

16 January 2004

HIGHLIGHTS

- OECD industry oil stocks fell by 860 kb/d in November to 2527 mb, 95 mb below the five-year average. Steep crude draws in Japan and the US led the drop. US crude stocks fell further through early January, to 6 mb below the notional 270 mb minimum operating level. November forward demand cover remained at 51 days, on par with November 2002 and 1.5 days below 2000, when stocks were tight.
- WTI crude prices surged to near \$35 in early January following a steep decline in US crude oil stocks. Colder weather in the US, surging natural gas prices, strong economic growth and robust Asian product demand supported prices.
- World oil supply growth slowed to 395 kb/d in December, with total output averaging 82.1 mb/d. Growth was split evenly between non-OPEC supply and OPEC crude. Brazil, Canada, China and Kazakhstan accounted for most of the non-OPEC rise.
- OPEC production increased by 195 kb/d in December to reach 27.9 mb/d, its highest level since March 2001. Effective spare capacity remains constrained at less than 1.5 mb/d. OPEC-10 output increased marginally to 26.0 mb/d, 1.5 mb/d over target.
- OECD demand grew by an estimated 410 kb/d in the fourth quarter despite milder-than-normal weather and reduced fuel switching into oil in the US and Japan. The global demand forecast for 2004 is little changed at 79.6 mb/d, with demand growth of 1.2 mb/d led by the non-OECD regions, especially China, other Asia and the Middle East.

Next Issue: 11 February 2004

CONTENTS

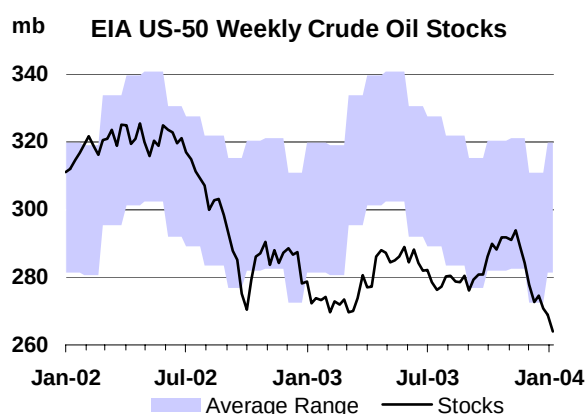
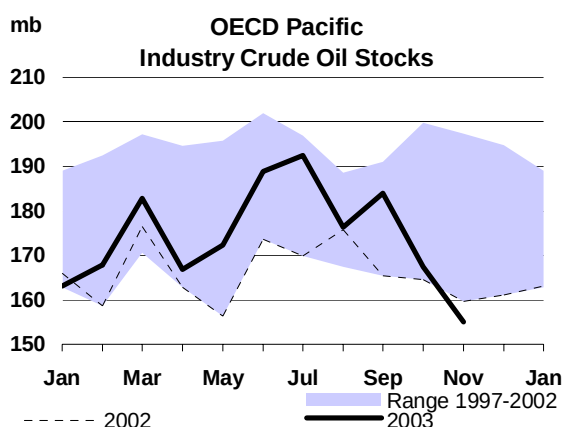
HIGHLIGHTS.....	1
SOMEONE BEARS THE RISK.....	3
DEMAND	4
Summary	4
OECD.....	5
Early Indications of Current Demand	5
North America	7
Europe	8
Pacific.....	9
Non-OECD.....	10
China	10
SUPPLY.....	13
Summary	13
OPEC	14
OPEC Capacity Creep Still an Issue.....	16
OECD.....	17
North America	17
North Sea.....	18
Former Soviet Union (FSU).....	19
Other Non-OPEC.....	20
Revisions	21
OECD STOCKS.....	23
Summary	23
OECD Industry Stock Changes in November	24
Revisions to Preliminary OECD Stocks and Inventory Position at End-November.....	24
OECD Regional Stock Developments	25
North America	25
Europe	25
Pacific.....	26
Singapore Stock Developments in December	27
Non-OECD Stocks: Establishing Strategic Reserves in China and India	28
PRICES AND REFINERY ACTIVITY	30
Summary	30
December Overview	31
Crude Oil Prices.....	32
Spot Crude Prices and Differentials in December	32
Crude Futures in December.....	33
Delivered Crude Prices in October	34
Product Prices.....	34
Spot Product Prices in December	34
Product Futures in December	36
Limits to Gasoline Price Differentials?	37
End-User Product Prices in December.....	37
Freight.....	38
Refining Margins in December	40
OECD Refinery Throughput in November	41
First Quarter Refinery Maintenance.....	42
TABLES	44
OIL MARKET REPORT CONTACTS	

SOMEONE BEARS THE RISK

Without wishing to sound like a broken record, OECD crude oil stocks are tight. Weekly data indicate that US industry crude stocks are trending below 270 mb, a level traditionally equated with minimum operating inventories, and are at their lowest reported level since 1975. Not to be outdone, OECD Asia crude oil stocks have fallen below their five-year range. While OECD European crude inventories are more comfortable, forward demand cover of OECD industry oil stocks is on a par with the extremely tight levels seen this time last year. Persistent backwardation in the futures markets combined with oil prices in the US \$30-plus range is indicative of tight underlying fundamentals.

It could be argued that year-end tax policies and scheduled refinery maintenance have contributed to lower industry holdings. And yet, year-end tax incentives are a reoccurring event and are therefore unlikely by themselves to account for the current tightness in stocks. More oil may be in transit due to “slow steaming” or may have found its way into unreported producer and independent commercial storage. Global oil demand may also be stronger than observed, especially in Asia. Surging VLCC freight rates suggest that more oil is on the way to Asia, which may help to rebalance this market.

Speculators adding to their long positions and investors switching out of financial instruments into commodities due to dollar weakness may have added momentum, but are not causally responsible for the bull market. While production expansion programs will boost capacity in the future, our latest estimates suggest effective spare production capacity is less than 1.5 mb/d. Faced with tight crude oil stocks and limited spare production capacity, the market is vulnerable to supply disruptions.



Despite significant progress in Iraq, geopolitical uncertainties persist. Unrest in Venezuela and Nigeria keeps bubbling to the surface, developments in Russia are uncertain, the Middle East road map has lost direction and unease in Southeast Asia remains. These tensions are aggravated by the potential threat of terrorism.

Anxious about the imminent seasonal reduction in demand, producers are taking precautionary measures to avoid a possible price collapse in the second quarter. Constraining supply so as to minimize the seasonal stock overhang reinforces high near-term oil prices and pushes the market into backwardation. Some producers attribute these higher prices to speculators, while others justify them as compensation for the loss of purchasing power due to the exchange rate impact of the weaker US dollar.

Should we get through the winter without any unpleasant surprises, some might be tempted to welcome the soft landing as a product of “effective” supply management practices. But what if events take an unexpected turn? What if high prices damage the nascent economic recovery struggling to take hold? And should one overlook that for months, consumers have already been subjected to abnormally high prices? Who will compensate them for their loss of purchasing power?

The market’s vulnerability to supply disruptions increases in line with reduced inventory holdings. For some time now, the market has been signalling the need for higher inventories. Low inventories did not just happen overnight and have been repeatedly identified in this column, and elsewhere, as a precursor to volatility. For now, consumers are left bearing most of the costs and risk associated with depressed stock levels.

DEMAND

Summary

- The forecast of global oil product demand for 2004 has been marginally increased to 79.63 mb/d, up 50 kb/d from last month's Report, reflecting fresh evidence that the demand recovery in non-OECD Asia is gaining momentum. Weaker-than-expected fourth-quarter oil deliveries in some of the most advanced economies slightly trimmed the assessment of overall 2003 demand, by 10 kb/d, to 78.42 mb/d. Demand growth for 2004 is forecast to reach 1.22 b/d, extending last year's steep 1.45 mb/d advance.
- Preliminary data for eight of the largest OECD economies suggest OECD oil demand contracted in November, following two months of strong growth. November deliveries are provisionally assessed some 300 kb/d below year-earlier levels, reversing gains of 1.2 mb/d and 1.1 mb/d in September and October. Milder-than-normal early-winter weather across the Northern Hemisphere partly accounts for the drop. However, oil demand growth appears to have resumed in December, while arctic weather in the US Northeast and Midwest in January set the stage for stronger heating demand.

Global Oil Demand from 2002 to 2004

	Demand (mb/d)	Annual Change*		Changes from last month's Report (mb/d)
		(%)	(mb/d)	
1Q02	76.9	-1.0	-0.8	-
2Q02	75.2	-0.5	-0.4	-
3Q02	76.7	0.7	0.5	-
4Q02	79.1	1.5	1.2	-0.1
1Q03	79.0	2.7	2.1	-
2Q03	76.1	1.2	0.9	-
3Q03	78.0	1.7	1.3	-
4Q03	80.6	1.9	1.5	-0.1
1Q04	80.0	1.2	1.0	-
2Q04	77.4	1.8	1.4	0.1
3Q04	79.2	1.5	1.2	0.1
4Q04	81.9	1.6	1.3	-
2002	77.0	0.2	0.2	-
2003	78.4	1.9	1.5	-
2004	79.6	1.6	1.2	-

* year-on-year change

- Expanding economic activity appears to underpin the bulk of oil demand growth so far this winter. Diesel accounted for an estimated 360 kb/d of OECD demand growth last year, roughly half the overall OECD increment, thanks in part to increased trucking activity in North America. Diesel demand growth of 160 kb/d is expected again to contribute roughly half the overall OECD gain this year.
- Chinese apparent oil demand growth continues unabated, fuelled mostly—though not exclusively—by record electricity consumption. Soaring demand kept gasoil markets tight through December, leading to continued rationing in key markets. While refining capacity constraints leave little room for further gains in domestic product output in the short term, steps are being taken towards meeting incremental demand through stepped-up product imports.

Estimated Annual World Oil Demand Growth 1999-2004

(million barrels per day)

	99-98	00-99	01-00	02-01	03-02	04-03
North America	0.71	0.26	-0.06	0.16	0.39	0.26
Latin America	0.02	-0.01	0.02	-0.11	-0.13	0.06
FSU	-0.15	0.09	-0.01	-0.20	0.09	0.03
Europe	-0.15	-0.11	0.20	-0.18	0.19	0.18
OECD Pacific	0.28	-0.08	-0.08	-0.04	0.16	-0.12
China	0.21	0.26	0.12	0.27	0.51	0.33
Other Asia	0.41	0.09	0.16	0.11	0.11	0.24
Subtotal, Asia	0.90	0.28	0.20	0.34	0.79	0.45
Middle East	0.04	0.18	0.19	0.13	0.08	0.19
Africa	0.11	0.05	0.09	0.01	0.04	0.04
World	1.48	0.73	0.62	0.15	1.45	1.22

- Other non-OECD Asian economies showed robust demand growth. Indian consumption surged by a provisional 5% in November, as deliveries of road diesel reached their highest level in three years. Thai demand continued to advance at a fast clip through the third quarter. Anecdotal evidence suggests high oil revenues have spurred robust demand growth among oil-exporting economies of the Middle East, several of which recently had to turn into product importers to meet domestic needs. Overall, non-OECD oil demand is forecast to expand by more than 900 kb/d this year, roughly three quarter of global growth.

Global Oil Demand by Region

(million barrels per day)

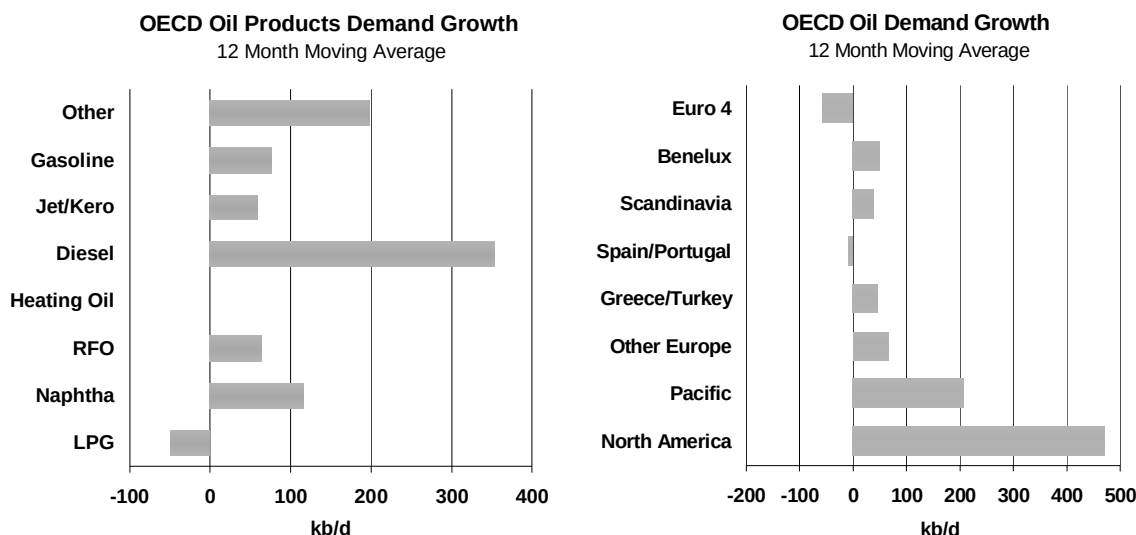
	Demand	Annual Change			Annual Change (%)		
	2003	2002	2003	2004	2002	2003	2004
North America	24.55	0.16	0.39	0.26	0.7	1.6	1.1
Europe	16.02	-0.18	0.19	0.18	-1.1	1.2	1.1
OECD Pacific	8.66	-0.04	0.16	-0.12	-0.5	1.9	-1.4
China	5.46	0.27	0.51	0.33	5.9	10.3	6.1
Other Asia	7.79	0.11	0.11	0.24	1.4	1.5	3.1
Subtotal Asia	21.91	0.34	0.79	0.45	1.6	3.7	2.1
FSU	3.55	-0.20	0.09	0.03	-5.5	2.7	0.8
Middle East	5.15	0.13	0.08	0.19	2.6	1.7	3.7
Africa	2.60	0.01	0.04	0.04	0.5	1.5	1.7
Latin America	4.65	-0.11	-0.13	0.06	-2.3	-2.7	1.4
World	78.42	0.15	1.45	1.22	0.2	1.9	1.6

OECD**Early Indications of Current Demand**

Extending what has become a recent pattern, preliminary delivery data for eight of the largest OECD economies for November have come in below forecasts, but revised preliminary data for the previous month have been adjusted upwards. Revised data now peg October demand at 49.19 mb/d, up 1.1 mb/d on the year, and 470 kb/d above last month's estimate. November OECD demand looks slightly weaker at 48.74 mb/d, down 450 kb/d on the month and down 300 kb/d year-on-year, following at 740 kb/d downward adjustment to forecast levels. However, experience suggests preliminary November data remain subject to large upward revisions. December demand is estimated at 50.12 mb/d, up 410 kb/d annually, bringing the fourth quarter average to 49.36 mb/d, a year-on-year increase of 410 kb/d. That increase is roughly in line with the gain of the third quarter.

The increase in OECD demand has been achieved despite notably milder fourth-quarter temperatures in 2003 than in the previous year. Indeed, demand for fuels associated either directly or, through power generation, indirectly with space heating has been depressed relative to 2002. OECD-wide heating oil deliveries contracted by 230 kb/d in the fourth quarter year-on-year, extending a drop of 350 kb/d posted in the third quarter. Residual fuel oil demand inched lower by 10 kb/d in the fourth quarter, while demand for jet fuel-kerosene contracted by 50 kb/d, led by a 70 kb/d drop in the Asia-Pacific region, where kerosene is used for winter heating.

In contrast, demand for economically-sensitive products has been expanding rapidly. Fourth quarter diesel demand expanded by 390 kb/d, bringing average growth for 2003 to an eight-year high of 360 kb/d. Over the last 12 years, generally, demand growth has gone hand in hand with the dieselisation of the product mix. However, while through most of last year diesel demand growth had been primarily driven by the ongoing conversion of Europe's automobile fleet from gasoline to diesel (and thus partly offset by a corresponding decline in European gasoline demand), that was not the case in November. Instead, European diesel demand growth slowed dramatically, to an estimated 80 kb/d, from 370 kb/d and 280 kb/d, respectively, in September and October, while North American surged to 310 kb/d, extending gains of 170 kb/d and 250 kb/d in the two previous months. As North American diesel demand is mostly from the freight transport sector, the surge directly reflects increased economic activity and trading.



In another sign of accelerating economic activity, OECD naphtha demand gained nearly 150 kb/d in the fourth quarter, reflecting a rebound in the petrochemical sector. While demand from the petrochemical industry is especially robust in China, where it is associated with both dramatic increases in manufacturing capacity and steep growth in the broader economy, October delivery data and preliminary statistics for November bear witness to a rebound in OECD petrochemical demand as well, notably in Europe. Lately there have also been reports of strong OECD Asian buying of petrochemical feedstock.

