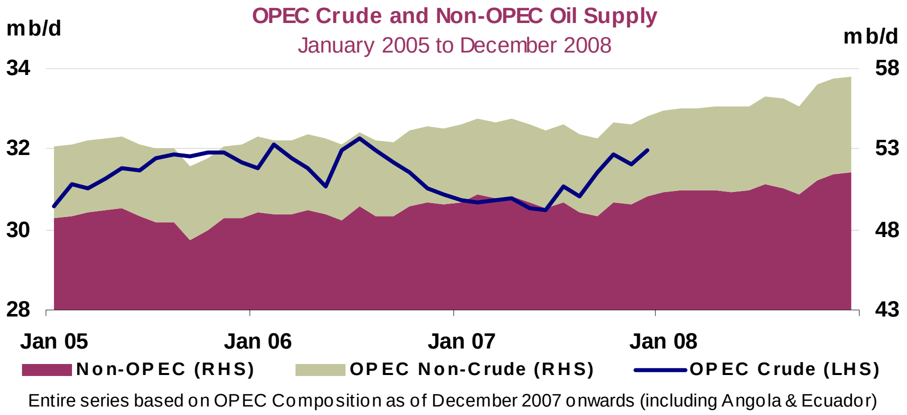
SUPPLY

Summary

- **World oil supply** averaged 87.0 mb/d in December, up 870 kb/d from November after monthly increases estimated for the OPEC-10, North America, the FSU, Brazil and China. Fourth quarter global supply regained a year-on-year growth trend, up by over 1.0 mb/d on average versus 4Q06, after running at or below year-ago levels in the previous three quarters.
- **Non-OPEC December production** was largely unchanged from November at 50.1 mb/d, with the shift of 500 kb/d of Ecuador output from December 2007 into the OPEC category offsetting an increase of 535 kb/d elsewhere. Supply from Mexico, Brazil, China, Kazakhstan, Russia and the UK recovered from prior outages. Non-OPEC 2007 growth is trimmed by 30 kb/d to 525 kb/d, and 2008's level by 60 kb/d to 1.02 mb/d on lower expectations for the OECD, FSU and China.
- **Historical data** in the *OMR*, *Annual Statistical Supplement* and *Monthly Oil Data Service* include primary non-OPEC and OPEC totals reflecting prevailing membership for each point in time. Secondary non-OPEC and OPEC totals extend current aggregates back historically to facilitate yearly comparison. Changing methodology and categorisation can distort trends in non-OPEC oil supply. Like-for-like, forecast 2007 non-OPEC supply is within 160 kb/d of levels forecast one year ago, after sharp initial adjustments made in 2H06.
- **December OPEC crude supply** rose 825 kb/d versus November to reach 32.0 mb/d, with 500 kb/d of the increase attributable to Ecuador's move into the OPEC category. Comparing OPEC-13 supplies, growth was 335 kb/d, with UAE supply recovery after November maintenance augmented by an uptick in Iranian crude exports. Iraqi December supply fell to 2.3 mb/d from 2.4 mb/d in November. Nigerian supply was stable below 2.2 mb/d despite threats of further attacks on Niger Delta facilities. Effective OPEC spare capacity narrowed to 2.2 mb/d, with Saudi Arabia accounting for 80% of the total.
- **OPEC-12 supply (excluding Iraq)** averaged 29.7 mb/d in December, approximately the level inferred by production targets announced in September and December. Angola and Ecuador, which were allocated targets for the first time last month, produced below their respective guidance of 1.9 mb/d and 520 kb/d in December. An extraordinary OPEC meeting will take place in Vienna on 1 February 2008.
- **The call on OPEC crude and stock change** is revised up by 0.7 mb/d for 4Q07, reflecting stronger OECD demand, weaker OECD and Chinese supply and December's reclassification of Ecuador into OPEC (170 kb/d for the quarter). Ecuador's exit from the non-OPEC category also underpins a 0.6 mb/d upward revision to the average 2008 'call' to 31.8 mb/d, 300-600 kb/d above 2007 levels.



All world oil supply figures for December discussed in this report are IEA estimates. Estimates for OPEC countries, Alaska and Russia are supported by preliminary December 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. Specific 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). In addition, from July 2007, a nationally allocated (but not field-specific) reliability adjustment has also been applied for the non-OPEC forecast to reflect a historical tendency for unexpected events to reduce actual supply compared with the initial forecast. This totals –410 kb/d for non-OPEC as a whole, with downward adjustments focused in the OECD.

OPEC

Headline December OPEC crude supply rose 825 kb/d versus November to reach 32.0 mb/d. However, 500 kb/d of this increase came from Ecuador's December shift from the non-OPEC into the OPEC category. Adjusting for OPEC's additional member, a comparison of OPEC-13 supplies shows growth in December of 335 kb/d. Key increases derived from the UAE, where Abu Dhabi offshore crude output resumed after November maintenance, and to a lesser extent from an uptick in Iranian crude exports. In contrast, Iraqi December crude supply fell to 2.3 mb/d from 2.4 mb/d in November amid lower tanker liftings from Ceyhan. Nigerian December supply was stable below 2.2 mb/d despite threats of further attacks on Niger Delta facilities. Effective OPEC spare capacity narrowed to 2.2 mb/d, with Saudi Arabian production around 9 mb/d, implying that it holds some 80% of the spare capacity total.

