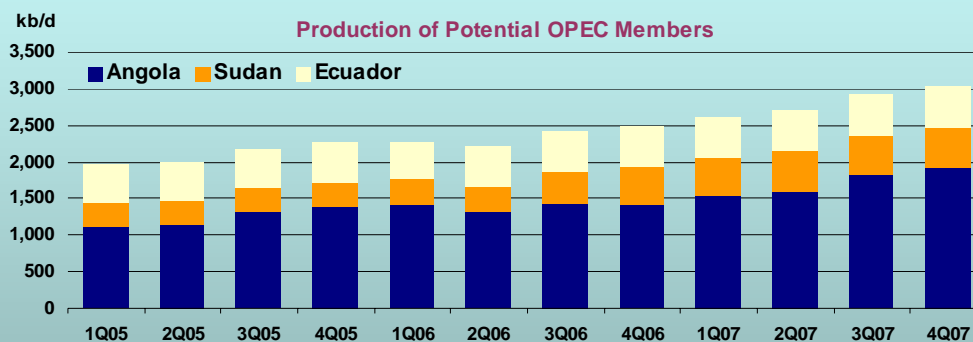
**Iraqi** November crude supply (net of field reinjection and deliveries into storage) fell to an eight-month low at less than 1.9 mb/d, comprising 1.5 mb/d of exports and 375 kb/d of domestic crude use by refineries and power stations. On a positive note, test loadings recommenced from the Khor al Amaya 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.

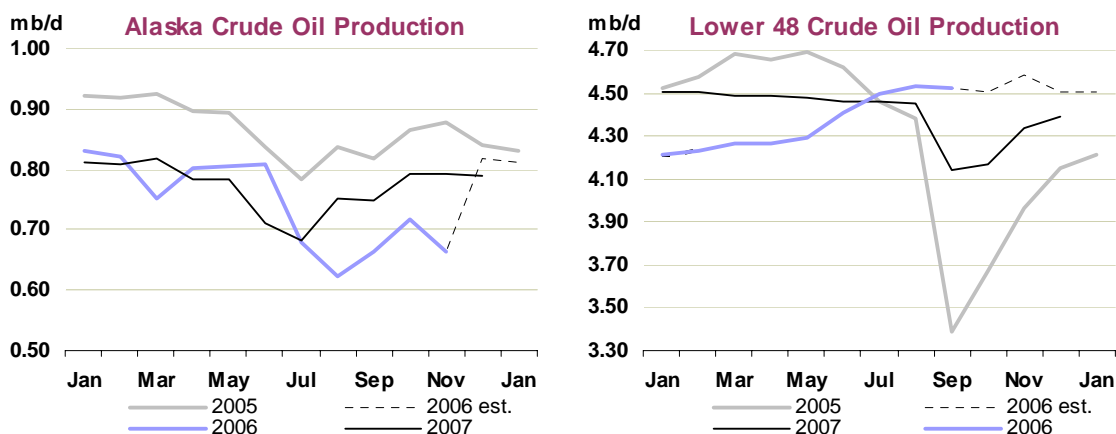
Against a backdrop of intensifying, if fragmented, political unrest leading up to next April's presidential elections, December and January crude export loadings appear likely to remain constrained. However, operator Shell did state in late November that it was preparing to send inspection teams to its 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