Preliminary Inland Deliveries – November 2003¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	8.96	1.5	1.66	-1.1	2.96	7.5	1.00	-15.2	0.70	-10.4	4.72	-1.0	20.00	0.1
Canada	0.68	0.3	0.12	-0.8	0.41	4.3	0.09	-11.4	0.15	8.8	0.25	6.9	1.70	2.0
Mexico	0.59	3.3	0.05	0.0	0.30	4.6	0.00	na	0.28	-5.8	0.40	-0.3	1.61	0.9
Japan	1.03	-0.4	0.60	-25.9	0.66	-6.9	0.49	-11.6	0.52	-9.0	1.60	-9.9	4.90	-10.1
Korea	0.17	1.2	0.06	39.0	0.44	10.7	0.18	-19.0	0.33	-9.9	1.08	1.4	2.25	-0.2
France	0.24	-17.4	0.12	2.7	0.57	-6.5	0.26	-15.4	0.07	21.3	0.46	7.8	1.73	-4.9
Germany	0.58	-6.3	0.15	10.2	0.60	-6.1	0.49	-19.8	0.11	-11.5	0.44	3.8	2.37	-7.1
Italy	0.33	-5.1	0.07	2.7	0.47	1.9	0.13	-3.8	0.20	-10.0	0.44	-0.9	1.65	-2.3
Total	12.57	0.1	2.83	-4.5	6.41	2.5	2.65	-15.1	2.36	-5.5	9.39	-1.6	36.21	-2.2

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

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

1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

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

As shown in the table above, preliminary delivery assessments for eight of the largest OECD economies reveal a growing disconnect between the demand patterns of North America, where consumption continued to increase, albeit at a subdued pace, in November and the other OECD regions, where a steep contraction in heating oil deliveries helped drive overall demand lower on the

year. In North America, diesel demand has been especially robust, while deliveries of jet fuel-kerosene show renewed signs of recovery, substantially narrowing their deficit versus last year. Both trends are consistent with a reviving economy.

On the other hand, European deliveries contracted sharply, except for other products (supported by naphtha) and jet fuel-kerosene, which showed strong growth. Germany led the decline as heating oil deliveries plummeted for the sixth consecutive month amid mild temperatures. Not only did European gasoline deliveries continue their downward trend, but unadjusted delivery data show that, contrary to recent patterns, the decline spread to diesel in both France and Germany. However, preliminary German diesel delivery data have been consistently revised upwards in recent months. In anticipation of such a revision, an upward adjustment of 70 kb/d has been applied in this Report's balances to raw November diesel delivery data for Germany, suggesting modest growth.

Asian deliveries also contracted sharply in November, led by a 10.1% drop in Japan. The decline in Japanese deliveries spanned the product mix, but was especially pronounced for heating fuels such as kerosene and "other gasoil". Despite extended shutdowns at several nuclear power plants, oil demand from the power generation sector has been relatively subdued, with deliveries of both residual fuel oil and "other products", including heavy, sweet crude oil used for direct burn at thermal power plants, between 9% and 10% below 2002 levels. Diesel and gasoline deliveries also trended lower. In Korea, sharply reduced deliveries of heating oil and residual fuel oil offset increases in diesel, gasoline and jet fuel-kerosene, dragging overall deliveries slightly lower on the year.

Although the contrasted pace of economic recovery in North America and the rest of the OECD goes a long way towards explaining the diverging patterns of oil demand in those regions' leading economies, much of the overall contraction in OECD deliveries was due to the considerably milder weather experienced in November, when temperatures averaged above the norm, compared to a year earlier, when cold snaps and nuclear and hydropower generation shortfalls conspired to boost oil demand for heating and oil-fired power generation. Colder weather in the first quarter of 2004, such as was recently experienced in the US Northeast and Midwest regions, could dramatically alter those dynamics, even as the economic recovery takes hold in the US and elsewhere.

Moving Annual Average Change in Oil Demand* – November 2003

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	-4.0%	6.0%	1.2%	-0.9%	5.5%	3.2%	14.6%	0.9%	1.6%	321
Canada**	2.7%	-2.8%	1.7%	6.7%	2.3%	6.4%	13.5%	0.1%	3.3%	68
Mexico	-2.0%	3.3%	6.1%	-1.2%	8.8%	8.8%	-9.4%	46.1%	3.8%	74
Japan	-2.3%	1.7%	0.6%	1.4%	-3.9%	1.6%	20.4%	18.6%	3.4%	179
Korea	-4.5%	3.2%	-4.6%	0.0%	6.5%	5.0%	-1.9%	-44.8%	1.3%	29
France	-0.6%	19.0%	-8.1%	11.1%	-0.3%	1.2%	-4.4%	14.6%	2.1%	42
Germany	1.4%	-3.8%	-5.2%	2.9%	8.8%	-8.8%	-0.5%	-20.0%	-2.8%	-75
Italy	3.8%	32.7%	0.5%	35.6%	8.8%	-15.8%	-16.9%	-4.7%	-1.0%	-19
UK	-0.5%	54.1%	-4.2%	1.8%	1.6%	1.6%	3.1%	-10.7%	-0.3%	-5
Total	-2.5%	4.4%	0.5%	1.5%	4.2%	-0.1%	3.0%	4.1%	1.6%	613
kb/d	-107	112	70	50	247	-4	96	150	613	

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

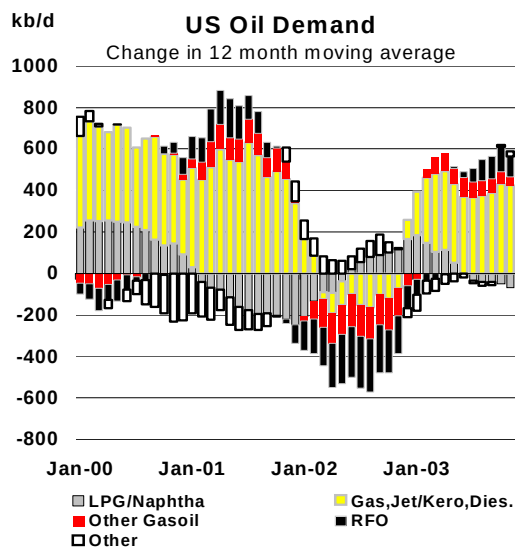
** near-month data are estimated

North America

As in previous months, the US accounted for the lion's share of OECD demand revisions to preliminary October data. North American demand as a whole was raised by 190 kb/d, of which the US alone accounted for roughly 100 kb/d. That increase would have reached 140 kb/d if preliminary US October data had not been pre-emptively adjusted upwards by 40 kb/d for the purpose of this Report in anticipation of upward changes. Preliminary gasoline delivery estimates were cut by 120 kb/d while middle-distillate deliveries were raised by 160 kb/d, including 110 kb/d for heating oil and nearly 60 kb/d for diesel. Canadian demand was revised upwards by 70 kb/d, of which the bulk was in residual fuel oil and jet fuel/kerosene. Mexican deliveries were raised by 20 kb/d, mostly in "other products".

Despite unexpectedly high US natural gas prices, there has been so far little evidence of fuel switching into oil for industrial use or power generation. US heating oil demand contracted by 210 kb/d in November, extending October's 80 kb/d loss, while residual fuel oil retreated by 100 kb/d, its first decline in six months. Mild winter temperatures through most of the fourth quarter no doubt provide part of the explanation, as heating demand has generally remained subdued.

However, that explanation is not fully satisfactory, as natural gas prices have rallied so far as to exceed not only residual fuel oil but also heating oil values on a Btu basis. Moreover, the surge occurred despite relatively benign market fundamentals – withdrawals from storage have been modest and stocks remain ample compared to last year – and bearish supply/demand forecasts, which, until recently, had led investment funds to hold short positions in natural gas futures, in anticipation of a price drop. One alternative or complementary explanation might thus be that efficiency gains at new natural gas-fired power plants are allowing utilities to withstand higher natural gas prices compared to oil than they could afford in the past. The launch of new co-generation capacity, and the associated mothballing of less efficient units, over the last few months might have caused something of a structural shift in the market, altering fuel-switching economics in favour of natural gas even at comparatively higher gas prices.

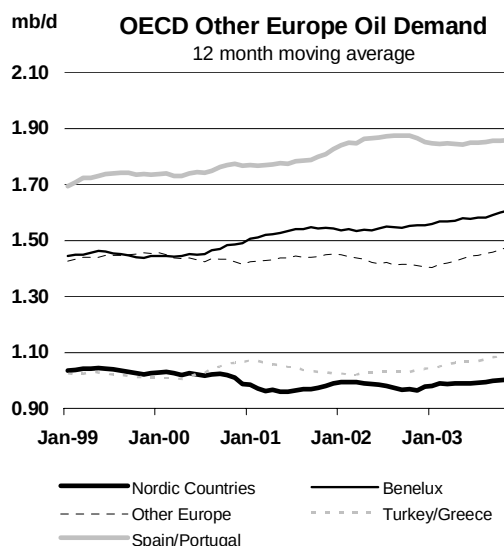
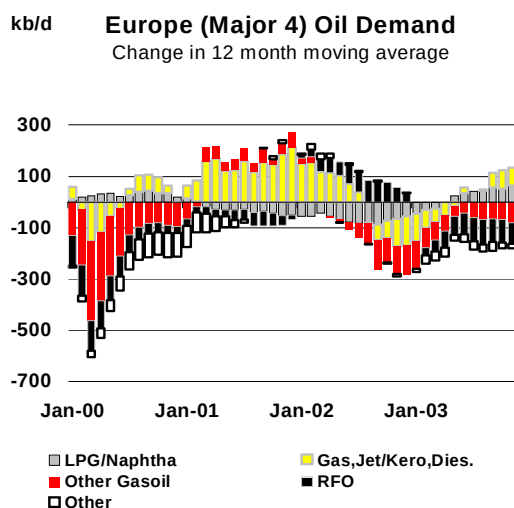


Fuel switching into oil might resume in the event of a sustained cold snap, if less efficient units must hike their operating rates. Indeed, increased fuel use is expected to have already taken place in January in response to colder temperatures. However, barring a prolonged period of cold weather, natural gas prices might find continued support in high oil prices without forcing substantial natural gas demand destruction. Indeed, high natural gas prices might be more destructive to oil demand than natural gas demand by keeping more NGLs into the natural gas stream, thus reducing liquids consumption through supply constraints.

Europe

Revisions to preliminary European oil delivery estimates raised the regional demand assessment by a total of 240 kb/d for October, spread in relatively small increments among many countries. The four largest European economies accounted for 70 kb/d of the adjustment, including gains of 50 kb/d in France, 30 kb/d in Germany and 40 kb/d in the UK, partly offset by a 50 kb/d cut in Italy.

Much larger adjustments, totalling 340 kb/d, have been applied, in light of preliminary delivery data, to November demand estimates for the leading European economies, this time downwards. A 190 kb/d cut in German demand makes up the bulk of the drop, as heating oil deliveries fell 200 kb/d short of expectations. Market talk of a strong pick-up in German heating oil deliveries, starting in late



September when the Rhine and other rivers, previously shut by a summer drought, were reopened to barge traffic, have failed to flesh out in statistical data. Nevertheless, residential distillate tanks are reported to be relatively full, thanks in part to milder-than-normal weather. Barring a severe first-quarter cold snap, Germany's price-sensitive residential users may now defer heating oil purchases until the end of winter, when oil markets are widely expected to come under downward pressure. The stage would thus be set for a repeat of last year's atypical German heating-oil buying pattern, when homeowners emerged from winter with relatively full tanks and took advantage of low prices to top them up early, eluding the customary summer buying spree.

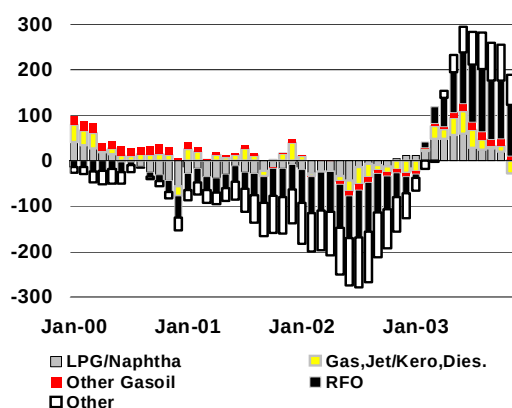
Other adjustments to November estimates include cuts of 80 kb/d in Italy (primarily reflecting lower-than-expected residual fuel oil deliveries) and 60 kb/d in France (due mainly to a large cut in heating oil and diesel demand estimates, partly offset by an increase for naphtha).

A 20-kbd gain in estimated aggregate diesel deliveries for the four largest European economies in November marks another departure from established patterns. The smaller-than-normal increment, stemming in part from a 6.5% contraction in French deliveries, marks the lowest monthly increment in 2003, and doesn't come close to offsetting a 100 kb/d contraction in gasoline deliveries. Put in perspective, however, the drop may be less significant than it appears. Diesel deliveries were exceptionally strong in Europe in the two preceding months, with year-on-year gains on 370 kb/d and 280 kb/d in September and October, including 220 kb/d and 160 kb/d in the four largest economies. Averaged over several months, the growth remains remarkably steep. Tucked in between the long All Saints holiday weekend in late October and the Christmas break, November may have seen lower driving demand in France precisely because demand was so strong in October, and presumably in December. Expectations of a January tax increase likely gave French diesel sales an extra boost in December.

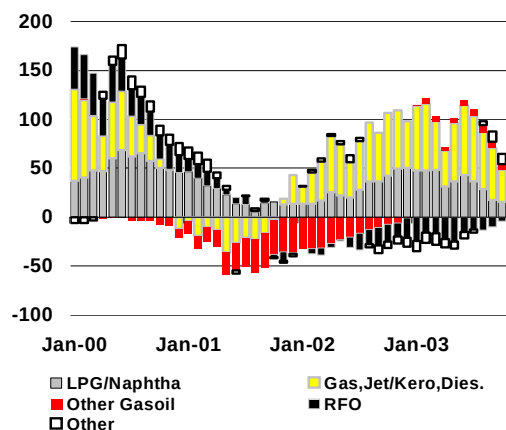
Pacific

Japanese deliveries of residual fuel oil and "other products", including heavy, sweet crude oil used for direct burn in thermal power plants, contracted as forecast in November despite the protracted shutdown of much of Japan's nuclear power generation capacity. Although fewer of Tokyo Electric Power Co.'s (Tepco) 17 nuclear reactors were in operation in late 2003 than a year earlier, demand from Japanese oil-fired power plants was markedly weaker: residual fuel oil deliveries contracted by 7.6%, or 50 kb/d, in November; "other products" sales fell by 13.2%, or 60 kb/d. Tepco was forced to shutter its facilities in late 2002-2003 following a controversy over nuclear safety and inspection records. A few additional units were idled by other utilities.

Japan Oil Demand
Change in 12 month moving average



Korea Oil Demand
Change in 12 month moving average



At the time of writing, only five of Tepco's facilities had returned to service, yet oil demand from the utility sector appeared to be on the wane. Strong precautionary buying by power generators, coupled with a cooler-than-normal summer and mild winter weather, left them with relatively ample reserves and less purchasing requirements than a year earlier. Furthermore, utilities have proved more adept than last year at sourcing supplies of LNG, an environmentally preferable and economically more attractive boiler fuel. Tepco time-swapped 12 LNG cargoes with Korea Gas Corp (Kogas) in the second half of 2003, which it is due to return in the first quarter of 2004. However, Kogas itself has

reportedly built up brimming LNG stockpiles, potentially allowing Tepco a measure of flexibility in returning the swapped cargoes. In contrast with the fierce competition for LNG imports that characterised the Asia-Pacific region in late 2002, Korean LNG imports plunged in October to 1.43 million tons, down by 18% on the year.

Yet even though oil demand from electric utilities, by far the main variable of Japanese demand since the nuclear safety controversy erupted in September 2002, has been left roughly unchanged, preliminary Japanese delivery data point to sharply lower demand than forecast in November. A 390 kb/d downward adjustment leaves demand nearly 10% below November 2002 levels. Deliveries of heating fuels, including kerosene and heating oil account for the cut, with a 100 kb/d reduction in estimates for jet fuel-kerosene and a 70 kb/d cut for heating oil. LPG deliveries were slashed by 150 kb/d.

Non-OECD

China

China remained the main driver of global oil demand growth through the fourth quarter of 2003. Apparent demand in November, the latest month for which preliminary data are available, is estimated at about 5.77 mb/d, down slightly from 5.84 mb/d in September and October, but up 9.9%, or 520 kb/d, on the year. The figure reflects both continued refinery utilisation at or near record highs and slightly reduced net imports, as curtailed light product exports were accompanied by a parallel reduction in residual fuel imports.

China Crude & Product Trade

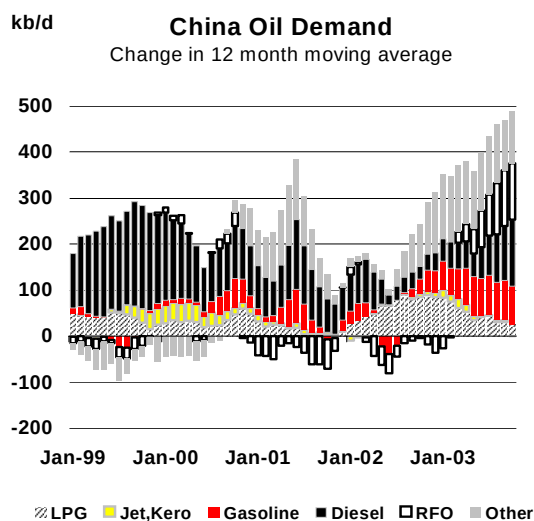
(thousand barrels per day)

	2001	2002	4Q02	1Q03	2Q03	3Q03	Sep 03	Oct 03	Nov 03	Latest month vs.	
										Oct 03	Nov 02
Net Imports/(Exports) of:											
Crude Oil	1044	1247	1192	1652	1556	1731	2211	1537	1654	117	149
Products & Feedstocks	329	361	373	320	415	586	568	505	417	-89	-3
Gasoil/Diesel	0	-16	-41	-31	-32	-42	-53	1	-14	-14	17
Gasoline	-134	-142	-152	-173	-191	-184	-214	-144	-129	15	2
Heavy Fuel Oil	313	281	336	334	401	531	547	338	365	27	19
LPG	155	197	189	184	209	211	210	200	168	-32	-3
Naphtha	-19	-16	-15	-16	-25	-22	-29	-22	-24	-2	-20
Jet & Kerosene	8	9	23	-11	4	15	35	25	-1	-26	-32
Other	5	48	32	32	50	77	72	106	51	-56	15
Total	1372	1609	1565	1972	1972	2317	2778	2042	2071	29	146

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

Although the Chinese gasoline market eased in December as refiners continued to maximise throughputs, sporadic gasoil shortages took longer to alleviate. At the time of writing, gasoil reportedly remained in tight supply in parts of the market, with some retailers demanding that clients bundle gasoil and gasoline purchases. While consumption of all products has risen steeply in recent months, gasoil demand is especially strong. This stems in part from a steep increase in diesel generator sales as end-users seek to shield themselves from endemic electricity brownouts and shortages.