OPEC Crude Production[1]

(million barrels per day)

	Sep 2007 Production	Oct 2007 Production	Nov 2007 Production	Dec 2007 Production	Current Target	Sustainable Production Capacity[2]	Spare Capacity vs Dec 2007 Production
Algeria	1.37	1.38	1.39	1.40	1.36	1.40	0.00
Indonesia	0.83	0.83	0.83	0.84	0.87	0.87	0.03
Iran	3.92	4.00	3.93	4.00	3.82	3.95	-0.05
Kuwait[3]	2.47	2.49	2.53	2.53	2.53	2.64	0.11
Libya	1.72	1.72	1.75	1.75	1.71	1.78	0.03
Nigeria[4]	2.23	2.16	2.16	2.16	2.16	2.47	0.31
Qatar	0.79	0.79	0.80	0.82	0.83	0.88	0.06
Saudi Arabia[3]	8.85	9.05	9.06	9.06	8.94	10.80	1.75
UAE	2.55	2.55	2.15	2.48	2.57	2.75	0.28
Venezuela[5]	2.38	2.41	2.43	2.43	2.47	2.60	0.18
OPEC-10[1]	**27.10**	**27.37**	**27.02**	**27.46**	**27.25**	**30.13**	**2.68**
Angola[1]	1.63	1.71	1.72	1.70	1.90	1.70	0.00
Ecuador[1]				0.50	0.52	0.50	0.00
OPEC-12[1]				**29.65**	**29.67**	**32.33**	**2.68**
Iraq	2.18	2.30	2.40	2.30		2.40	0.10
Total OPEC	**30.90**	**31.38**	**31.13**	**31.95**		**34.73**	**2.78**
							2.16)

1 Angola joins OPEC effective 1 January 2007, Ecuador from December 2007.
2 Capacity levels can be reached within 30 days and sustained for 90 days.
3 Includes half of Neutral Zone Production.
4 Nigeria excludes some 545 kb/d of shut-in capacity.
5 Includes Orinoco extra-heavy oil assumed at 565 kb/d in December.

With the announcement of production targets in early December for Angola and Ecuador, OPEC-12 in effect replaced the previous OPEC-10 grouping as the focus for OPEC production management. Supply from the OPEC-12 (excluding Iraq) in December averaged 29.7 mb/d, in line with the aggregated total of recently-stated official targets. Angola and Ecuador produced below their allocations of 1.9 mb/d and 520 kb/d respectively.

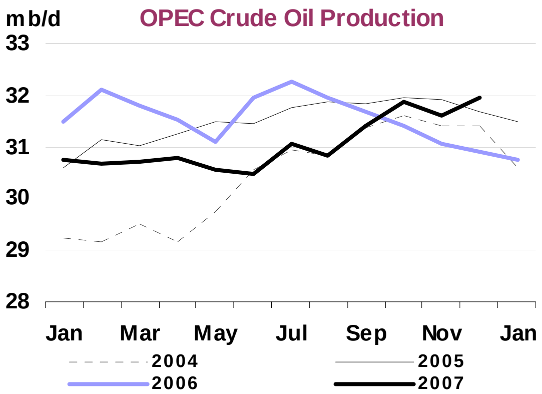
Change in Classification for Ecuador

With effect from this month's *OMR*, Ecuador's oil production is reclassified within OPEC and excluded from the non-OPEC total for the period December 2007 onwards. Historical data for January 1993 to November 2007 inclusive allocate Ecuador production to non-OPEC. The *Monthly Oil Data Service*, the *OMR* and the *OMR's Annual Statistical Supplement* all show historical data with a primary OPEC total representing OPEC as it was comprised at the time in question, and similarly for non-OPEC. In summary:

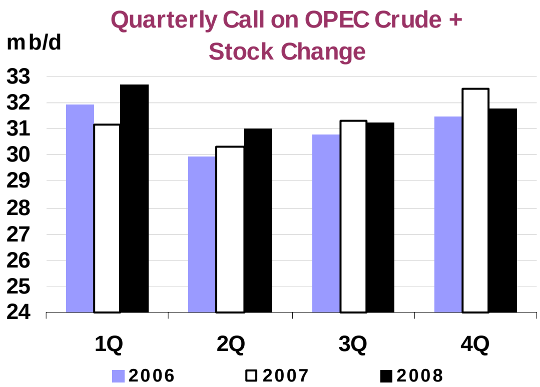
- **Ecuador** is included in OPEC totals through 1992, and again from December 2007 onwards, in line with its membership, but in non-OPEC for the intervening period;
- **Angolan** supply is allocated to the non-OPEC total through December 2006, but included within the OPEC aggregate from January 2007 onwards;
- **Gabon** is included in OPEC totals through 1994, but in non-OPEC thereafter.

To facilitate year-on-year comparisons, secondary aggregates showing current OPEC and non-OPEC compositions extended back into history are included in the databases.

Preliminary indications of OPEC exports for January suggest some additional physical supply this month. An extraordinary OPEC meeting will take place in Vienna on 1 February 2008 to review market conditions and consider the existing production target. February's Ministerial review will take place against a backdrop of growing concerns about the US economy on the one hand, but high prices and demonstrably tight OECD inventory on the other.



Entire series based on OPEC Composition as of December 2007 onwards (including Angola & Ecuador)



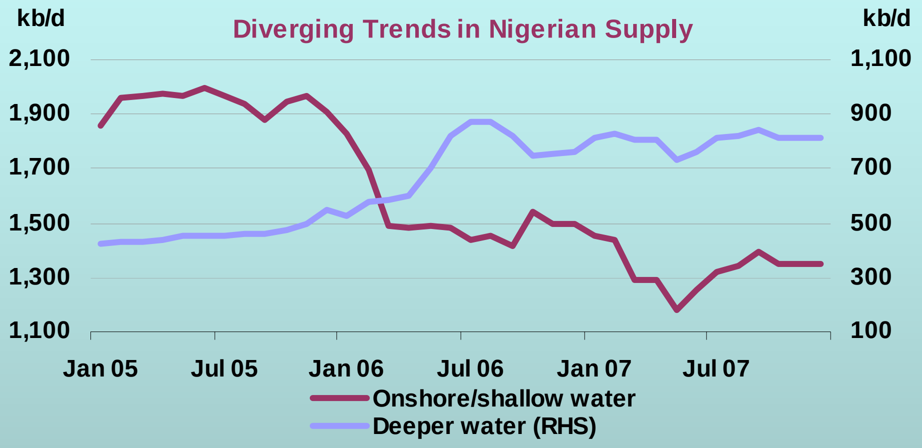
Entire series based on OPEC Composition as of December 2007 onwards (including Angola & Ecuador)