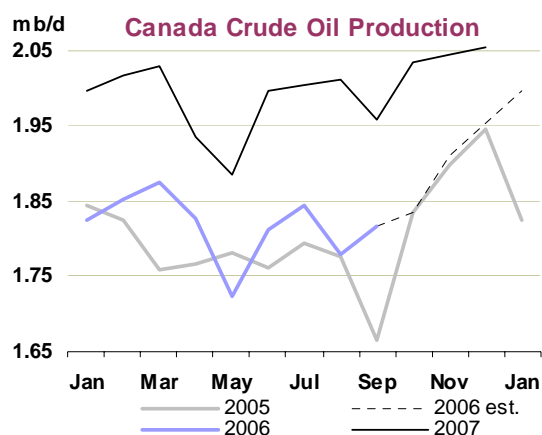
### North America

**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

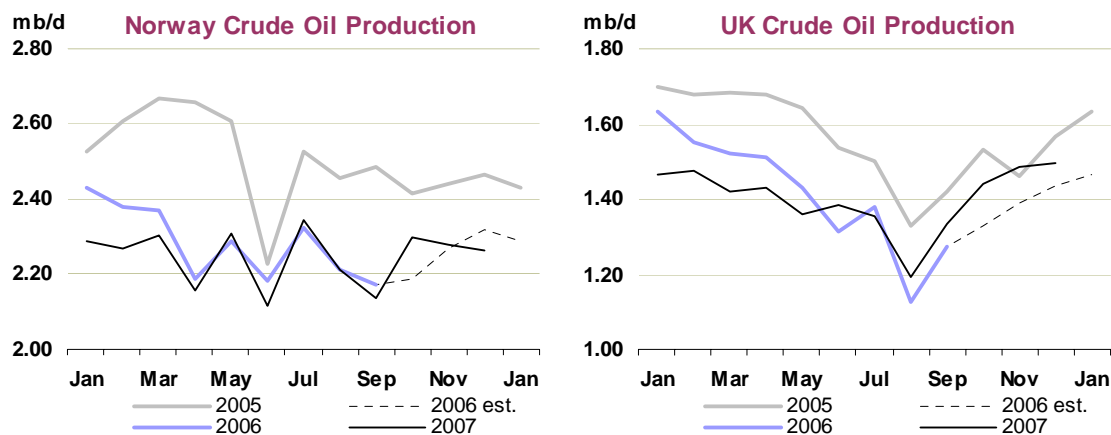
Coincidentally, our 2007 forecast retains an assumption of outages averaging 190 kb/d in second-half 2007, the same as originally projected for 2006. This is because the rolling average of outages has now replaced one 'zero disruption' year (2001), with another (2006). On a net basis the rolling five-year 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

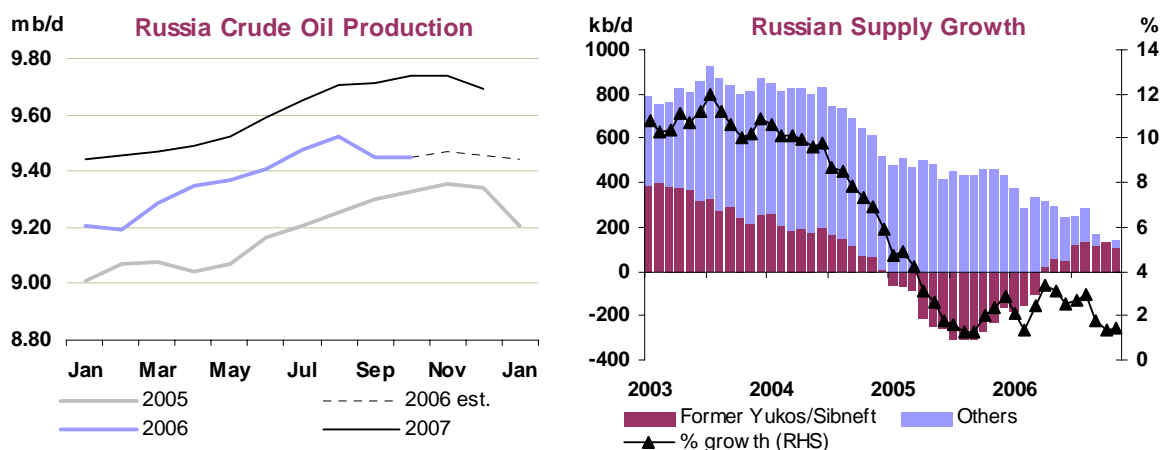
for 2006 and 2007 oil and gas investment, which is seen approaching \$16.5 billion in both years. Exploration spending for 2007 was upgraded to \$4.1 billion from a third-quarter forecast of \$3.2 billion, and represents the highest nominal spend since 1985. However, the report acknowledged that some 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.

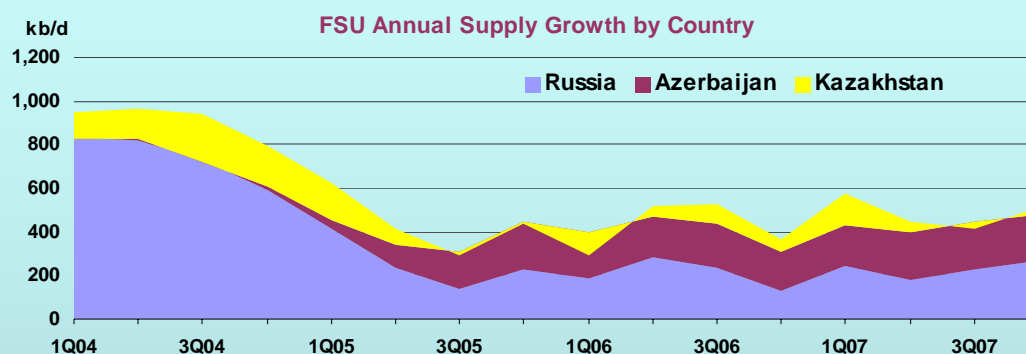
**Former Soviet Union (FSU)**

**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.