Refining throughputs at Sinopec and PetroChina facilities rose to an unprecedented 4.88 mb/d in October, up from 4.82 mb/d in September and 4.3 mb/d in August. Runs are thought to have held steady through the remainder of the year, with the occasional crude supply crunch and maintenance work providing the only break on throughputs. In addition,



small independent facilities, including the micro-refineries of Guangdong province and the slightly larger ones of Shandong, also have been running flat out on the back of hefty margins between their residual fuel oil feedstock and their off-spec gasoil output.

With refining throughput testing capacity limits, the only way to meet runaway product demand is to boost net product imports. As shown in the table above, Chinese gasoline exports remained curtailed in November after falling by 70 kb/d in October from September. However, overall net product imports edged lower in November on the month, rather than higher, as the reduction in exports was offset by a decline in product imports. LPG imports were curtailed due to high prices. While slightly higher than in October, residual fuel oil imports remained constrained as 2003 import quotas ran out.

While Chinese New Year celebrations might slightly reduce refinery output in January and February compared to recent highs, product imports are expected to be on the rise with the beginning of this year. New residual fuel oil import allocations for 2004 will lift import limits, at least temporarily. Meanwhile steps are being taken to source and facilitate additional product imports, including through refining joint ventures in Thailand or third-party processing contracts in Japan, Korea and Taiwan.

India Crude & Product Trade

(thousand barrels per day)

	2001	2002	4Q02	1Q03	2Q03	3Q03	Aug 03	Sep 03	Oct 03	Latest month vs. Sep 03 Oct 02	
Net Imports/(Exports) of:											
Crude Oil	1604	na	1643	1752	1957	1801	1689	1975	2029	54	208
(by Public Oil Cos)	934	1088	1108	1137	1317	1137	1220	1179	1299	120	111
Products & Feedstocks	-28	-83	4	-125	-185	-205	-189	-269	-85	185	-74
Gasoil/Diesel	-54	-53	-35	-113	-120	-144	-122	-213	-110	103	-61
Gasoline	-20	-48	-45	-66	-71	-88	-78	-88	-70	18	-23
Heavy Fuel Oil	22	6	2	-10	24	13	33	-4	14	18	7
LPG	20	22	52	75	28	38	33	59	56	-3	-4
Naphtha	9	4	24	13	-43	-3	-36	7	51	44	31
Jet & Kerosene	29	10	8	-14	-3	-28	-27	-37	-30	7	-31
Other	-34	-23	-2	-11	-1	7	8	8	5	-3	8
Total	1576	1005	1647	1627	1771	1596	1500	1706	1944	238	133

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

Yearly data for net imports of crude oil for 2002 are not available. For 2002, "Total" indicates the sum of net crude oil imports by public oil companies and net products & feedstock by public, private and joint venture companies.

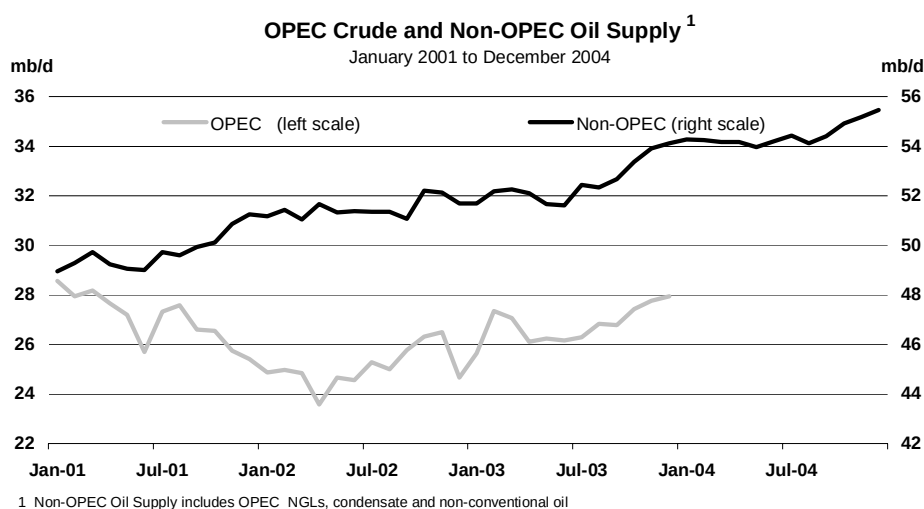
Summary of Global Oil Demand

	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
Demand (mb/d)																
North America	24.00	23.93	24.02	24.34	24.35	24.16	24.56	24.16	24.80	24.67	24.55	24.62	24.31	25.17	25.13	24.81
Europe	15.26	15.15	14.63	15.18	15.35	15.08	15.19	14.99	15.28	15.57	15.26	15.30	15.13	15.44	15.80	15.42
Pacific	8.54	9.06	7.64	8.03	9.26	8.50	9.60	8.04	7.88	9.12	8.66	9.41	7.85	7.93	8.97	8.54
Total OECD	47.80	48.14	46.29	47.55	48.95	47.73	49.36	47.19	47.96	49.36	48.47	49.33	47.30	48.54	49.90	48.77
FSU	3.65	3.48	3.11	3.38	3.85	3.45	3.71	3.10	3.44	3.94	3.55	3.81	3.07	3.45	3.97	3.58
Europe	0.75	0.81	0.75	0.70	0.76	0.75	0.82	0.76	0.71	0.77	0.77	0.84	0.78	0.73	0.79	0.78
China	4.67	4.64	5.02	4.94	5.20	4.95	5.21	5.18	5.65	5.79	5.46	5.59	5.75	5.77	6.05	5.79
Other Asia	7.57	7.53	7.69	7.61	7.86	7.68	7.69	7.67	7.69	8.10	7.79	7.89	7.92	7.93	8.36	8.03
Latin America	4.89	4.72	4.81	4.86	4.72	4.78	4.46	4.64	4.77	4.70	4.65	4.53	4.70	4.84	4.77	4.71
Middle East	4.93	5.02	4.94	5.15	5.13	5.06	5.14	4.91	5.26	5.27	5.15	5.32	5.26	5.39	5.37	5.34
Africa	2.55	2.58	2.59	2.48	2.59	2.56	2.63	2.62	2.51	2.63	2.60	2.67	2.66	2.56	2.68	2.64
Total Non-OECD	29.00	28.77	28.90	29.11	30.11	29.23	29.65	28.88	30.04	31.21	29.95	30.65	30.14	30.66	31.99	30.86
World	76.81	76.91	75.19	76.66	79.07	76.96	79.01	76.07	78.00	80.57	78.42	79.98	77.44	79.20	81.89	79.63
Of which:																
US	19.65	19.53	19.72	19.92	19.87	19.76	20.01	19.67	20.29	20.08	20.01	20.11	19.87	20.61	20.51	20.28
Euro 4	8.43	8.35	7.99	8.38	8.27	8.25	8.21	8.17	8.23	8.26	8.22	8.29	8.20	8.29	8.34	8.28
Japan	5.39	5.68	4.62	5.03	5.87	5.30	6.19	4.99	4.87	5.69	5.43	6.01	4.76	4.84	5.53	5.28
Korea	2.13	2.35	1.99	2.01	2.37	2.18	2.41	2.03	1.98	2.40	2.21	2.36	2.05	2.04	2.38	2.21
Mexico	1.99	1.99	1.98	1.97	1.98	1.98	2.02	2.07	2.06	2.03	2.05	2.02	2.04	2.06	2.07	2.05
Canada	2.04	2.07	2.02	2.13	2.16	2.09	2.17	2.10	2.12	2.21	2.15	2.12	2.09	2.16	2.20	2.14
Brazil	2.20	2.15	2.16	2.22	2.19	2.18	2.00	2.07	2.15	2.15	2.09	2.04	2.09	2.17	2.17	2.12
India	2.27	2.30	2.30	2.20	2.32	2.28	2.33	2.25	2.19	2.40	2.29	2.42	2.34	2.29	2.53	2.39
Annual Change (% per annum)																
North America	-0.2	-1.7	0.7	1.1	2.5	0.7	2.6	0.6	1.9	1.3	1.6	0.2	0.7	1.5	1.9	1.1
Europe	1.0	-0.3	-0.9	-2.1	-1.5	-1.2	0.3	2.5	0.7	1.4	1.2	0.7	1.0	1.0	1.5	1.1
Pacific	-0.9	-3.6	-4.2	0.0	5.4	-0.5	6.0	5.3	-1.9	-1.5	1.9	-2.0	-2.4	0.7	-1.7	-1.4
Total OECD	0.0	-1.6	-0.6	-0.1	1.7	-0.1	2.5	1.9	0.9	0.8	1.5	-0.1	0.2	1.2	1.1	0.6
FSU	-0.3	-6.3	-7.2	-1.5	-6.6	-5.5	6.4	-0.1	2.0	2.5	2.7	2.8	-1.0	0.3	0.8	0.8
Europe	6.0	0.8	1.1	1.4	1.5	1.2	1.8	1.5	1.6	1.7	1.6	1.8	1.9	2.0	2.2	2.0
China	2.5	3.9	1.1	9.7	9.0	5.9	12.3	3.3	14.5	11.3	10.3	7.3	10.9	2.1	4.6	6.1
Other Asia	2.1	0.3	1.6	1.8	2.0	1.4	2.0	-0.3	1.1	3.0	1.5	2.7	3.3	3.1	3.2	3.1
Latin America	0.4	-1.2	-2.8	-1.9	-3.1	-2.3	-5.4	-3.6	-1.7	-0.3	-2.7	1.6	1.3	1.3	1.4	1.4
Middle East	4.0	2.6	2.4	2.7	2.7	2.6	2.4	-0.6	2.1	2.7	1.7	3.6	7.1	2.6	1.8	3.7
Africa	3.5	0.0	0.3	1.1	0.6	0.5	2.2	1.1	1.2	1.5	1.5	1.7	1.7	1.8	1.8	1.7
Total Non-OECD	2.1	0.1	-0.2	2.1	1.1	0.8	3.1	-0.1	3.2	3.6	2.5	3.4	4.3	2.1	2.5	3.0
World	0.8	-1.0	-0.5	0.7	1.5	0.2	2.7	1.2	1.7	1.9	1.9	1.2	1.8	1.5	1.6	1.6
Annual Change (mb/d)																
North America	-0.06	-0.40	0.18	0.27	0.59	0.16	0.63	0.13	0.46	0.32	0.39	0.05	0.16	0.37	0.47	0.26
Europe	0.15	-0.05	-0.14	-0.33	-0.23	-0.19	0.05	0.36	0.10	0.22	0.18	0.11	0.14	0.16	0.23	0.16
Pacific	-0.08	-0.34	-0.33	0.00	0.48	-0.04	0.55	0.41	-0.15	-0.14	0.16	-0.19	-0.19	0.05	-0.15	-0.12
Total OECD	0.02	-0.79	-0.29	-0.05	0.84	-0.07	1.22	0.90	0.41	0.41	0.73	-0.03	0.11	0.58	0.55	0.31
FSU	-0.01	-0.24	-0.24	-0.05	-0.27	-0.20	0.22	0.00	0.07	0.09	0.09	0.10	-0.03	0.01	0.03	0.03
Europe	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02
China	0.12	0.17	0.05	0.44	0.43	0.27	0.57	0.17	0.71	0.59	0.51	0.38	0.57	0.12	0.27	0.33
Other Asia	0.16	0.02	0.12	0.13	0.15	0.11	0.15	-0.02	0.08	0.24	0.11	0.20	0.25	0.24	0.26	0.24
Latin America	0.02	-0.06	-0.14	-0.09	-0.15	-0.11	-0.25	-0.17	-0.08	-0.02	-0.13	0.07	0.06	0.06	0.07	0.06
Middle East	0.19	0.13	0.12	0.13	0.14	0.13	0.12	-0.03	0.11	0.14	0.08	0.19	0.35	0.13	0.09	0.19
Africa	0.09	0.00	0.01	0.03	0.02	0.01	0.06	0.03	0.03	0.04	0.04	0.04	0.04	0.04	0.05	0.04
Total Non-OECD	0.60	0.03	-0.07	0.60	0.33	0.22	0.88	-0.02	0.93	1.10	0.72	1.00	1.26	0.62	0.78	0.91
World	0.62	-0.76	-0.36	0.54	1.16	0.15	2.10	0.88	1.34	1.50	1.45	0.97	1.37	1.20	1.33	1.22
Changes from Last Month's Report																
North America	-	-	-	-	-	-	-	-	-0.03	0.04	-	-0.08	-0.11	-	0.08	-0.03
Europe	-	-	-	-	-	-	-	-	0.03	-0.02	-	0.01	0.09	-	0.03	0.03
Pacific	-	-	-	-	-	-	-	-	-0.12	-0.03	-0.03	-	-0.01	-	-0.12	-0.03
Total OECD	-	-	-	-	-	-	-	-	-0.10	-0.03	-0.07	-0.03	0.01	-0.01	-0.03	-0.03
FSU	0.01	-0.03	-	-	-0.08	-0.03	0.01	0.01	0.01	-0.08	-0.01	0.01	0.01	0.01	-0.08	-0.01
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	0.10	0.03	0.01	0.06	-	0.07	0.04
Other Asia	-	-	-	-	-0.01	-	-	-	0.01	-	-	0.04	0.04	0.06	0.06	0.05
Latin America	-	-	-	-	-	-	-	-	0.00	-	-	-	-	0.01	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	0.01	-0.02	0.01	-	-0.09	-0.03	0.01	0.02	0.02	0.02	0.02	0.07	0.12	0.07	0.04	0.07
World	0.01	-0.02	0.01	-	-0.09	-0.03	0.01	0.02	0.02	-0.09	-0.01	-0.01	0.09	0.08	0.03	0.05

SUPPLY

Summary

- **World oil supply** reached 82.1 mb/d in December, a rise of 395 kb/d compared to November. This was a marked slow-down in growth from the near-1.0 mb/d increases recorded in October and November. Non-OPEC supply increased by 190 kb/d, OPEC crude recorded a similar increase, and OPEC other supplies were largely unchanged from November levels.
- December supply stood 5.7 mb/d higher than year-ago, with total OPEC liquids output being 4.15 mb/d above December 2002. A combination of strike-affected Venezuelan supply last December and increases in capacity during 2003 by a number of other OPEC producers account for this marked difference. Non-OPEC supply in December stood 1.5 mb/d, or 3.2%, above December 2002. Had it not been for a series of OECD supply outages in 2Q, overall non-OPEC growth last year could have averaged in excess of 1.0 mb/d.
- December **non-OPEC supply** growth versus November is estimated to have slowed to 190 kb/d. This backs up our earlier expectation that production from this grouping is now levelling off close to the 4Q 2003 average of 49.8 mb/d. Strong growth should resume in second-half 2004. Accounting for the 190 kb/d growth in December, rises from Kazakhstan, Canada, Brazil and China are thought to have offset decline from the USA.
- Total **OPEC crude supply** averaged 27.95 mb/d in December, a rise of 195 kb/d versus November. Iraqi growth slowed to 55 kb/d, despite rising southern area output. Output from the rest of OPEC increased by 140 kb/d, with the UAE, Saudi Arabia and Nigeria underpinning the rise. Recent months' Iranian supply has been revised upwards, and while production remained close to capacity in December it is likely to have eased from November's peak. Venezuelan production is also thought to have fallen back slightly.
- For the second month running there was little sign of the **OPEC-10** scaling back production to meet its 1 November target of 24.5 mb/d. Rather, OPEC appears to have tacitly sanctioned production "leakage" in November and December. At 26.0 mb/d, December output was 1.5 mb/d above target level, this having been acknowledged by several OPEC representatives in recent weeks. OPEC Ministers meet again in Algiers on 10 February.
- A 100 kb/d downward revision for non-OPEC production in both 2003 and 2004 results in a correspondingly higher "**call on OPEC crude plus stock change**" for both years. Lower expected 2Q and 3Q 2004 supply combines with higher non-OECD demand at that time to add some 200 kb/d to the call for the coming spring and summer quarters. Nevertheless, the message for 2004 remains one of sharply higher non-OPEC supply and declining demand for OPEC crude. The call is now seen falling by 700 kb/d to 25.2 mb/d in 2004, reaching a low of 23.3 mb/d in 2Q.



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

Note: Random events present downside risk to the non-OPEC production forecast contained in this Report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. No contingency allowance for random events is subtracted from the supply forecast. Although upside variations can occur, experience in recent years indicates that, roughly speaking, the random events listed above may cause supply losses of between 200 kb/d and 300 kb/d for non-OPEC supply each year.

OPEC

OPEC crude production in December is estimated to have increased by 195 kb/d, reaching 27.9 mb/d, its highest level since March 2001. November's production estimate was revised up by 150 kb/d, largely due to Iranian supply gains over the past few months, although this was partially counteracted by a downward revision to November UAE output. Unlike in recent months, December Iraqi growth was no longer the predominant factor in rising OPEC supply. Increases in December were more evenly spread, Iraq providing 55 kb/d, UAE 75 kb/d, Saudi Arabia 50 kb/d and Nigeria 40 kb/d. Libya, Qatar and Kuwait all saw more modest increases in the range 10-20 kb/d. Iranian supply remained high, at close to an upwardly revised production capacity of 4.0 mb/d but may have eased back from exceptionally high November surge levels. Venezuela is also assessed to have seen production fall modestly in December, as problems persist in sustaining the production recovery seen through May in the aftermath of last year's strike, notably in the western producing region.