The estimate for November **Iraqi** crude supply has been revised up by 80 kb/d to 2.4 mb/d, comprising 1.96 mb/d of exports and 0.44 mb/d of local crude use. Export assessments for November from both Ceyhan and the southern ports of Basrah and Khor al-Amaya have been revised higher from an earlier total of 1.88 mb/d. However, in December, while southern exports proved less prone to weather-related disruption than in November, liftings from Ceyhan in Turkey fell, amounting to around 7 mb compared with a scheduled 12 mb. With refinery and power plant use largely unchanged at 0.44 mb/d, the fall in total exports to 1.86 mb/d pushed total supply down to 2.3 mb/d.

A shortage of available ships and maintenance work at Ceyhan storage tanks underpinned the slippage in December northern exports compared with an originally planned 12 mb. State marketer SOMO plans to sell 300-400 kb/d of Kirkuk crude via Ceyhan on a term basis from January onwards, although stop-start pipeline flows from northern Iraq since early January may again see actual exports slip below target. Recent fires at the Baiji and Basrah refineries may also curb January domestic crude runs.

Nigeria: One Step Forward, One Step Back

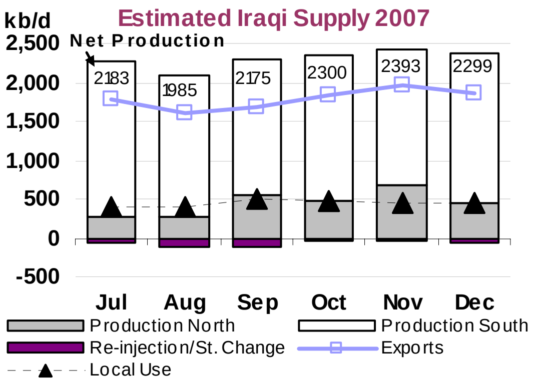
December began promisingly for the Nigerian hydrocarbon sector, where 550 kb/d of Niger Delta production has been shut-in on a sustained basis since early 2006 due to attacks on Forcados, Escravos and EA field facilities. On 6 December a 12-month ceasefire was signed by the government and eight Niger Delta rebel groups. In early January Shell was reported to have re-opened eight out of 15 Forcados flow stations, boosting production into a 120-160 kb/d range with further recovery towards 380 kb/d capacity targeted in coming months. Nigeria LNG's Bonny Train 6 began operations on 23 December, adding 4 mt of LNG capacity and 15-20 kb/d of LPG and condensate supply. Potential restart of 240 kb/d of idled refining capacity at the Warri and Kaduna plants by end-January was announced after repairs to the Chanomi Creek crude pipeline. Refinery reactivation could curb product imports, which have underpinned the government's raising of domestic prices and resultant public and labour union protests.



However, positive developments must be balanced against renewed signs that Delta insurgents are embarking on a renewed campaign of attacks. The Movement for the Emancipation of the Niger Delta (MEND) denounced the 6 December ceasefire, saying it did nothing to address issues about control of natural resources in the region. Rebel groups have cited the government's dual-track approach of negotiations alongside further arrests and militarisation of the Delta as undermining its claims to address regional grievances. A decline in violence was evident between May and August 2007 following President Yar'Adua's election, but with little to show at that time by way of re-instated production.

After a Christmas holiday period lull in both oil sector activity and attacks on facilities, disruption now appears to have picked up again. Shipping, export facilities and the oil refinery at Port Harcourt have all been targeted in the past month. At the time of writing, Shell declared force majeure on Forcados exports after pipeline attacks on 11 January. Shipping firm Maersk has said that its vessels will avoid calling at Port Harcourt until security is improved. MEND and the Ijaw Youth Council say that further major attacks are now planned, aimed at paralysing the oil industry. With this in mind, industry sources have been more cautious than NNPC and government representatives in assessing the timing and extent of any crude and refinery restarts. The next year should see renewed gains in Nigerian upstream capacity with start-up of the Agbami and Akpo projects (450 kb/d of liquids capacity) located further offshore. But Ministerial claims that Nigeria can boost capacity by 1.0 mb/d short-term by re-instating shuttered facilities look more like positioning ahead of future OPEC quota discussions than industrial reality.

Border tensions remain high between the Turkish military and PKK insurgents based inside Iraq, but recent outages on the Kirkuk-Ceyhan pipeline are believed due to technical issues rather than sabotage by the PKK or other insurgent groups. This report also counts some 10-12 kb/d of cross-border pipeline exports to Syria in the monthly export total. Pending confirmation, we omit 5-10 kb/d of crude now reportedly being sent by truck from the Tawke field in northern Iraq to Iran by the Kurdish Regional Government. Tawke output may ultimately rise to 50-90 kb/d subject to access to the Ceyhan pipeline. Baghdad has also signed an agreement with an affiliate of Russia's Gazprom to study the reactivation of 300 kb/d of pipeline capacity from Kirkuk to Banias, Syria, which has been out of service since early 2003.