OPEC Crude Production

(million barrels per day)

	1 Nov 2003 Target	Dec 2003 Production	Sustainable Production Capacity ¹	Spare Capacity vs Dec 2003 Production	Production vs. Target
Algeria	0.78	1.15	1.20	0.05	0.37
Indonesia	1.27	1.00	1.10	0.10	-0.27
Iran	3.60	4.00	4.00	0.00	0.40
Kuwait ²	1.97	2.30	2.30	0.00	0.33
Libya	1.31	1.47	1.50	0.04	0.15
Nigeria	2.02	2.31	2.50	0.19	0.29
Qatar	0.64	0.75	0.85	0.10	0.12
Saudi Arabia ^{2, 3}	7.96	8.55	9.50	0.95	0.59
UAE	2.14	2.27	2.45	0.18	0.13
Venezuela ⁴	2.82	2.20	2.35	0.15	-0.62
Subtotal	24.50	25.99	27.75	1.76	1.49
<i>excl. Venezuela, Nigeria, Indonesia</i>				1.32	
Iraq ⁵		1.96	2.80	0.85	
Total		27.95	30.55	2.60	

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

2. Includes half of Neutral Zone production

3. Saudi Arabia's capacity can reach 10.5 mb/d within 90 days

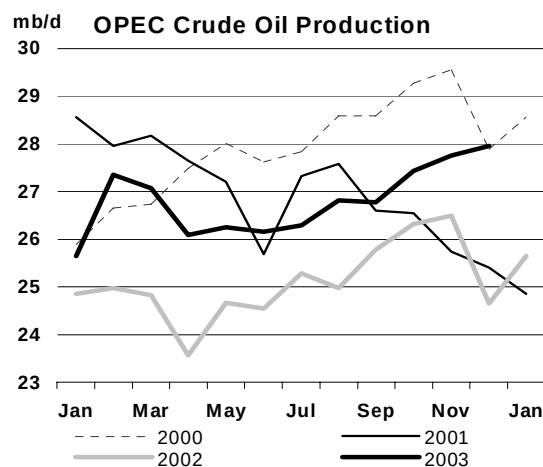
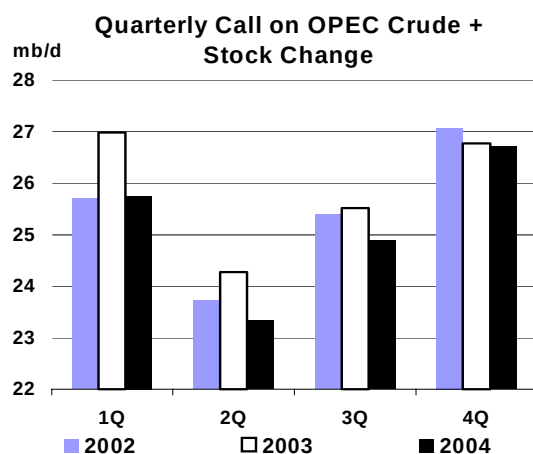
4. Excludes upgraded Orinoco extra-heavy oil, which averaged 378 kb/d in December

5. Iraqi capacity represents pre-war estimate

The assessment for December in this Report suggests that OPEC-10 production stood 1.5 mb/d above the 24.5 mb/d target production level in force from 1 November, supported by evidence of consistently high tanker sailings through the month. OPEC representatives have rebuffed calls in recent weeks for production to be raised further ahead of the next OPEC meeting on 10 February despite sustained prices above the Organisation's official target price range. In fact, the OPEC Basket of crudes averaged \$29.44/bbl in December and in excess of \$30/bbl in the first week of January. Notwithstanding current tight winter market conditions, and the potential for these to persist for a while yet, OPEC is still discussing the possibility of enacting production cuts after the February meeting in order to address a likely seasonal fall in demand in 2Q.

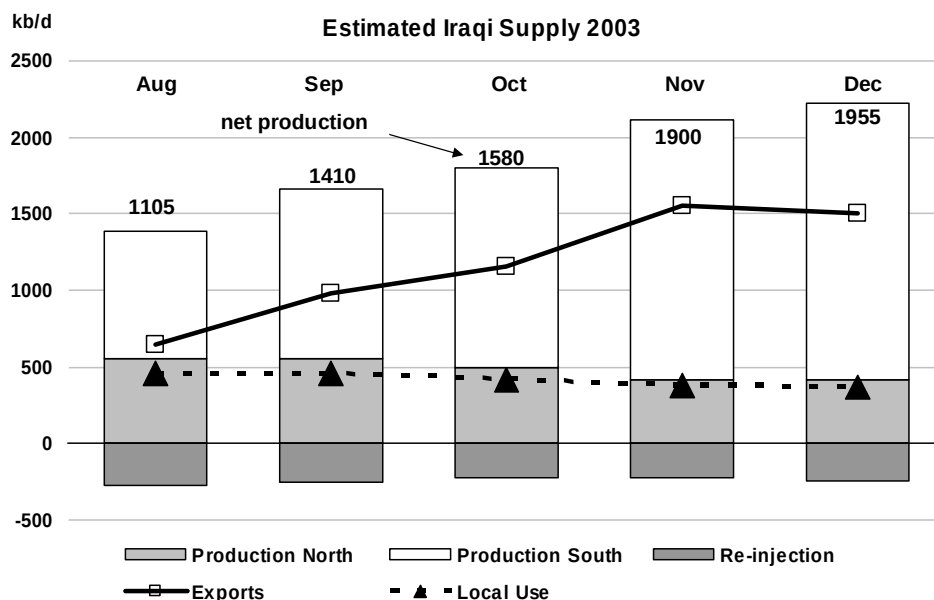
Progress in restoring **Iraqi** supply in December was hampered by approaching constraints on export capacity and by problems in maintaining un-interrupted operations at the country's key refineries. Crude exports eased back to 1.5 mb/d in December from 1.55 mb/d in November as weather-related loading delays at Basrah took effect. There has been speculation that similar problems may afflict January loadings and prevent these from reaching a targetted level of 1.7 mb/d. Despite the capture of

Saddam Hussein on 13 December, security problems persist and the crude export line to Ceyhan in Turkey remains out of operation at the time of writing, having reportedly been attacked by saboteurs again around mid-month. Resumed exports of Kirkuk crude by this northern route are not expected soon, contributing to the general supply bottleneck affecting the Mediterranean market alongside constraints on Russian supplies due to Bosphorus shipping delays.



Pipelines serving the Baiji and Daura refineries were also breached again in December. This, together with December maintenance at the former refinery, is likely to have resulted in a decline in crude offtake from the northern fields and therefore lower northern production net of crude reinjected. Oil products supply remains a problem given repeated disruption to refinery operation and Iraq is relying upon increasing volumes of imported product, notably gasoline and kerosene for winter heating.

Wellhead production in the south of Iraq is thought to have risen by 75 kb/d in December to average close to 1.8 mb/d and was reported to have broken through the 2.0 mb/d level in early January. As noted last month however, without the reactivation of crude export facilities over and above those at Basrah, progress in pushing national production back towards 3 mb/d may be slow.



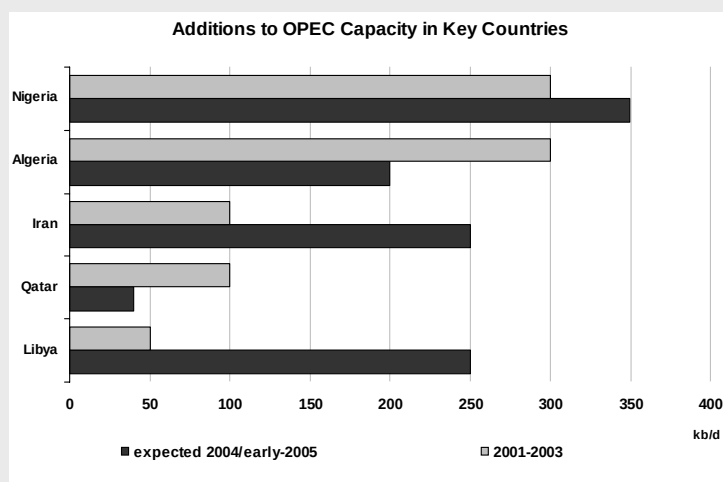
Production from the **UAE** is estimated higher by 75 kb/d compared to November, although latest indications are that November production itself was 45 kb/d lower than estimated last month. Maintenance work running through November, notably at the Lower Zakum field, now looks to have curbed November supplies more than anticipated. The rebound in December supplies was widely anticipated after Abu Dhabi notified customers of a sharp rise in December/January term export

volumes. Abu Dhabi re-iterated in December capacity expansion plans which could result in UAE production capacity reaching 3.5 mb/d by 2005 and 4.0 mb/d by 2010. This Report estimates current UAE capacity nearer 2.5 mb/d, placing the Emirates second behind Saudi Arabia in terms of *effective* spare capacity (excluding that held notionally at the current time by Iraq, Nigeria, Venezuela and Indonesia, all of which face constraints on their ability to boost supply at short notice).

OPEC Capacity Creep Still an Issue

The market is focussed on healthy oil demand growth, low crude stocks, limited OPEC spare capacity and ongoing uncertainties surrounding output from Iraq, Nigeria and Venezuela. IEA supply/demand balances point towards a weakening market for 2Q 2004, but the potential for both oil and other energy supply disruptions over the winter and/or a surge in demand due to colder than expected weather is deferring downward price pressures for now.

However, a word of caution is in order before writing off bearish prognoses entirely for 2004. OPEC internal dynamics, alongside the call on its crude, is an important determinant of the Organisation's ability to manage the market. We would simply restate here that questions of OPEC quota redistribution have not gone away. Effective OPEC capacity has declined by some 2 mb/d since early-2001 based on IEA estimates for the corresponding period (admittedly Venezuela and Iraq account for the bulk of this net decline, taking current production as proxy for capacity, and some claw-back may be expected at least from the latter in 2004). But five key producers have bucked the declining trend and added 850 kb/d combined to their own capacity since early-2001. These five should add a further 1.1 mb/d to capacity by early-2005 based on firm plans.



The five “gainers” will see their share of total capacity rise from 29% in 2001 to 35% by early-2005. Assuming that Iraq gradually builds production towards 3 mb/d by late 2004/early 2005, this could leave remaining core Arab Gulf producers (Saudi Arabia, Kuwait and UAE) facing a decline in capacity share from nearly 50% in 2001 to 45% early next year. UAE and Kuwait themselves plan capacity increases totalling 1 mb/d in the next 2-3 years but 2004 increases here are modest. Heavy Saudi Arabian upstream investment over the next five years is aimed at stabilising existing capacity rather than boosting the Kingdom's spare capacity cushion.

Rising non-OPEC supply could see a 700 kb/d decline in the “call on OPEC crude plus stock change” for 2004, reaching 23.3 mb/d in 2Q. Despite the “call” rising seasonally towards 26.7 mb/d by end-2004 (1 mb/d below 4Q 2003 production), the Organisation then faces the task of managing spare capacity nearer 5.0 -5.5 mb/d, rather than the current 1.7 mb/d. All bets are off until the peak winter heating season passes, but if OPEC consensus on allocating production cuts later in 2004 proves elusive, supply over-hang could yet re-emerge.

Market perceptions were again split on the trend in **Saudi Arabian** production in December, though not on the average level of production for the month. This Report assesses that Saudi Arabia increased supplies by around 50 kb/d, backed up by strong indications of increased cargo sailings in December. Total Saudi output is therefore estimated at 8.55 mb/d, some 585 kb/d above the November target and moving to within 1.0 mb/d of sustainable production capacity (this Report uses the definition of capacity that can be activated within 30 days and sustained for 90 days, whereas other sources put Saudi capacity at between 10.0-10.5 mb/d, achievable within 90 days). Japanese customers however have been notified of cuts in term supplies from January, although whether this actually results in a downturn in Saudi supply overall remains to be seen. Late December saw Saudi Aramco announce an \$18 billion capital expenditure programme running through 2007. This includes work expanding capacity at several oilfields, although the net impact is likely to be to hold total Saudi capacity broadly steady in the face of decline at existing baseload fields.

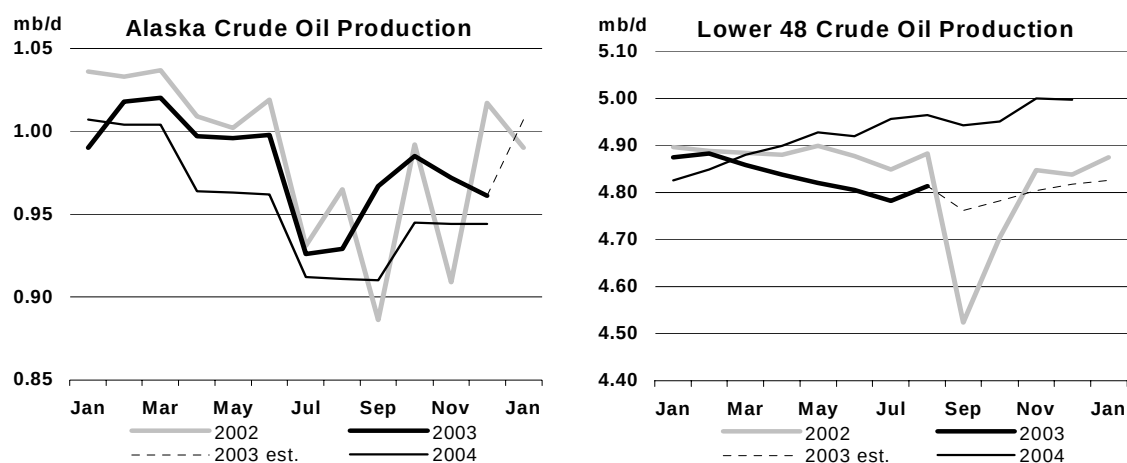
Repeated threats of industrial action affecting oil installations have persisted in **Nigeria**, surrounding the issues of refinery sales and fuel price rises. At the time of writing, the fuel price issue had come to the fore and talks aimed at averting a general strike called for the third week of January were continuing. Notwithstanding this continued unrest, Nigerian production is estimated to have continued to recover from last April's low of 1.9 mb/d. Production is thought to have risen by 40 kb/d from November's average, reaching 2.31 mb/d. Shell reactivated two more flow stations in the Niger Delta which had been closed since ethnic unrest began to materially have an impact on production last March. There were also reports that ChevronTexaco plans to reactivate 140 kb/d of shut-in production in early-2004, although in total some 200 kb/d of Nigerian production remains shut-in due to continuing security concerns in the region. It is assumed however that there are no technical reasons which would delay reactivation once operators decide it is safe to do so. Our assessment of Nigeria's December increase was further supported by the build-up in supply from offshore fields outside the Delta area operated by Shell, Total and ENI. There was also evidence in first-half December of increased tanker loadings of west African crude.

Partly offsetting these increases was an assessed 45 kb/d decline in **Iranian** production in December. Initial indications are that crude exports in December fell back by a similar amount from November's high of 2.69 mb/d. Iranian production in December is nevertheless thought to have remained close to a now upwardly-revised sustainable capacity level of 4.0 mb/d. A combination of confirmed high export levels in recent months, plus details of incremental supply capacity at a number of offshore fields, has led to this increased estimate for Iranian capacity (previously 3.85 mb/d) and to increased production estimates for the second half of 2003. These have been only partly offset by downward revisions to refinery crude runs of domestically produced crude for the past few months, upon which overall Iranian supply estimates are based. Furthermore, incremental supply from the Soroosh/Nowruz, Zagros, Darquain and Balal fields could add a further 250 kb/d to capacity in 2004.

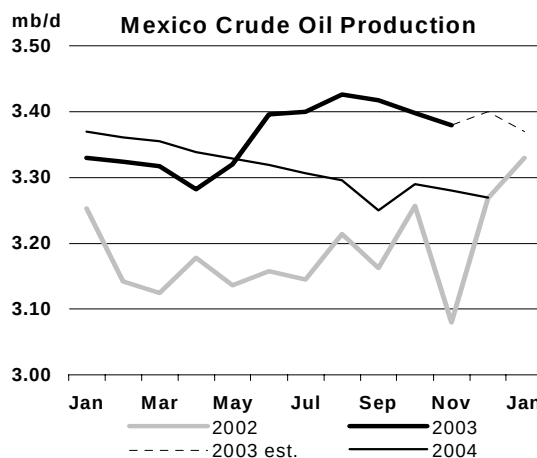
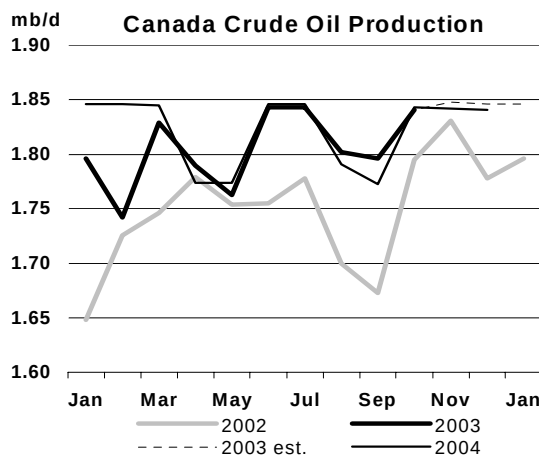
OECD

North America

US – December Alaska actual, others estimated: US December crude production is estimated to have been generally flat versus the previous month, as lower Alaskan production was countered by higher US Gulf of Mexico (GOM) supply. US weekly data suggests US NGL production remained above year-ago but that it may have declined by some 75 kb/d from November. Rising natural gas prices towards end-year again raised the prospect of lower gas liquids supply in 2004 were they to



persist. We have for some months indicated that the 130 kb/d growth in 2004 US NGLs supply is subject to an assumption that sustained high natural gas prices do not recur as they did in first half 2003. So far there is no reason to change this underlying forecast.