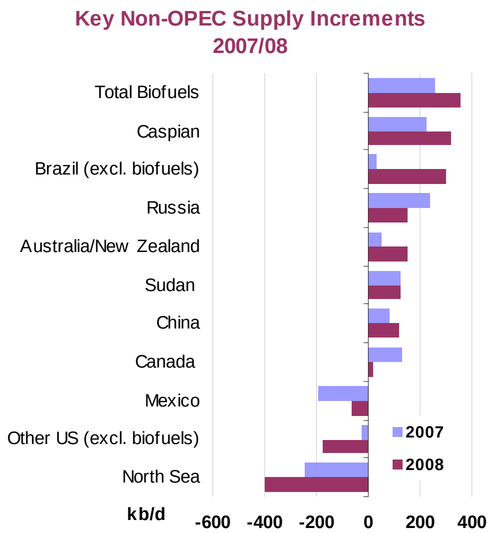


Angolan supply fell in December as production outages affected blocks 17 (home to the Girassol, Rosa and Dalia fields) and 18 (Greater Plutonia). Monthly crude supply was estimated at 1.7 mb/d, off by 20 kb/d from November. Slippage at the Kizomba C project also contributed to lower-than-expected December supply. Start-up of Kizomba C's 100 kb/d Mondo field was pushed back from December to 9 January. Mondo will be followed by a combined 100 kb/d from the Saxi and Batuque fields in completing the Kizomba C development later in 2008. Build-up at Kizomba C and at Greater Plutonia should take Angolan capacity close to 2.0 mb/d by end-2008, compared with an OPEC production allocation of 1.9 mb/d. Further capacity increases up to 2.2 mb/d are possible early in the next decade, notably with field operator Total recently giving final investment approval for the 200 kb/d Pazflor development.

Saudi Arabian December production is unchanged from November at 9.05 mb/d. The Kingdom, together with Angola, underpins OPEC capacity expansion in 2008. Start-up of 500 kb/d of Arab Light crude from the Khursaniyah project was pushed back from end-2007 into 1Q08, apparently due to delays in completing crude processing facilities. Khursaniyah will also generate up to 300 kb/d of natural gas liquids. A further 350 kb/d of light/sweet crude capacity will come from upgrades to the Shaybah and Nuayyim fields before the end of 2008. Under fairly conservative build-up and decline rate assumptions, our assumed Saudi crude capacity level reaches 11.3 mb/d by end-2008 from 10.8 mb/d currently (both levels being net of some 150 kb/d of Abu Safah production and 100 kb/d of field condensates).

Non-OPEC Overview

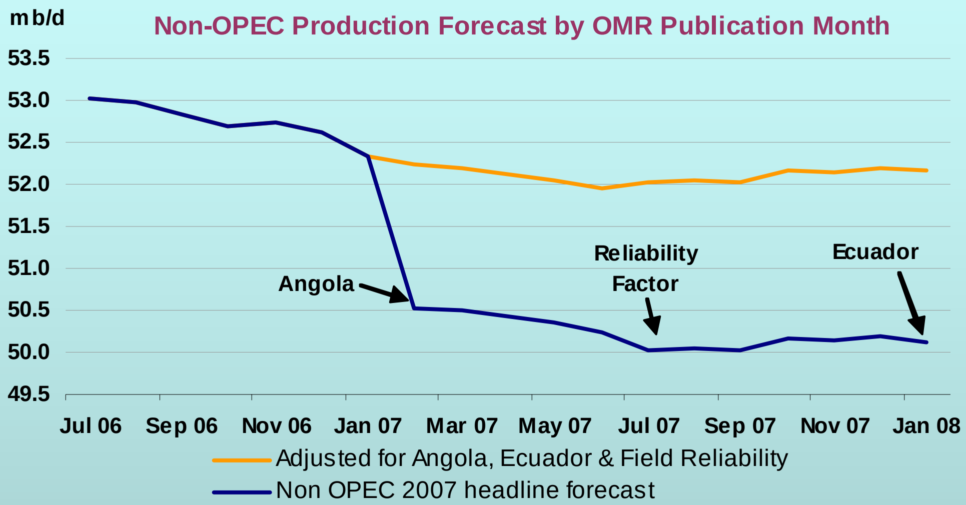
December saw non-OPEC production increase by an estimated 535 kb/d (net of the impact of a 0.5 mb/d shift of Ecuadorean production into the OPEC category), with Mexico, Brazil, China, Kazakhstan, Russia and the UK recovering from prior outages. Total non-OPEC supply for 2007 now averages 50.1 mb/d (or 49.7 mb/d excluding Ecuador). Stripping out Ecuador, 2007 growth has been trimmed by 30 kb/d to 525 kb/d, and 2008's growth is cut by 60 kb/d to 1.02 mb/d on lower OECD, FSU and China supply.



Key gains in 2007 supply came from global biofuels (+265 kb/d), Russia (+235 kb/d), Azerbaijan and Kazakhstan (collectively +230 kb/d), Canada (+130 kb/d), Sudan (+125 kb/d) and China (+80 kb/d). These producers will also drive 2008 growth, augmented by Brazil (+300 kb/d) and Australia/New Zealand (+150 kb/d), although Canadian production growth slows. Mexico, the North Sea and the US outside of the Gulf of Mexico see continued production losses in 2008.

Non-OPEC Performance in 2007: Avoid Comparing Apples and Oranges

January habitually brings a temptation to review the year just gone, albeit solid data for the previous year, barring individual country exceptions, only runs through 3Q at best. Bearing in mind this partial picture, it is nonetheless clear that 2007 non-OPEC supply has lagged initial expectations published in July 2006, continuing the suppressed growth trend evident in 2005 and 2006. July is the first month in which the *OMR* forecast for the following year is rolled out, although with only one full quarter of data for the prevailing year available, July projections for the following year are by their nature highly provisional. Given the more solid foundation underpinning January 2007's forecast, it is perhaps more illuminating to compare 2007 projections in this month's report with those from January 2007, rather than July 2006.



Headline non-OPEC supply for 2007 was estimated at 52.3 mb/d in January 2007. On paper, this month sees a non-OPEC projection for 2007 (it will remain a projection until late-2008 in the case of some OECD producers and until 2009 in the case of elements of non-OECD production) of 50.1 mb/d. Superficially, this looks like a reduction of over 2.0 mb/d, or some 4%, in 12 months. However, the devil is in the detail, and 2007 was notable for changes in classification and forecasting methodology which distort the picture:

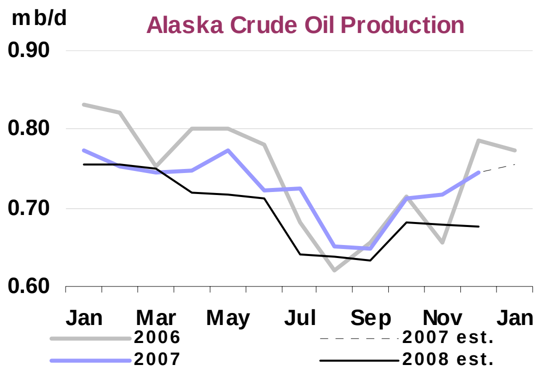
- **Angola** left the ranks of non-OPEC to join OPEC from January 2007, removing 1.7 mb/d of oil production from the non-OPEC total;
- The *OMR* internalised a **field reliability adjustment factor** of 410 kb/d at mid-year to reflect unscheduled field outages (mainly at mature OECD production capacity), affecting data from 2Q 2007 onwards, and netting a further 0.3 mb/d off annual 2007 estimates;
- The shift of 0.5 mb/d producer **Ecuador** from non-OPEC to OPEC effective December 2007 nets 42 kb/d off this month's full-year 2007 non-OPEC assessment.

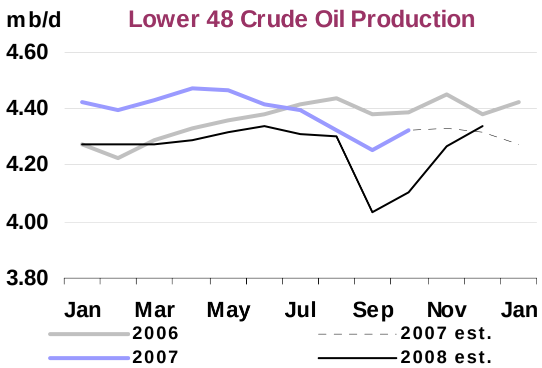
Like-for-like non-OPEC supply for 2007 therefore stands at 52.1 mb/d, only 160 kb/d below last January's number. This is not to say that data for the final months of 2007 will be free from surprises, or that revisions to early 2007 data may not also reduce the total. Diminishing international company access, cost and fiscal inflation, chronic project start-up delays, prolonged outages at aging infrastructure, extended maintenance schedules and accelerating decline rates at older fields can all undermine any forecast in the months to come. But the tendency for non-OPEC estimates to trend remorselessly down, ***on a like-for-like basis***, appears to have abated, at least for now. Whether this offset to the negative factors itemised above is due to better forecasting, a delayed supply-side price response, or both, remains to be seen.

OECD

North America

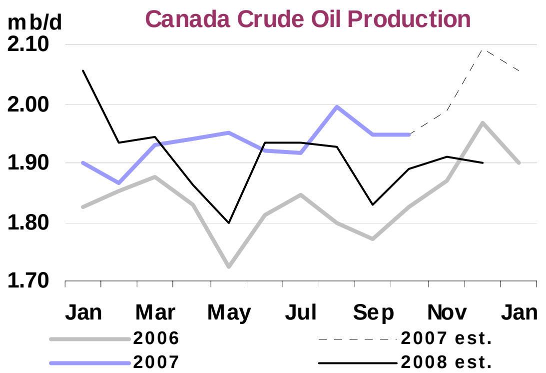
US – December Alaska actual, others estimated: Crude production in 2007 averages 5.1 mb/d, slipping to 5.0 mb/d in 2008. This month's forecast trims the assessments for 2007 and 2008 US crude output by 10 kb/d and 20 kb/d respectively, centred on Alaska and the US GOM. Alaska's Revenue Department last month said it envisages 4% decline in production in fiscal 2009, implying steeper losses due to maintenance on mature production and transportation assets than previously assumed by this forecast. Although GOM supply is also trimmed for the forecast, growth in output here amounts to 50 kb/d net in 2008 after 60 kb/d in 2007. Commissioning of the long-delayed Atlantis project was completed in December, although production began in October. Output is seen hitting 70 kb/d by March and full capacity of 200 kb/d by end-2008. US ethanol supply, after rising by 100 kb/d to 415 kb/d in 2007, averages 475 kb/d in 2008. Monthly ethanol output data for 2007 have tended to come in stronger than initial forecasts, despite weak basic economics.

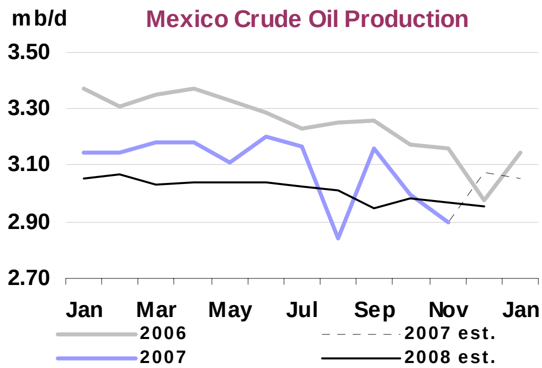




Canada – Newfoundland November actual, others October actual: Downward revisions to 4Q07 Canadian oil supply carry over into 1Q08, largely based on weaker bitumen and synthetic crude supply from Alberta's oil sands. A coker outage at Syncrude's heavy oil upgrader and a fire at Shell's Athabasca unit may have curbed December syncrude supply by up to 300 kb/d, with production remaining affected to a lesser extent in January. Synthetic crude nonetheless gains 70 kb/d in 2008 to average 0.73 mb/d after flat performance in 2007.

Conventional oil output slips from 2.0 mb/d last year to 1.9 mb/d in 2008, with a levelling off in offshore East Coast supply after strong 2007 growth. All told, Canadian liquids supply averages 3.3 mb/d in both 2007 and 2008 from 3.2 mb/d in 2006. The Canadian forecast includes a field reliability adjustment which nets 100 kb/d off the calculated total. Any easing in the unscheduled outages seen in the past two to three years holds the potential to boost forecast Canadian supply accordingly in 2008.