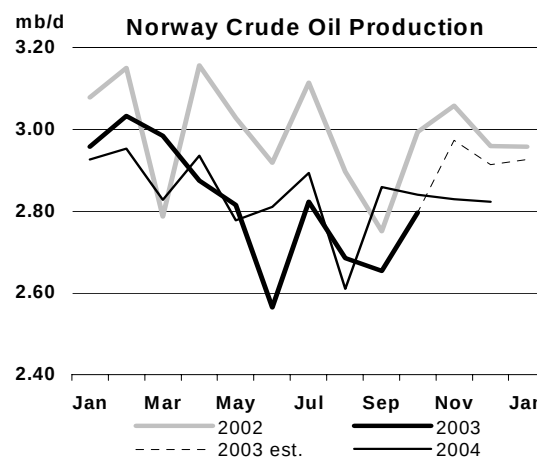
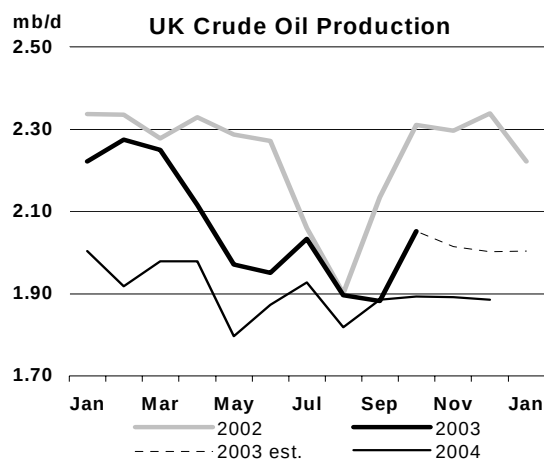


In Alaska, late-November problems at the Northstar field continued to have an impact upon production levels through until 9 December. Mechanical problems also affected the Alpine field and caused complete field shut-down on 5 December. Here too however production had regained pre-disruption levels by 9 December. Alaskan crude production was off in total by 11 kb/d versus November. Longer-term prospects for Alaskan North Slope production were called into question following reports that the Point Thomson development project might not be economically feasible without a gas pipeline to markets outside Alaska. The rising trend for GOM production through 4Q likely continued in December with initial volumes of production from the Nakika, Princess, Medusa and Gunnison fields. Gulf of Mexico developments represent the key to rising US supply in 2004 together with an assumed rebound in NGL production from depressed 2003 levels.

Canada – November Newfoundland and syncrude actual, others October actual: Conventional crude output in November and December is estimated to have remained largely unchanged from October levels. However a seasonal rise in NGL production levels has been assumed for 4Q, despite the persistence of low production levels into October. Synthetic crude output at the Syncrude unit is also recovering from October lows after an unscheduled outage from early that month. As in 2003, supply growth this year in Canada will be focussed on syncrude and bitumen production, which are seen adding a combined 130 kb/d year-on-year.

North Sea

UK – December estimate: Provisional production data for October, allied to loading schedules for the November-February period suggest little sign of recovery in production on a year on year basis since the extended outages and prolonged maintenance seen in 2Q. Indeed, February loadings in particular look to be off markedly from this month's level. As a result, first quarter 2004 production looks likely to remain 200-300 kb/d below year-ago levels although we have assumed lighter 2Q



maintenance schedules than were seen last year, allowing something of a recovery. Nonetheless, offshore production is seen declining by 110 kb/d in 2004 overall. Incremental liquids production following start-up at the Broom, Clair, Goldeneye, Scoter and Clapham fields this year will only moderate prevailing decline. The latter field, operated by Petro-Canada, began production in late-November, rather earlier than the previously assumed March 2004 start.

Norway – October actual, November provisional: October and November Norwegian crude production recovered sharply from suppressed September levels. Autumn maintenance had earlier cut Norwegian supply by around 175 kb/d in August/September from July levels. Production is thought likely to have remained in excess of 2.9 mb/d in December and should do also in January. New wells at the Varg field in the Sleipner/Frigg system should come onstream in mid-January. Further incremental liquids supply will follow from February, when Total's Skirne field begins condensate production. The latter project received start-up approval from the Norwegian authorities in December. The list of 1Q 2004 start-ups is completed by the Valhall North Flank project which should begin production in March. These, plus other developments later in 2004, are likely to see crude and liquids output stabilise in 2004 after two years of decline. However, the Norwegian Government is keen to promote further exploratory drilling and to this end in December announced the end of a ban on activity in parts of the environmentally sensitive Barents Sea.

Former Soviet Union (FSU)

Russia – November actual, December provisional: Crude production from Russia continued to nudge higher in November and December, sustaining the trend of 800 kb/d production growth versus year-before seen for much of 2003. Liftings from the Black Sea appear to have risen in December after a dip in November, but there were widespread reports of delays in cargoes clearing the Bosphorus. Baltic exports however are estimated down in December from November. Overall, FSU crude and products exports for 4Q 2003 are estimated at 6.8 mb/d which is 900 kb/d above 2002 levels. Furthermore, loading schedules point towards still higher exports in 1Q 2004. Deliveries out of Primorsk on the Baltic are likely to account for some of the increase, weather permitting. The capacity of the BPS pipeline system feeding Primorsk is being expanded again from a current 600 kb/d to 830 kb/d in March.

FSU Net Exports of Crude & Petroleum Products

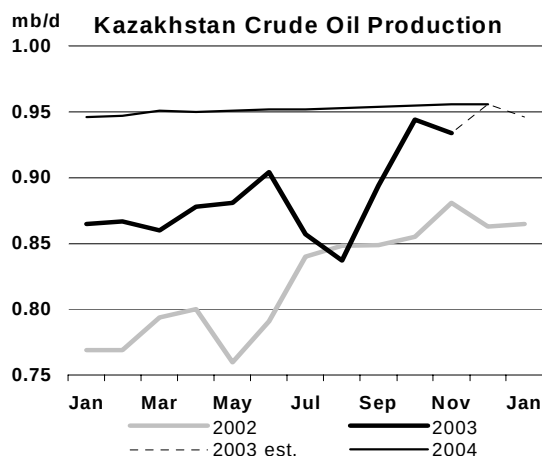
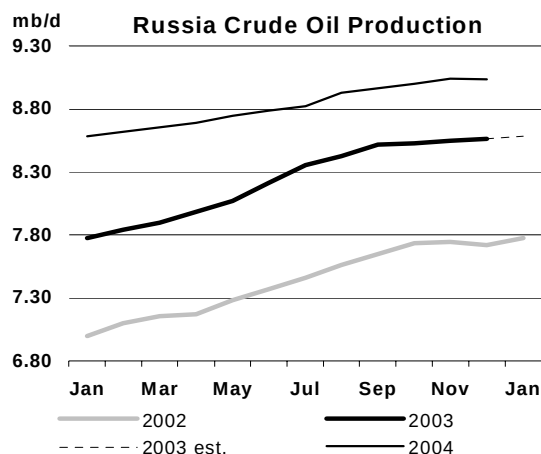
(million barrels per day)

	2002	2003	1Q03	2Q03	3Q03	4Q03	Revised Oct 03	Prelim. Nov 03	Latest month vs. Dec 03	Nov 03	Dec 02
Black Sea Exports	2.52	2.81	2.61	3.00	2.96	2.69	2.65	2.62	2.79	0.18	0.58
Baltic Exports	2.02	2.49	2.17	2.61	2.57	2.60	2.48	2.75	2.59	-0.16	0.70
Total Seaborne	4.54	5.30	4.78	5.61	5.52	5.29	5.13	5.36	5.38	0.02	1.28
Druzhba Pipeline	1.04	1.04	1.03	1.01	1.02	1.09	1.08	1.08	1.11	0.03	-0.01
Other	0.35	0.45	0.39	0.46	0.51	0.43	0.63	0.33	0.33	0.00	-0.07
Total Exports	5.93	6.79	6.21	7.08	7.05	6.81	6.83	6.77	6.82	0.05	1.20
Imports	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.01	-0.01	0.00
Total Net Exports	5.92	6.78	6.19	7.06	7.04	6.80	6.83	6.76	6.81	0.05	1.20
Crude	4.04	4.66	4.27	4.76	4.85	4.77	4.82	4.68	4.80	0.12	0.99
of which: Russian Crude	3.02	3.23	2.99	3.21	3.36	3.36	3.28	3.36	3.45	0.09	0.54
Products	1.89	2.13	1.94	2.32	2.20	2.04	2.01	2.09	2.02	-0.07	0.21

Sources: Petro-Logistics, IEA estimates

The forecast of production growth for Russia in this Report remains at around 600 kb/d for 2004, in line with export capacity increases. While still a substantial increase, this nevertheless represents a slow-down both from 2003 actual growth and from ambitious plans put forward by the producer companies. Despite confirmation in December that both parties had agreed to pull out of the proposed Yukos-Sibneft merger, both of those companies have stated that plans to boost production in 2004 remain unchanged.

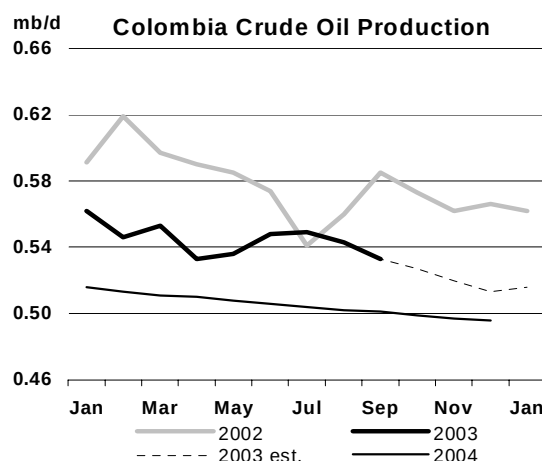
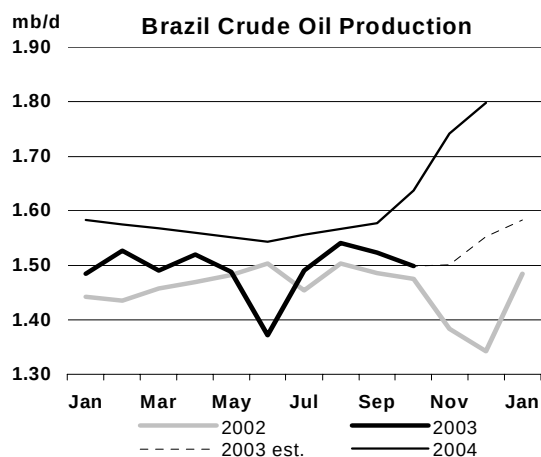
Clearly, legislative/political factors may yet come to act as a brake on supply growth, but it seems too early to incorporate such considerations in a forecast for 2004. There has been speculation that the new Russian parliament may consider increasing energy taxation, while new controls are also being introduced in terms of registering all oil and gas production wells and enforcing well management standards. A January forecast from Russia's Energy Ministry also projected production growth of



only 200 kb/d in 2004 to 8.65 mb/d. This appears overly-pessimistic however, representing as it would an effective cut in production from recent high levels. Neither government income aspirations nor export capacity expansion plans suggest that such a pessimistic outlook is likely to be realised.

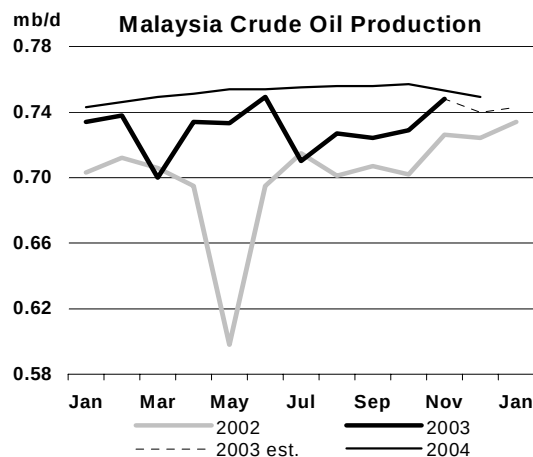
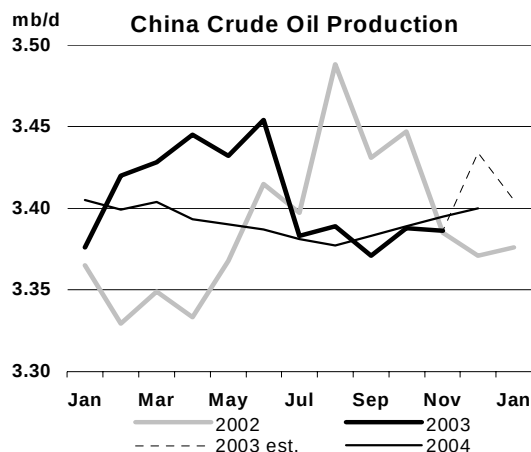
Other Non-OPEC

Colombia – September actual: Delayed September data for production from Colombia confirmed an ongoing decline trend for 2003, after a temporary jump in production during June and July. At 545 kb/d, September production stood 50 kb/d below the equivalent 2002 figure and well short of the 850 kb/d attained in late-1998. In an attempt to stem production decline, the Colombian authorities are offering existing producers the chance to extend production contracts expiring in the next few years. There are indications that companies such as BP, with disappointing results from recent oil exploration and appraisal work, are turning their attention more towards gas. A new national oil agency begins operations in 2004, having taken over the tasks of promoting oil exploration and allocating licenses from state oil company Ecopetrol.



China – November actual: November data confirms that China has failed to maintain the production gains seen in 2Q 2003 when production hit 3.45 mb/d. New field start-ups in offshore areas are being countered by declines elsewhere. Under-performance from fields in Bohai Bay and the Pearl River basin have caused offshore producer CNOOC to lower its production forecast for 2004 by 14 kboe/d (oil and gas). Production decline at the onshore Daqing field has been mentioned here before, with 2004 exports to Asian buyers recently having been cut back markedly compared to 2003 levels. Weaker offshore performance and declining onshore supply suggest that 2003's estimated growth in total production of 20 kb/d could be reversed in 2004.

Malaysia – November actual: Malaysian production now looks on track to repeat 2002's growth of 37 kb/d during 2003. Furthermore, new liquids production initiated in second half 2003 and into 2004 at the PM-3, Raya B, Iron Barat B, Helang, and North Lukut/Penara projects is likely to ensure continued growth for 2004, albeit at a slightly slower rate of 23 kb/d for the year. Further increases may materialise over the medium term as producers such as Murphy tap new deepwater discoveries.



Revisions

Non-OPEC supply has been revised down this month by around 100 kb/d for both 2003 and 2004. For 2003 this is due primarily to reductions in Canadian and US supplies, with UK 4Q 2003 production also revised down. Canada, UK, Australia, China and the US also see lower 2004 production, although these reductions are partly offset by now higher expectations for Asia, Middle East and Africa. Oman, Vietnam, Sudan and Ecuador have all had 2004 production prospects revised upwards. On a net basis, non-OPEC supply growth now amounts to 850 kb/d in 2003 but remains buoyant at around 1.5 mb/d for 2004.

US liquids supply is revised down by 25-30 kb/d for both 2003 and 2004. Lower NGLs supply and output in the other hydrocarbons and oxygenates category, plus a downward revision to GOM supply in 4Q account for the bulk of 2003's revision. Deferred start-up at the Nakika project from October to December underpins the latter adjustment. In 2004 production peak from the Gunnison field has been pushed back to 4Q from mid-year. Lower than expected output from minor producing states in 3Q/4Q 2003 has also been carried forward into 2004. **Canadian** supply has been significantly revised downwards, by 26 kb/d for 2002 and by 70 kb/d for 2003 and 2004. Previous NGL estimates overstated recent NGL production levels, particularly in light of stable/declining natural gas supply. Projections for Canadian natural gas supply in 2004 are mixed, with some forecasting a rebound but others seeing decline. NGL supply from Canada has been assumed to hold steady at now-lower 2003 levels in 2004 until the prognosis becomes clearer. **Mexican** production has been revised down by 10 kb/d for 2004 reflecting the lower 4Q 2003 production levels evident through November.

Offshore production for the **UK** has been revised down by some 65 kb/d for the period 4Q 2003 onwards in light of latest actual production data and lower than expected loading schedules for the first two months of 2004. In contrast, forecast **Norwegian** liquids production has been revised up by 15-20 kb/d for the period from 4Q 2003 through end-2004. Higher underlying supply in November/December 2003 plus the addition of the new wells at the Varg field account for the revision.

Russian crude production has been revised upwards, albeit only modestly by around 8 kb/d in both 2003 and 2004 in line with higher November/December production data. However, for the FSU as a whole this is counteracted in 2004 by a downward revision to production from **Azerbaijan**. There, lower late-2003 production, allied to a recently announced maintenance programme for the July-September 2004 period at the offshore Chirag field, reduce 2004 output by 15 kb/d compared to last month's Report.