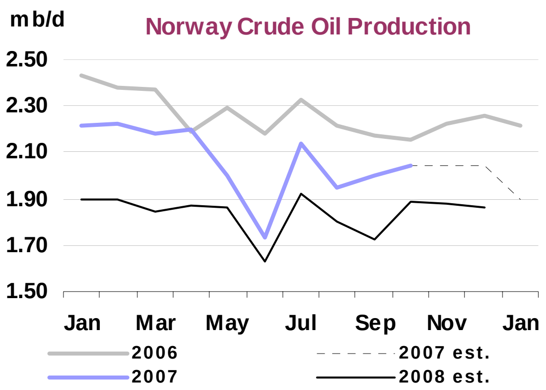


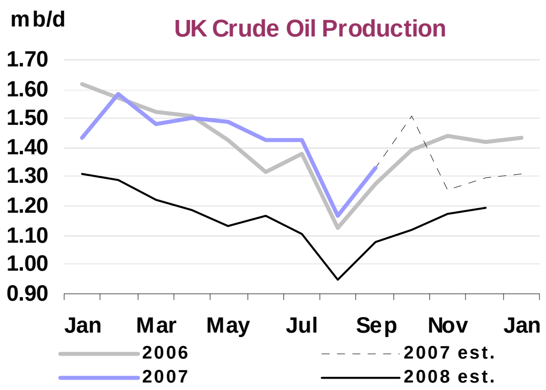


Mexico – November actual: Mexican November crude production remained suppressed at 2.9 mb/d after production shut-ins due to storms in October. We have not yet carried this reduction into December and 2008 however, on the assumption that the dip in October/November output was indeed weather-related and not evidence of further acceleration in decline at Cantarell and other offshore fields. 2008 Mexican crude supply is forecast at 3.0 mb/d, a drop of 100 kb/d from 2007, after a fall of 165 kb/d last year.

North Sea

Norway – November actual, December provisional: Preliminary 4Q Norwegian crude production averaged 2.04 mb/d, alongside 545 kb/d of gas liquids, an upward revision of 60 kb/d for the quarter compared with last month's estimates. However, this is offset by an equal and opposite revision for 1Q08 after unscheduled outages affecting condensate supply from the Kvitebjorn, Snohvit and Ormen Lange fields. StatoilHydro announced lower targets for 2008 oil and gas production, in line both with these gas-related outages and with this report's already conservative forecast for total Norwegian supply. As a result we have left the 2008 forecast largely unchanged at 1.84 mb/d of crude and 540 kb/d of gas liquids, collectively 180 kb/d below total 2007 liquids production.

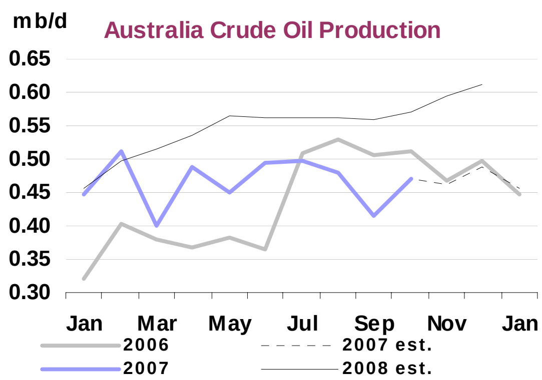




UK – October actual: Data through October 2007 show UK oil production rebounding from peak summer maintenance. Total output reached 1.74 mb/d in October (including 1.5 mb/d of crude) from 1.33 mb/d in August. However, loading schedules for the main crude streams suggest a November/December dip in supply to 1.5 mb/d, around 50 kb/d below last month's forecast for end-year production. A 20 kb/d downward adjustment to UK supply is carried through 2008, taking total oil supply to 1.42 mb/d from 1.64 mb/d in 2007 (offshore crude comprising 1.41 mb/d in 2007 and 1.16 mb/d in 2008). The reduction results in part from a later start-up at the Chestnut field at the end of 1Q08, and plateau production below the previously-assumed levels at 10 kb/d. Recent new field start-ups include Duart, Saxon and Wood. Our 2008 supply forecast, as with officially reported data, incorporates output from these fields within the totals for larger adjacent fields to which their infrastructure is tied.

Pacific

Australia – October actual: Despite rising by 50 kb/d from September's level of 500 kb/d, Australian oil production in October lagged expectations by 65 kb/d. A spate of subsequent production outages reduces forecast 4Q07 production by 40 kb/d and 1Q08 by 80 kb/d compared with the previous forecast. January supply was curbed by an estimated 35 kb/d, as the 2008 storm season got an early start with the arrival of cyclone Melanie. Mechanical outages have also affected the Mutineer/Exeter and Woolybutt fields and



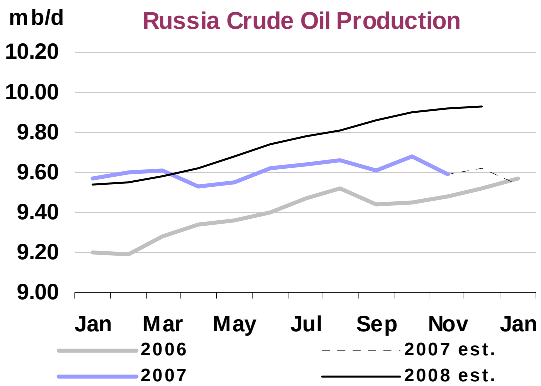
condensate supplies at the Karratha gas plant. Nonetheless, overall 2008 supply increases due to recent start-up at the Puffin and Stybarrow fields, likely to be followed later in 2008 by new output from Skua and Angel. Total oil production is assessed at 555 kb/d in 2007 (465 kb/d of crude) and 670 kb/d in 2008 (550 kb/d of crude).