Provisional data for **Ecuador** for the January-November 2003 period implies 4Q 2003 production around 30 kb/d higher than anticipated last month. Production in 2004 has also been upgraded although incremental supply for 2004 is held close to the 100 kb/d identified in recent Reports. As

discussed last month, we are holding off from forecasting a sharper rise from Ecuador until final data for late-2003/early-2004 become available. Only then will it become apparent if rates of fill on the new OCP pipeline and company production growth targets coincide.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last month's OMR			This month's OMR			This month v last month		
	2003	2004	04 vs. 03	2003	2004	04 vs. 03	2003	2004	04 vs. 03
North America	14.81	15.06	0.25	14.71	14.95	0.24	-0.10	-0.11	-0.01
Europe	6.33	6.32	-0.02	6.32	6.27	-0.05	-0.01	-0.05	-0.03
Pacific	0.67	0.65	-0.02	0.66	0.62	-0.04	-0.01	-0.03	-0.02
Total OECD	21.81	22.03	0.21	21.69	21.84	0.15	-0.12	-0.19	-0.06
Former USSR	10.31	11.07	0.77	10.31	11.07	0.75	0.01	-0.01	-0.01
Europe	0.17	0.17	-0.01	0.17	0.17	-0.01	0.00	0.00	0.00
China	3.41	3.42	0.01	3.41	3.39	-0.02	0.00	-0.03	-0.02
Other Asia	2.48	2.49	0.01	2.48	2.53	0.05	0.01	0.05	0.04
Latin America	3.92	4.10	0.18	3.93	4.11	0.19	0.00	0.01	0.01
Middle East	2.00	1.92	-0.08	2.00	1.94	-0.06	0.00	0.03	0.03
Africa	3.06	3.43	0.37	3.06	3.47	0.40	0.00	0.04	0.04
Total Non-OECD	25.35	26.60	1.24	25.37	26.69	1.32	0.01	0.09	0.08
Processing Gains	1.80	1.83	0.03	1.80	1.83	0.03	0.00	0.00	0.00
Total Non-OPEC	48.97	50.46	1.48	48.86	50.36	1.50	-0.11	-0.10	0.01

OMR = Oil Market Report

Production for China has been scaled back by 4 kb/d for 2003 (concentrated on November's markedly lower than expected performance) and by 25 kb/d for 2004 to reflect a combination of now lower expectations for mature onshore fields and reduced expectations for offshore supply. Countering the lower Chinese forecast in Asia however is a 50 kb/d upward revision to 2004 production from Vietnam, Malaysia and India combined. Our earlier forecast for **Vietnam** understated the build up in production from the Su Tu Den field which is currently reported producing at 60 kb/d, with an expansion to 95 kb/d by mid-2004. Revisions to **Indian** and **Malaysian** 2004 production of around 10 kb/d each result from markedly higher production recorded during 4Q 2003.

Supply from **Sudan** has been upgraded by 30 kb/d for 2004 following the emergence of details on CNPC's production start-up at the West Kordofan field in early-2004. Also, a recent rebound in actual supply from Oman, together with higher expectations for output in 2004 by Petroleum Development Oman have led to a similar upward revision to that seen for Sudan. However, this only slows prevailing decline to 35 kb/d in 2004 from an estimated 77 kb/d in 2003.

OECD STOCKS

Summary

- OECD industry oil stocks closed November down 860 kb/d, ending at an estimated 2527 mb. The deficit against the average inventory position in the previous five years widened for a third consecutive month, settling at 95 mb. Steep declines in crude drove oil inventories lower while aggregate product stocks remained level. As a result, forward demand cover by OECD total oil stocks continued to contract, settling at 51 days, on par with 2002 and 1.5 days below 2000, years in which inventory positions were considered tight.

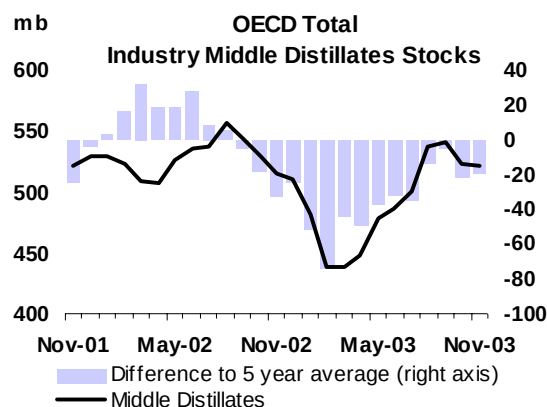
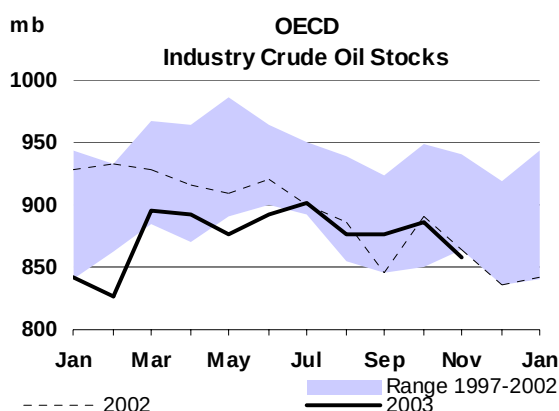
Preliminary Industry Stock Change in November 2003 and Third Quarter 2003

(million barrels per day)

	November (preliminary)				Third Quarter 2003			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	-0.31	-0.18	-0.41	-0.90	-0.03	-0.09	-0.05	-0.17
Gasoline	0.23	0.08	-0.01	0.30	-0.10	-0.01	-0.02	-0.13
Distillates	-0.12	0.00	0.05	-0.06	0.28	0.20	0.13	0.60
Residual Fuel Oil	0.07	0.10	0.00	0.16	-0.02	0.05	-0.02	0.01
Other Products	-0.31	0.01	-0.09	-0.39	0.06	-0.02	0.06	0.09
Total Products	-0.13	0.18	-0.05	0.01	0.22	0.21	0.15	0.58
Other Oils ¹	-0.02	-0.02	0.09	0.04	0.06	0.04	-0.02	0.08
Total Oil	-0.47	-0.02	-0.37	-0.86	0.25	0.15	0.07	0.48

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- OECD industry crude stocks fell 27 mb in November as refinery throughputs reached seasonal highs. OECD crude stocks ended at 859 mb, 39 mb below their average position in the recent five years. The largest draw was observed in Japan where refiners chose to run down inventory levels while cutting back on imports. US-50 crude inventories fell from November to December, closing below the US National Petroleum Council's notional minimum operating level of 270 mb.
- OECD industry distillate stocks fell in November to 521 mb, closing at the lower end of their recent five-year range. The decline came mainly with a draw in US jet fuel and heating oil stocks. European stocks held flat as draws in jet fuel stocks were balanced by gains in gasoil. European heating oil storage rose on mild weather conditions that led to a contraction of deliveries into the main markets.
- US gasoline stocks built from November to December, with additions to storage accelerating by year-end with a seasonal downturn in demand. The return of key refineries in Northwest Europe increased supply availability in the region and stocks in independent storage in the ARA area rose from November to December. European exports to the US in December were curtailed by high freight rates while a contango in swap prices for gasoline barges encouraged moving product into storage.
- Fuel oil stocks rose in the Atlantic Basin with gains in Europe outpacing those in the US. The rise in Europe in particular has derived from a heavy influx of high-sulphur Russian material from the Baltic, weak utility demand and closed arbitrage opportunities to Asia. Given lack of strong bunker demand, independent stocks in ARA built through December, storage also supported by the discount of prompt prices against swaps for January delivery.



OECD Industry Stock Changes in November

OECD industry oil stocks declined 860 kb/d in November, mainly in crude inventories while net movements for products left stocks virtually unchanged. For the period October to end-November, oil inventories drew at a rate of nearly 700 kb/d, close to the average 810 kb/d rate observed in the fourth quarter in the previous 5 years.

OECD crude inventories fell by 900 kb/d in November ending at an estimated 859 mb or the bottom of their recent five-year range. The bulk of the decline was observed in the US and Japan. The decline, backed by high crude runs above seasonal norms, was tied to reductions in observed imports. Global supply appears ample in relation to demand, but additional crude is being absorbed in non-OECD Asian countries. US-50 inventories retraced their October build in November, and extended inventory losses to close December at less than 270 mb, the notional minimum operating requirement. Apart from US year-end tax considerations that favour inventory minimisation and scheduled first quarter refinery maintenance which lowers crude demand, reduced imports and persistent backwardation in WTI futures favoured further reductions in inventory. Europe, in contrast, saw a more modest draw by preliminary indications. Europe benefited from ample supplies of Russian Urals and North Sea grades which were regionally confined in November as arbitrage outlets were limited by high freight rates.

With the exception of North America, OECD industry distillate stocks were flat to rising in November, though the base level in Europe was lowered with revisions to October volumes. Atlantic Basin heating fuel inventories were comfortable as mild temperatures pervaded through December, depressing deliveries. End-month November prompt supply in Europe eased and premiums for physical gasoil against the front month IPE futures contract diminished. The US saw a contango in NYMEX heating oil futures that lasted through December, reflecting storage within seasonal norms in the main consuming Northeast region. Tighter jet and heating oil inventories tipped distillate storage lower in the US. Jet fuel stocks are also thought to have declined in Europe, though the fall was likely balanced by gains in gasoil. Residual fuel oil stocks increased on both sides of the Atlantic on clement weather which moderated utility demand. Gains in Europe were also fuelled by inflows of Baltic shipments, for which further outlets to Asia and the US were closed. Distillate stocks in the Pacific rose modestly with higher kerosene stocks in Japan. Korean distillates stocks have yet to display a seasonal upturn. Korean stocks moved sideways as gains made in kerosene, fuelled by higher production, were offset by demand-motivated declines in diesel and jet fuel.

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

Revisions to oil stocks for October adjusted inventories upward by a modest 3.4 mb. Crude stocks were revised mainly in Europe. Nearly half of Europe's 10.6 mb upward adjustment derived from Norway, where autumn field start-ups played a role. Pacific crude stocks were lowered in Australia and New Zealand but raised in Japan. Total product inventories were revised down 4.2 mb. The adjustment came mainly in European distillate stocks.

Revisions Versus 10 December 2003 Oil Market Report
(million barrels)

	North America		Europe		Pacific		OECD	
	Sep 03	Oct 03	Sep 03	Oct 03	Sep 03	Oct 03	Sep 03	Oct 03
Crude Oil	0.0	1.4	-0.4	10.6	0.0	-2.4	-0.4	9.5
Gasoline	-0.9	2.9	0.4	0.6	0.0	-0.5	-0.5	3.0
Distillates	-1.1	2.3	-0.2	-6.1	0.0	-0.8	-1.3	-4.6
Residual Fuel Oil	-0.4	2.3	0.5	-2.5	0.0	-0.3	0.1	-0.5
Other Products	-0.4	-1.1	0.6	-0.4	0.0	-0.6	0.2	-2.1
Total Products	-2.8	6.4	1.3	-8.5	0.0	-2.2	-1.6	-4.2
Other Oils ¹	-0.3	-2.3	0.3	0.4	0.0	0.0	0.0	-1.9
Total Oil	-3.1	5.5	1.2	2.5	0.0	-4.6	-1.9	3.4

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

OECD industry oil stocks closed November at 2527 mb, or 12 mb below last year. The deficit against the average inventory position in the recent five years widened for a third consecutive month to 95 mb. The shortfall was comparatively greater in product inventories. While global balances point to a surplus of oil, OECD inventories do not appear to reflect additional crude supplies. Recent competition for Atlantic Basin crude oil from Asia, and rising VLCC freight rates suggest that proportionately more oil has headed to the Far East. Disparities emerged on a regional basis. Most of the deficit versus the 5-year average in the Atlantic Basin came in North America for crude oil; the product deficit was split roughly evenly between Europe and the US. The reduced European product cushion, particularly in distillate fuels, lowers potential swing supply available to the US in the advent of repeat of last year's weather-related demand surge.

Year-on-Year Industry Stock Comparisons for November 2003

	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	-6.6	4.9	-4.6	-6.3	Total Oil	-0.7	-0.4	1.0	-0.2
Total Products	-6.0	-13.5	7.2	-12.3	Versus 2001	-5.2	-0.1	-7.1	-4.1
Other Oils ¹	-1.5	7.3	0.9	6.7	Versus 2000	0.5	-1.3	-6.7	-1.5
Total Oil	-14.1	-1.4	3.5	-12.0	Total Products	-0.3	-1.1	1.0	-0.3
Versus 2001	-71.6	2.8	-51.2	-120.0	Versus 2001	-2.6	-0.4	-2.8	-2.0
Versus 2000	15.9	-9.5	-54.2	-47.8	Versus 2000	0.5	-1.9	-2.7	-0.9

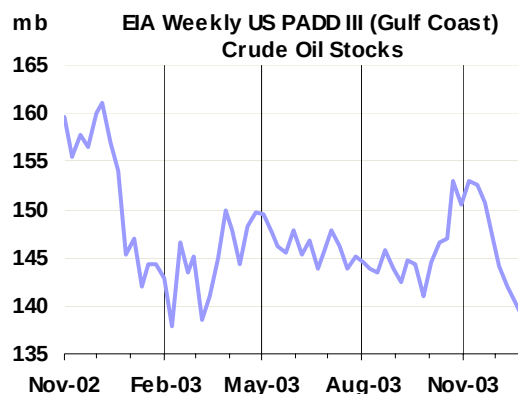
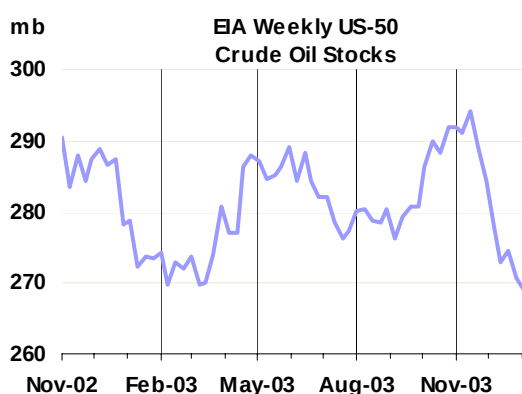
1 other oils includes NGLs, feedstocks and other hydrocarbons

November cover of forward demand by OECD total oil stocks fell one day to 51 days, ending on par with that in 2002 and 1.5 days below 2000, years in which stocks were deemed to be tight. Cover in Europe held flat from October at 59 days. The Pacific and North America saw cover erode, with North America losing a day to close at 48 days and the Pacific dropping 2 days to 44 days. The fall in the Pacific follows from the draw in Japanese crude stocks and the absence of seasonal build in Korean distillate stocks.

OECD Regional Stock Developments

North America

November US-50 crude stocks drew by 12 mb on lower imports, which fell back towards 9.6 mb/d, and sustained crude runs, which averaged about 15.3 mb/d. The decline more than offset the build seen in October. Inventories closed at 282 mb with declines centred mainly on the Gulf Coast and in the Mid-Continent where refinery activity continued to expand. December also witnessed weak imports and refiners further drew stocks ahead of year-end fiscal reporting and the beginning of scheduled maintenance in January. Opening January stocks ended below 270 mb, or under the notional minimum operating requirement. Crude stocks are set to rebound somewhat in January with some cargo deliveries postponed



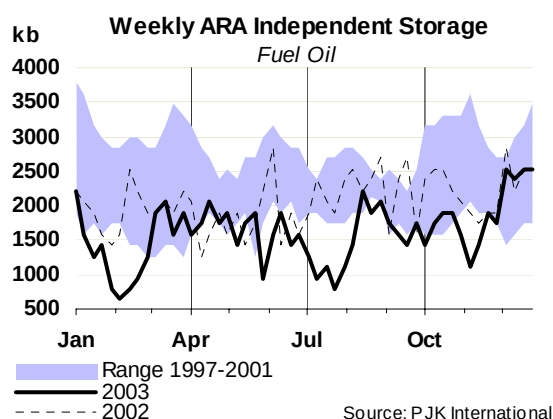
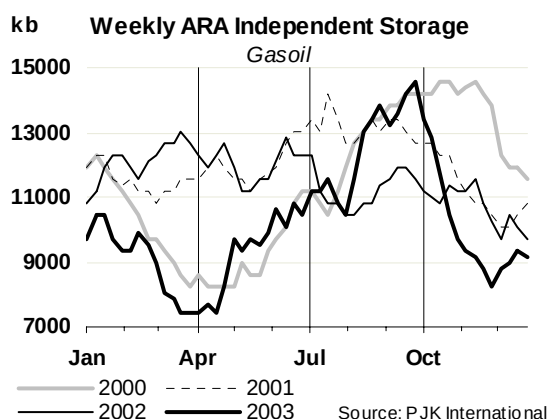
into the New Year. West African January supplies are also expected higher with unsold cargoes, due to a reprieve in Asian demand, likely discounted into the Gulf Coast. Yet, the scope for additions to storage is limited. Lack of foreign sour supplies favoured on the Gulf Coast was seen in the narrowing of price differentials against WTI of deepwater Mars and West Texas Sour in December. Iraqi Basrah supplies were also lower. Similar scarcity was seen in light sweet grades. Latin American crude released into the market in January is likely due only for February delivery while rising Caribbean freight rates have hindered short-haul trade. Preliminary estimates put refinery turnarounds on par with last year's level. An average 1 mb/d of distillation capacity will be off line over this quarter with maintenance peaking in February. But much will depend on the weather and product margins. The current strength in distillates is likely to minimise downtime. If imports and domestic supplies remain roughly constant from December averages, crude stocks could gain between 8 to 10 mb in January with crude runs averaging 14.9 mb/d.

Europe

European industry crude stocks drew only 5 mb in November on high crude runs supported by healthy cracking margins on sweet crudes. Refiners pushed throughputs nearly 400 kb/d above last year, leaving stocks to close the month at 313 mb. The November estimate has downside potential. French figures indicate no inventory change in contrast to other major European countries. Norwegian stocks were also virtually unchanged, although after two successive months of builds, they were expected to draw in light of strong European demand for North Sea crude. In contrast, stocks in the Netherlands were marginally down, in spite of rising Baltic shipments of Urals and stable refinery runs. Backwardation in Brent futures remained shallow, opening a possibility for higher December stocks levels. This is likely to follow from

increased sour supplies. Capacity upgrades to the Primorsk terminal have led to significantly higher Baltic exports on a yearly basis. Overhangs in North Sea December barrels have likely been absorbed, as Mediterranean interest grew stronger in the face of long shipping delays for Russian Black Sea supplies.