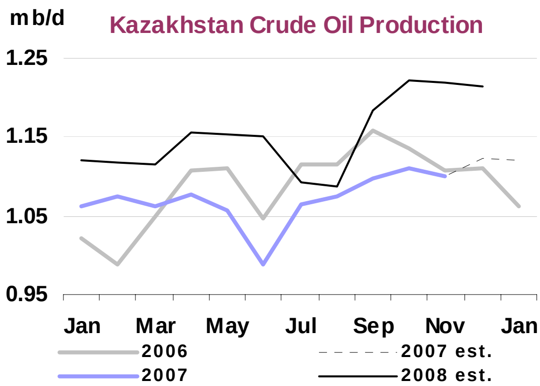
Solid growth is also expected from **New Zealand,** where oil supply is slated to reach 45 kb/d in 2007 and potentially 80 kb/d in 2008 from the 25 kb/d seen during 2004-2006. Offshore liquids growth from the Tui-Amokura-Pateke, Maari and Cheal fields accounts for this rise from New Zealand.

Former Soviet Union (FSU)

Russia – November actual, December provisional: November/December crude production from Russia remained stable around the 9.6 mb/d level evident since mid-year, with assumed condensate/NGL supply adding a further 460 kb/d to give total oil output of 10.1 mb/d. Both month-on-month and annual growth levels have slowed since mid-year. We have trimmed the forecast of 2008 output by 15 kb/d from last month to a total of 10.23 mb/d. This represents 1.5% annual growth compared with the 2.4% now estimated for 2007.

A combination of lower 2007 baseline supply and weaker company growth expectations for 2008 affect Surgutneftegaz, Rosneft and output from the PSA projects (at Sakhalin and Kharayaga). Technical problems forced the early seasonal closure of the production season at Sakhalin 2, although the commencement of year-round production via the Piltun-Astokhskoye-B platform from the second half of 2008 could push peak output up in excess of 150 kb/d from 80 kb/d currently. Strong December performance at the Sakhalin 1 project belies now-weaker expectations for 2008. Government refusal to sanction further drilling at the Chayvo field, and ongoing disagreement over contract territory and reserves, will reportedly see output decline in 2008 to 200 kb/d from 230 kb/d in 2007.





Kazakhstan – November actual: The forecast for 2008 Kazakhstan output is trimmed by 25 kb/d after the Tengizchevroil consortium deferred to end-1Q08 expansion at the Tengiz field. This follows technical problems and extended testing of compressors used for sour gas reinjection at the field. Overall, we have curbed the contribution from Tengiz in the early part of 2008, but boosted late-year supply from the field to over 400 kb/d, from current output near 300 kb/d. Total Kazakhstan oil supply (crude and gas liquids) rises by 90 kb/d in 2008 to 1.44 mb/d, having gained 15 kb/d in 2007 to average 1.35 mb/d.

The Kazakh President reported in December that Russia has approved expansion of the CPC export pipeline now that Kazakhstan has joined the Bourgas-Alexandroupolis pipeline scheme, although there is no sign to date of Russian confirmation of this. January saw reports that state producer Kazmunaigaz will double its stake in the troubled Kashagan project to 16.8% and that all consortium members have now agreed to the transfer of equity. Compensation is to be paid to the Kazakh government for cost over-runs and delays so far. Italian Eni's sole operatorship of the project remains to be confirmed with some press reports suggesting that joint operatorship by Eni, Exxon Mobil, Shell and Total may be the preferred option. Target start-up date for the project is now late-2011, versus initial estimates of 2005.

The supply forecast for **Azerbaijan** in 2008 has been revised up by 20 kb/d to 1.09 mb/d, sustaining the 200 kb/d growth seen in 2006 and 2007. Higher Shah Deniz condensate accounts for the change, with output currently around 30 kb/d and potentially reaching 45 kb/d in late 2008.

FSU Net Exports of Crude & Petroleum Products
(million barrels per day)

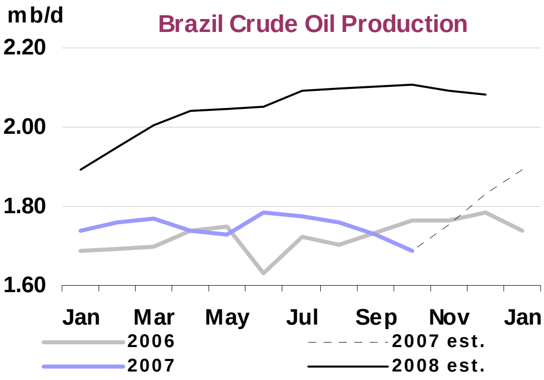
	2005	2006	4Q2006	1Q2007	2Q2007	3Q2007	Sep 07	Oct 07	Nov 07	Latest month vs. Oct 07	Latest month vs. Nov 06
Crude											
Black Sea	2.27	2.22	2.08	2.30	2.23	2.09	2.12	2.25	2.02	-0.22	-0.09
Baltic	1.59	1.55	1.43	1.58	1.60	1.58	1.66	1.66	1.47	-0.20	0.11
Arctic/FarEast	0.19	0.15	0.19	0.29	0.30	0.38	0.33	0.34	0.30	-0.03	0.13
BTC	0.00	0.00	0.38	0.43	0.58	0.57	0.38	0.51	0.67	0.15	0.21
Crude Seaborne	4.05	4.07	4.08	4.60	4.70	4.61	4.50	4.76	4.46	-0.30	0.36
Druzhba Pipeline	1.15	1.20	1.19	1.17	1.13	1.08	1.17	1.11	1.16	0.05	-0.04
Other Routes	0.25	0.38	0.45	0.47	0.46	0.40	0.39	0.43	0.45	0.02	-0.03
Total Crude Exports	5.45	5.64	5.71	6.23	6.29	6.09	6.06	6.30	6.06	-0.23	0.28
Of Which: Transneft	4.12	4.22	4.06	4.33	4.31	4.19	4.42	4.37	4.12	-0.24	0.11
Products											
Fuel oil	0.93	0.95	0.95	1.04	1.15	1.13	1.08	0.99	1.12	0.13	0.18
Gasoil	0.87	0.95	0.91	0.94	0.88	1.01	0.95	0.97	0.86	-0.11	-0.06
Other Products	0.58	0.61	0.54	0.59	0.69	0.57	0.49	0.53	0.55	0.03	0.01
Total Product	2.38	2.51	2.40	2.57	2.73	2.71	2.53	2.49	2.54	0.05	0.14
Total Exports	7.83	8.16	8.11	8.80	9.02	8.80	8.58	8.79	8.60	-0.19	0.42
Imports	0.02	0.04	0.04	0.02	0.04	0.04	0.05	0.04	0.05	0.01	0.00
Net Exports	7.81	8.12	8.07	8.78	8.98	8.76	8.53	8.75	8.56	-0.19	0.41