Product stocks in November gained mainly in gasoline and residual fuel oil, while middle distillates were tentatively flat. Distillate stocks held at 233 mb, within average seasonal norms. Gasoil stocks likely increased on thin demand from main markets. Premiums of cash prices against the front month IPE contract posted in October fell significantly suggesting easing supplies at end-month. But gains in gasoil were mitigated by draws in jet fuel. Jet fuel was scarce as evidenced by strongly backwardated swap prices and high cargo premiums against IPE gasoil futures. Regional supplies were run down due to refinery maintenance in October, lower volumes from the Middle East and rising passenger traffic. Stocks of gasoil in independent storage rebounded in ARA in December as barge shipments into France, Germany, and Switzerland were limited by competition from local supply sources.

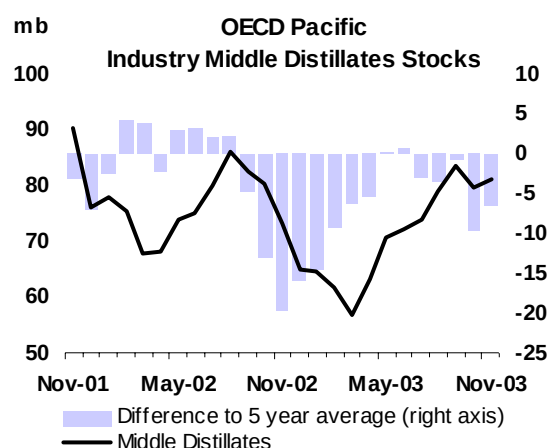


Gasoline inventories rose in November as refinery output increased and demand contracted. Tight shipping limited arbitrage opportunities to the US, keeping more product in Europe. Independent storage of gasoline in ARA continued to rise through December in spite of Nigerian demand for low-octane material. Exports to the US were confined to the first half of the month before arbitrage closed on higher freight rates. Tanker availability to Europe was reduced due to gasoline trade between the Caribbean and the US. Rising industry stocks of fuel oil in November followed from increased Russian supplies, closures of arbitrage outlets to Asia and lower utility demand in Mediterranean (partly due to milder weather but mainly switching to gas-fired generation). With ARA the only outlet for Baltic Russian fuel oil, December witnessed a build in prompt cargoes pushing swap prices in Northwest Europe into contango. Tanks filled rapidly as a result of the forward price premium, but end-month gains were capped as low-sulphur material stored over the period was sold back into the ARA market.

Pacific

Japanese on land crude stocks declined 15 mb in November while those in Korea posted a 2 mb build. The Japanese draw lowered Pacific crude stocks to 155 mb, or below their recent five-year range. The Japanese draw followed a combination of high crude runs refineries' desire to cut back on imports. Crude requirements were deemed lower in light of high stocks of kerosene stocks. The fall in Japanese crude stocks remains subject to revision. It is rare to see a draw of this magnitude without a partially offsetting rise in tanker volumes at ports or at mooring.

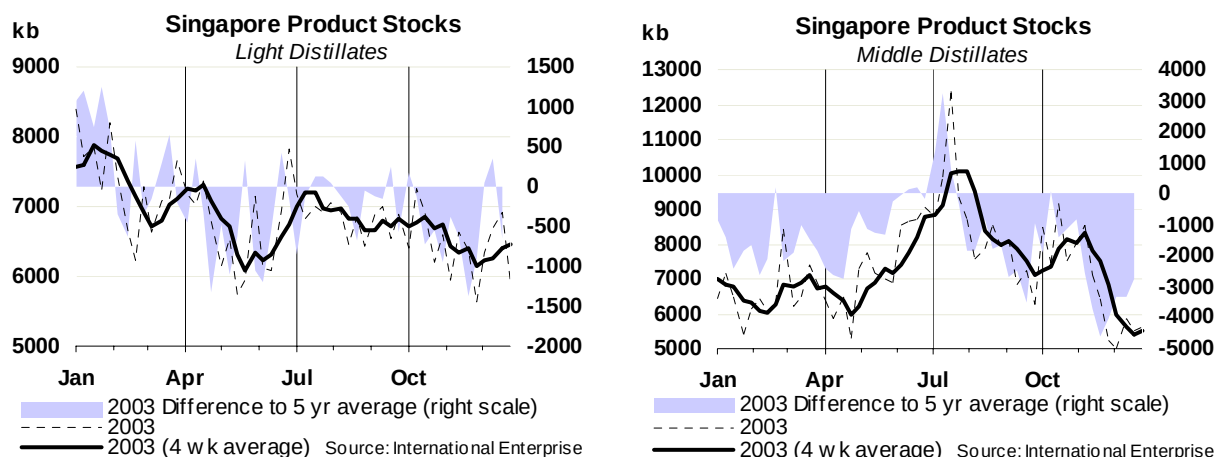
Pacific industry distillate stocks posted a modest 1.5 mb increase to 81 mb. Japanese kerosene stocks were high in November with domestic sales off 30% year-on-year on mild temperatures. Though December saw inventories fall back by month's end, stocks remained ample on a seasonal basis in spite of the closure of Idemitsu's 140 kb/d Hokkaido refinery. Recent kerosene inventory levels in Japan have benefited from expanded product yield associated with higher fuel oil 'C' production for utility use. Korean distillate stocks posted marginal losses despite efforts by refiners to raise kerosene production. Stocks slipped on strong domestic demand and reduced output of diesel. Maintaining diesel inventories going forward while producing kerosene has prompted Korean refiners to sharply curtail spot gasoil export from December.



Singapore Stock Developments in December

Total product stocks in Singapore, surveyed by International Enterprise, posted a modest gain in December. Light and middle product inventories remained tight on strong regional demand and limited supplies. Underpinning tightness in product supplies was strong distillate demand in China. Korean refiners, which are among the region's main product suppliers, limited exports. Petrochemical demand has also been strong, tightening naphtha availabilities and inviting arbitrage exports from Europe.

Residual fuel stocks rose over the period as Chinese demand was sidelined by year-end import quota considerations. Easing pressures on available supplies allowed a contango to develop in benchmark 180cst Singapore fuel oil prices and keep product in storage. But looking ahead, stocks are likely to face downward pressures. Demand is reportedly picking up again in China and Vietnam while regional supplies going forward are due lower. February fuel oil exports from Korea are likely to be reduced, though this reduction may be in part balanced by the arrival of arbitrage cargoes sourced from the Mediterranean.



Middle distillate stocks in Singapore held near level in December on lower gasoil supplies. After recently reducing jet/kerosene available for export, Korean refiners also cut back on gasoil. December gasoil volumes were pegged at 260 000 tonnes compared with 639 000 in November. Amid tighter supplies, spot buying remained heavy, keeping product away from Singapore. This extended into January, with surplus Korean and Taiwanese barrels delivered instead into Hong Kong. Domestic Chinese demand for diesel remained strong, prompting China's largest refinery, Zhenhai Refining & Chemical Co. to maintain record throughput levels through January. Power outages have led to increased use of diesel-fired generators and little if any exports of spot cargoes. Jet demand in China and Indonesia proved to be buoyant leading China Aviation Oil to issue a first quarter tender significantly higher than year-ago volumes.

Light products stocks (which comprise naphtha and gasoline) remained tight in December, closing at the bottom of their five-year range. Naphtha demand was strong, driven by healthy margins in the petrochemical sector, with Japan and Korea seen as the main buyers. Supplies were also limited as major Middle Eastern supplier, Saudi Arabia delayed December deliveries. Supply pressures will increase by February, as term supplies from Abu Dhabi are reported reduced, or differed, keeping the paper market in backwardation and limiting additions to storage. Similarly, unleaded gasoline prices reflected improved demand and scarcer supplies, closing the month at over \$40 a barrel.

Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2001	2002	4Q02	1Q03	2Q03	3Q03	Sep 03	Oct 03	Nov 03	Latest month vs.	
										Oct 03	Nov 02
Crude Oil	822	819	861	885	892	593	691	613	546	-67	-389
Products & Feedstocks	-10	-35	-73	-158	-119	-93	-70	4	-15	-19	113
Gasoil/Diesel	-121	-154	-168	-175	-171	-174	-190	-125	-110	15	67
Gasoline	-79	-81	-69	-76	-95	-67	-63	-87	-85	2	-26
Heavy Fuel Oil	360	334	325	314	304	323	344	316	273	-43	-21
LPG	-21	-19	-20	-24	-26	-19	-21	-18	-20	-2	5
Naphtha	-22	6	5	-22	18	5	43	28	53	25	93
Jet & Kerosene	-80	-65	-90	-124	-93	-103	-114	-75	-74	1	-9
Other	-48	-57	-57	-51	-56	-58	-70	-35	-53	-18	4
Total	812	784	788	727	774	501	621	617	531	-86	-276

Source: International Enterprise, IEA estimates

Non-OECD Stocks: Establishing Strategic Reserves in China and India

The prospect of building dedicated strategic storage in China and India increased in the new year after initial statements of intentions first caught market attention in late 2002, early 2003. Governments in both countries, which do not currently maintain strategic oil reserves, have moved forward in the establishment of such facilities. Stockholding capability by domestic refiners is generally estimated as follows: India's refineries and marketing terminals are able to store an equivalent of 15 days of crude oil requirements and about 45 days of product needs. Countrywide estimates are variable in the case of China. The country's largest refiner, state-owned China Petrochemical Corp (Sinopec) covers on a daily basis between 14 and 15 days of its requirements but has capacity to store both crude and product equivalent to between 20 and 25 days cover.

In China, the National Development Reform Commission (NDRC), responsible for industrial and energy policy, is expected to authorise the development of strategic storage before the end of January. The number of facilities announced to date comes to four, with an anticipated final combined capacity of 16 million cubic meters (about 100 million barrels) by 2010. The reserves will be located in eastern China: two in the Zhejiang province, one in Shandong and one in Liaoning. Financing dedicated to the development of strategic storage from the central government is currently estimated at around US \$1.2 billion (10 billion Yuan).

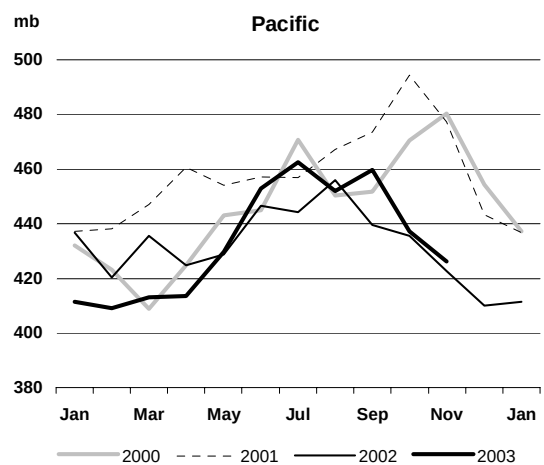
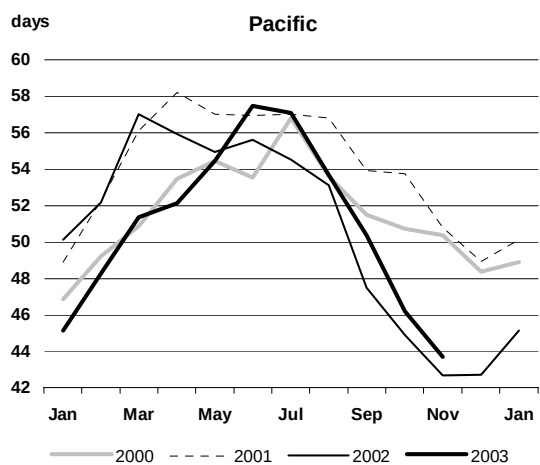
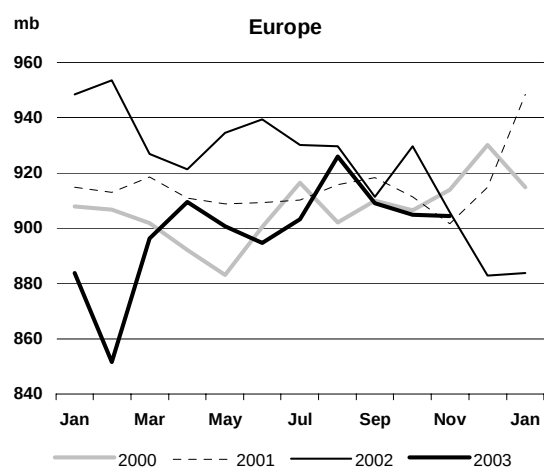
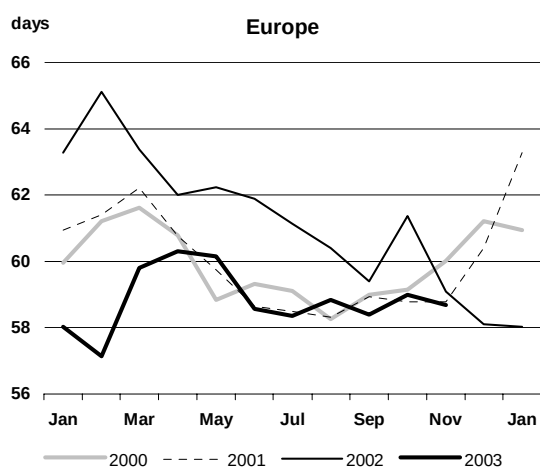
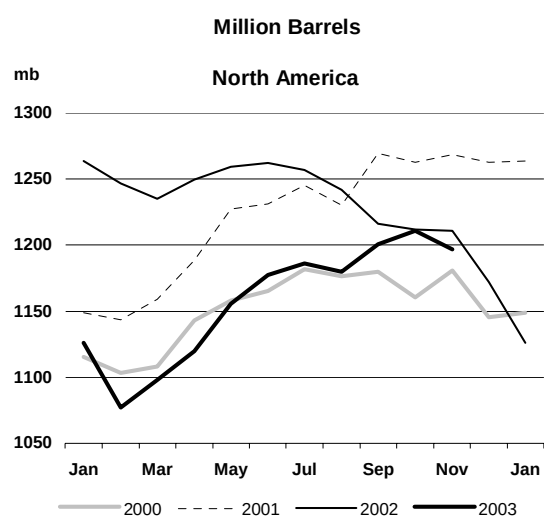
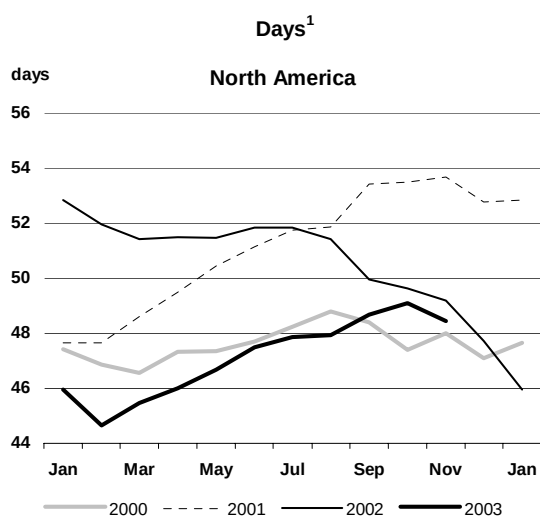
Sinopec, along with state-owned China National Petroleum Corp (CNPC) and Sinochem Corp will probably manage the construction of the facilities. Sites include Sinopec's Zhenhai (Zhejiang Province) and Huangdao terminals (Shandong Province), CNPC's Dalian site (Liaoning Province) and Sinochem's Aoshan terminal on the Zhoushan islands (Zhejiang Province). Construction of the first of these facilities is expected on Zhejiang Island and the storage facility will take the form of underground caverns. The first step in setting up these reserves aims to achieve a storage volume of 5 million tonnes (close to 37 million barrels). Completion of the construction of these first facilities will take between 1.5 - 2 years. While the Energy Bureau is in the process of drafting a Petroleum Law covering emergency stock issues (both for government and commercial entities), among the pressing challenges facing Chinese authorities is establishing operational logistics for emergency reserves. This includes establishing a stockholding organisation, securing proper staffing and devising procedures for proper maintenance.

In India, a proposal to build storage facilities of 5 million tonnes of crude oil (close to 37 million barrels) was approved by the Cabinet on 7 January 2004. Establishment of this strategic storage facility will initially cover 15 days of oil consumption and possible future capacity expansions envisage extending cover to 45 days. The proposed three storage facilities will also be in the form of caverns. Two facilities will be located near Mangalore in the southwest of the country while the third is planned near Vishakhapatnam in the east. Construction time is estimated to be at least 1.5 years.

Management of India's planned strategic storage will be placed under the responsibility of the state-run Indian Oil Corporation (IOC), India's largest refiner. India intends to create a "special purpose vehicle" (SPV) to construct and manage the stocks. The SPV is expected to be constituted as a wholly-owned subsidiary of IOC. Filling of the reserves is expected to take 2 to 3 years. The Government of India is considering various alternatives for financing strategic reserves but to date no firm decision has been made. Cost estimates for capital outlays are projected at about \$362 million (16.5 billion Rupee) while the annual operating costs, including interest payments on debt, are estimated at \$177 million (8 billion Rupees).

Establishing strategic reserves is an important first step in addressing energy supply security concerns. Purchases of crude to fill the reserves will have to follow and the rate of fill will depend on prevailing market conditions. However, upon completion of these facilities, if oil prices are in the vicinity of those observed today, filling the reserve could prove to be a costly proposition.