Sources: Petro-Logistics, IEA estimates
Note: Transneft data has been revised to exclude Russian CPC volumes.

Net oil exports from the FSU totalled a preliminary 8.56 mb/d in November, down 190 kb/d from October. Although 410 kb/d higher than last November, this was well below the 700 kb/d average annual increase in FSU exports seen throughout 2007. Respective monthly decreases of 220 kb/d and 200 kb/d in November crude exports from Black Sea and Baltic port were driven by weather issues (including a storm-related closure of Novorossiysk) and maintenance on the BPS pipeline. These were partially offset by an extra 150 kb/d flowing through the BTC pipeline in November. While fuel oil exports rose by 130 kb/d in November, gasoil flows decreased by 110 kb/d. Total FSU product exports in November, at 2.54 mb/d, were 50 kb/d higher than October and 140 kb/d higher than November 2006.

Russian export duties rose again from 1 December, but while exports likely remained flat from the Black Sea, Primorsk loadings were scheduled to rebound after pipeline maintenance, suggesting a modest net increase in December exports overall. January however may see an offsetting drop of around 50 kb/d, as potentially higher Baltic flows due to the introduction of new, larger Baltimax tankers is overshadowed by disrupted exports from Gdansk, underpinned by a pipeline contractual dispute.

Other Non-OPEC



Brazil – October actual, November provisional: Despite slow progress in expanding total production in 2007, Brazil is still expected to be the largest single contributor to non-OPEC growth in 2008. Crude supply is forecast to increase by 0.3 mb/d to 2.08 mb/d, from 1.76 mb/d in 2007. December saw start-up of the Roncador field's P-54 platform in the Campos Basin and reports by state Petrobras that record company-wide production of 2.0 mb/d had been attained. Further gains in 2008 come from the Roncador, Polvo, Piranema, Golfino, Marlim Leste, Marlim Sul, Albacore Leste, Espadarte and Jubarte fields, offset in part by declining output from older deepwater fields. Brazilian ethanol output is projected to gain a further 50 kb/d this year to reach 360 kb/d.

Revisions to Non-OPEC Estimates

Revisions to Non-OPEC Oil Supply
(million barrels per day)

	Last Month's OMR				This Month's OMR				This Month vs. Last Month			
	2007	2008	07 v 06	08 v 07	2007	2008	07 v 06	08 v 07	2007	2008	07 v 06	08 v 07
North America	14.29	14.15	0.08	-0.14	14.27	14.15	0.06	-0.12	-0.02	0.00	-0.02	0.02
Europe	4.91	4.52	-0.28	-0.38	4.93	4.50	-0.26	-0.43	0.02	-0.03	0.02	-0.05
Pacific	0.65	0.81	0.07	0.16	0.64	0.78	0.06	0.15	-0.01	-0.03	-0.01	-0.01
Total OECD	**19.85**	**19.49**	**-0.13**	**-0.36**	**19.83**	**19.43**	**-0.14**	**-0.40**	**-0.01**	**-0.05**	**-0.01**	**-0.04**
Former USSR	12.71	13.20	0.47	0.49	12.71	13.18	0.47	0.47	0.00	-0.02	0.00	-0.02
Europe	0.13	0.12	-0.01	-0.01	0.13	0.12	-0.01	-0.01	0.00	0.00	0.00	0.00
China	3.77	3.90	0.10	0.13	3.75	3.87	0.08	0.12	-0.02	-0.03	-0.02	-0.01
Other Asia	2.68	2.80	-0.03	0.12	2.68	2.80	-0.03	0.12	0.00	0.00	0.00	0.00
Latin America	3.89	4.23	0.04	0.34	3.88	4.23	0.03	0.34	-0.01	0.00	-0.01	0.00
Middle East	1.64	1.56	-0.11	-0.07	1.64	1.56	-0.11	-0.07	0.00	0.00	0.00	0.00
Africa*	2.55	2.69	0.05	0.14	2.55	2.69	0.05	0.14	0.00	0.00	0.00	0.00
Total Non-OECD*	**27.37**	**28.51**	**0.51**	**1.13**	**27.35**	**28.46**	**0.48**	**1.11**	**-0.02**	**-0.05**	**-0.02**	**-0.02**
Processing Gains	2.07	2.13	0.04	0.06	2.07	2.13	0.04	0.06	0.00	0.00	0.00	0.00
Other Biofuels	0.40	0.65	0.15	0.25	0.40	0.65	0.15	0.25	0.00	0.00	0.00	0.00
Total Non-OPEC*	**49.70**	**50.78**	**0.56**	**1.08**	**49.66**	**50.68**	**0.52**	**1.02**	**-0.04**	**-0.10**	**-0.03**	**-0.06**

OMR = Oil Market Report
* adjusted to exclude Angola and Ecuador throughout