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

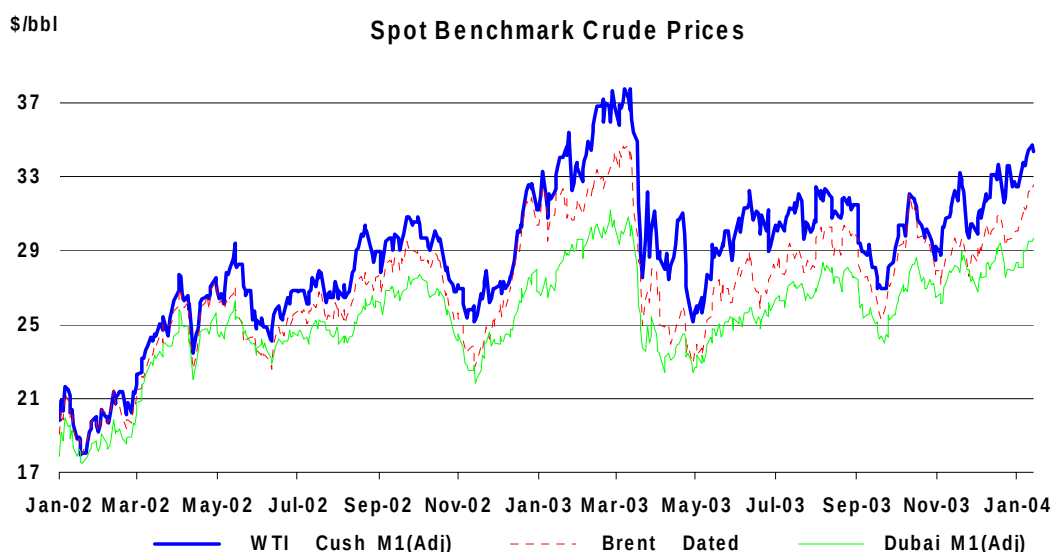


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **WTI crude prices** rose in December and have surged by nearly \$2/barrel in early January, to just under \$35/barrel. A steep decline in US crude oil stocks to below deemed minimum operating levels, Arctic weather in the US (contributing to higher natural gas prices), strong economic growth, and continued robust Far Eastern product demand have supported prices. There also remains little spare capacity to cope with unforeseen supply disruptions in the system.
- **Speculators** have been featured buyers of commodities since the start of the New Year, looking for a store of dollar value and an alternative to traditional financial investments. However, funds are not the sole driving force behind the rally and there is a feeling that the trade has increased hedge cover as the market has moved higher.
- **Strong Far Eastern demand** and problems with Middle Eastern refineries caused a spike in gasoline and naphtha prices in early January. The high prices have resulted in a large number of arbitrage shipments from both the Mediterranean and North West Europe to compensate for the shortfall. Asian naphtha crackers are looking for alternative feedstocks to minimise the price effect, using condensate and gas oil where possible.
- **Refinery margins** have been supported by the hearty Far Eastern market and also the surge in US heating oil prices following the onset of cold weather. Asian Pacific refiners enjoyed the best returns since 1996 and early January activity appears to be accentuating the trend.
- **OECD refinery throughputs in November** rose by 850,000 b/d from October to 39.49 mb/d. OECD European and Asian Pacific regions recorded strong growth, but runs remained relatively flat in OECD North America. First quarter maintenance in the US is expected to be relatively heavy at around 1 mb/d, however this is very similar to first quarter 2003 levels.
- **VLCC freight rates** dipped in late December, but a surge in chartering activity has caused a swift recovery in values. Congestion in the Black Sea coupled with new EU regulations has reduced the available fleet size, leading to a surge in rates of vessels under 130,000 tonnes. However, the main driving force remains the strength of the Far Eastern market, which ties up vessels for longer voyages and therefore reduces availability.



December Overview

Crude prices rose in December and have surged again in early January, supported by a steep decline in US crude stock levels, Arctic weather in the north eastern US (contributing to higher natural gas prices), strong economic growth and continued robust Far Eastern product demand. The latest production statistics suggest limited spare production capacity with most of OPEC bar Saudi Arabia producing flat out.

Dated Brent averaged \$1.14 above November levels at \$29.87 in December, and WTI Cushing averaged \$32.14, up \$1.08 on the prior month. Current prices are \$32.36 and \$34.74 respectively, a gain of over \$2 from end-December levels. Admittedly, the upwards push has been predominantly in sweet crudes, with Urals in the Mediterranean gaining 70 cents over December and Dubai rising just 45 cents to \$28.34 and \$28.10 respectively, but even sour crudes have joined in the New Year rally. Futures and forward markets remain strongly in backwardation, underscoring market tightness.

It remains unclear whether the US crude oil stock draw in December and early January below the deemed Minimum Operating Level of 270 mb was entirely driven by tax-related year-end stock reductions and lower imports ahead of heavy first quarter maintenance. Certainly, OECD crude stocks continued to fall sharply in November, but while there may have been a desire by US refiners to lower stocks ahead of the year-end, there is no evidence of a proportionate build elsewhere in the OECD.

The return of cold arctic weather to the US has been supportive for prices. Following a mild start to the winter, temperatures turned colder in December and are forecast to be extremely cold for most of January. This has contributed to the sharp draw in US natural gas storage and a corresponding rise in US natural gas prices, which in turn is likely to lead to continued substitution for distillate and residual fuel oil.

If stocks and weather are a concern, then so too, for the time being at least, is the diminishing OPEC spare capacity buffer. Although several major OPEC countries are engaged in capacity expansion projects, current spare production capacity in this Report is estimated at 1.7 mb/d, with effective spare capacity around 1.3 mb/d.

Despite OPEC basket prices holding above the upper \$28/barrel target since 2 December, and pushing close to \$31/barrel, OPEC is refusing to reconsider output policy until the 10 February meeting in Algiers. Failing to respond to persistent high prices sends a strong signal to the market that the over-riding determinant of output policy is the desire to maintain a tight stock policy over the course of the year. The price band mechanism has become redundant.

There is limited room for the producer group to raise production and certainly insufficient productive capacity should the world face a severe supply disruption. While a certain degree of rapprochement would appear to be taking place in some Middle Eastern countries there is little doubt that regional politics remain potentially volatile. The current Venezuelan referendum plan, Nigerian ethnic strife and union discord and the impact of the failed Yukos-Sibneft merger are further uncertainties that could have an impact on the oil market in the future.

Speculators are frequently cited as a driving force behind high prices, but non-commercial participation on NYMEX WTI was already high before the recent surge in prices began. While speculators increased their longs in oil (and have been actively buying many other commodities as a store of dollar value and as alternatives to financial instruments) the increases reported (to date) do not appear to have been large enough to have been the driving force behind rising prices. Speculators respond to opportunities, not single-handedly create them. However anecdotal comments would suggest that the trade may well have been underhedged heading into the New Year and have been forced to take some cover.

The spike in light product prices in Singapore (gasoline and naphtha) is indicative not only of strong industrial demand in China, Korea and Japan, but also the isolating effect of high freight costs and Middle Eastern refinery problems. It may be that this product price blip will prove temporary, but it is an alert to the possibility of strong competition for the US for surplus European material during the first quarter maintenance programme - particularly if cold weather increases middle distillate and fuel oil demand in China, Japan and South Korea.

How long current high prices will last is uncertain. But a lot will depend on both the weather and the continued absorption of surplus material by the Far East. Forward projections suggest the drop in seasonal demand in the second quarter will be significant, but the need for stock replenishment (and therefore the price impact) will depend upon the overall level of demand in the first quarter. Current high prices underscore the long observed relationship between stocks and prices and also the difficulty of micro-managing the oil market.

Price remains the best indication of market tightness, and if stocks are kept tight then it exposes both producers and consumers to the economic impact of higher oil prices.

Crude Oil Prices

Spot Crude Prices and Differentials in December

The major benchmark crudes all gained in December, with strong light product demand from the Far East encouraging the use of sweet crudes over sour. A weak fuel oil market helped to accentuate the underperformance of the sour crude market, as did a slowdown in US Gulf Coast refiner demand ahead of first quarter maintenance.

Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

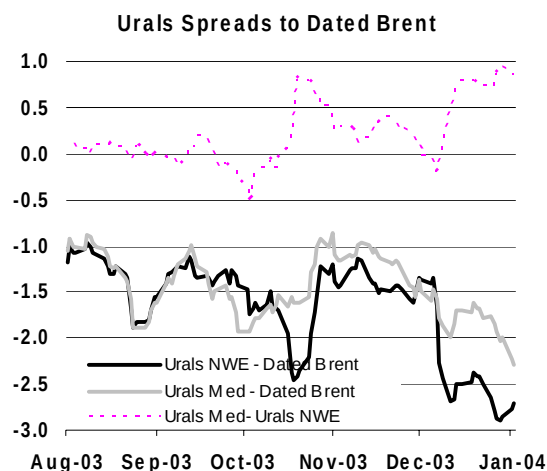
	Oct 03	Nov 03	Dec 03	Dec-Nov		Week Commencing:				
				Change	%	08 Dec	15 Dec	22 Dec	29 Dec	05 Jan
Crudes										
Brent Dated	29.65	28.73	29.87	1.14	4.0	30.13	30.66	29.57	29.98	31.43
WTI Cushing 1 month (adjusted)	30.30	31.06	32.14	1.08	3.5	32.12	33.17	32.36	32.56	33.89
Urals (Mediterranean)	27.99	27.63	28.34	0.70	2.5	28.67	29.00	27.72	28.28	29.51
Dubai 1 month (adjusted)	27.27	27.66	28.10	0.45	1.6	28.12	29.02	27.96	28.10	28.93
Tapis	31.74	30.61	31.34	0.73	2.4	31.09	31.93	31.83	32.11	33.00
Differential to Dated Brent										
WTI Cushing 1month (adjusted)	0.65	2.33	2.27	-0.06		1.99	2.51	2.78	2.58	2.47
Urals (Mediterranean)	-1.67	-1.09	-1.53	-0.44		-1.46	-1.66	-1.85	-1.70	-1.92
Dubai	-2.38	-1.07	-1.76	-0.70		-2.01	-1.64	-1.61	-1.88	-2.49
Tapis	2.08	1.89	1.47	-0.42		0.96	1.27	2.25	2.14	1.57
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.42	0.25	0.26	0.01		0.26	0.22	0.28	0.29	0.29
WTI Cushing 1mth-2mth (adjusted)	0.05	0.38	0.13	0.27		-0.02	0.10	0.38	0.27	0.27

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

Exceptionally high freight rates continued to limit arbitrage opportunities for transatlantic movement of North Sea crudes, despite a WTI Cushing - Dated Brent spread which was consistently above \$2/barrel for the second half of December. A fall in freight rates in early January helped to encourage talk of some movement to the US market, but this was relatively short-lived and it is likely that arbitrage shipments will be limited to those on term freight deals. It is also questionable how much incremental crude the US needs in the coming weeks.

Urals has also come under pressure through the lowering of official selling prices of Middle East crudes into Europe, particularly the heavier sour varieties. This would appear to be designed to offset lower demand from the US during the maintenance season. However, the Northern Iraqi pipeline to the Turkish port of Ceyhan remains shut and shows little sign of re-opening in the near future.

Refiner demand remains strong within Europe, particularly for sweet crudes, soaking up the North Sea crude programmes, despite the lack of arbitrage to the US and marginal conditions for Asia.



In the Far East, anecdotal evidence would suggest that despite a relatively mild winter, product demand, particularly for gas oil, jet, naphtha and gasoline has been strong. Good demand at the light end of the barrel naturally encourages the use of sweet crudes over sour.

The dip in demand for West African sweet crudes from the region from mid-November appears to be over, with traders reporting the possibility of post Lunar New Year shipments rising to 1.1 mb/d to 1.3 mb/d. If the higher end of this figure is reached then that would take exports back up to the peak levels seen early in the fourth quarter of 2003.

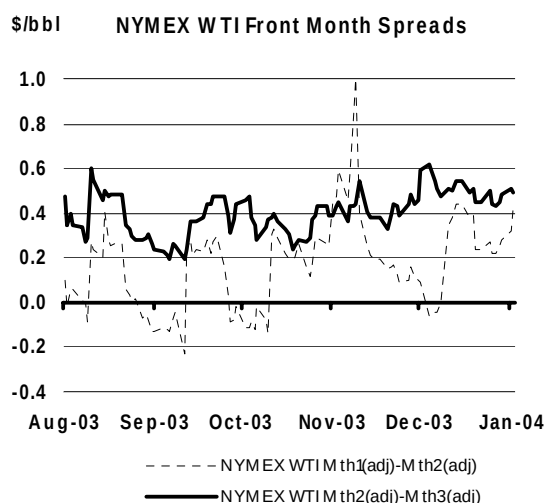
High freight rates have raised the cost of imports to the region, which makes regional crudes more attractive. The sudden pull back of Japanese refiners for direct-burn crudes and low sulphur fuel oil has contributed to a sharp fall in the premium of Minas and Cinta to Brent crude. However, we note that a large part of the movement both upwards and downwards could be related to the difficulties of price assessment in a relatively illiquid market. Platts indicated recently that they are reviewing their methodology of regional sweet crude assessments.

Crude Futures in December

The increase in the front month price of WTI and Brent futures is the best indicator of market tightness, but the persistent backwardation continues to show that the market remains undersupplied. Expiry issues can often lead to high volatility in the front- second month spread in the futures markets. For this reason, the second minus third month futures contract can often provide a better indication of market conditions.

In IPE Brent futures the first two intramonth spreads largely follow each other, but in WTI a clear uptrend has emerged in the second and third month spread. This indicates both the tightness of the market through to March, but also, to a degree, an element of expectations of a fall in prices in the second quarter of the year.

The current forward market also differs when compared with the similarly high price of crude on 14 March 2003, ahead of the war on Iraq. Then, front month Brent futures settled at \$31.38, comparable with the \$31.37 front month settlement on 13 January 2004. But, last March the first and second month Brent spread was \$1.25 and the second and third month spread was 62 cents. This compares with compared with 52 cents and 33 cents respectively now.



Clearly expectations of a sharp drop in prices were much higher last March. This is further illustrated by taking the average of the first 12 months' Brent futures contracts on the two dates. An average price of \$28.10 was recorded on 14 March compared with \$29.49 now, suggesting that price expectations for the year ahead remain high. The 12-month forward price rests at \$27.89 currently compared with \$25.73 on 14 March.

However, it is interesting to note that forward futures prices remain significantly higher than analyst forecasts of prices in 2004. A recent survey by Reuters of 16 top analysts in early December produced an average expected Brent price of \$24.70 in 2004. While recent strength might encourage some to revise their price expectations, the forward market is clearly more optimistic that OPEC, geopolitical events and the economic recovery will keep prices firm.

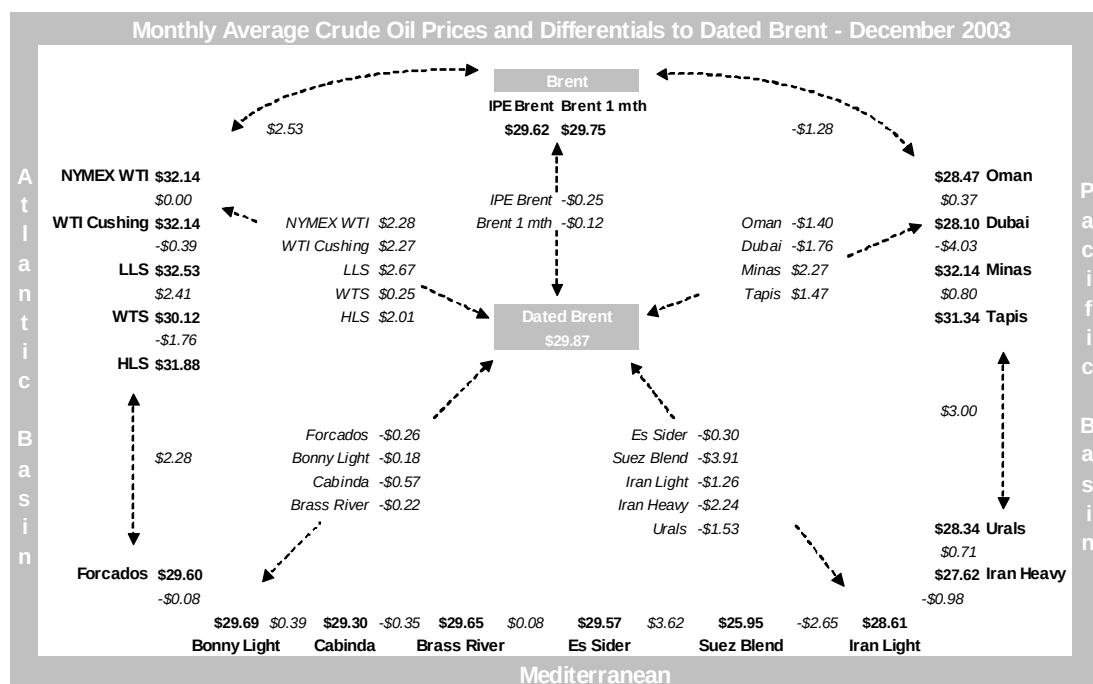
Speculative interest in WTI futures remains high. Non-commercial traders raised their net-long position to 61,356 lots from 50,587 lots in the week ended January 6, the highest net-long position since October 1999. However, while this historical position appears dramatic, it should be noted that the net-long position was only around 1,300 lots lower in August and the subsequent increase in open interest means that, as a percentage of open positions, the net long is proportionately smaller now.

The record net long position in WTI futures was 82,683 lots in September 1999. This represented 13.86% of the open interest compared with the current net long at 9.76%. While high speculative long positions are often associated with potential market turning points, this is not always the case.

The net non-commercial long position in September 1999 caused a modest decline in prices the following month before surging to over \$29/barrel by first quarter 2000.

Delivered Crude Prices in October

Delivered prices for crude oil imported into IEA countries rose by \$0.81 in October from September levels, reflecting the sharp recovery in prices following the early September post-driving season rout. Total IEA delivered crude prices rose from \$27.20 in September to \$28.01 in October (see Table 8 at



the back of the Report). Price increases were seen in IEA North America and Europe with gains of \$0.69 and \$1.85 respectively. The divergence between the two markets reflected the relative weakness of US benchmark WTI to Brent crude. IEA Pacific prices bucked the trend to fall by \$0.94, but this reflects a lag in transit for crudes to the region. Delivered crude prices in IEA Pacific rose in September while other regions posted sharp losses from August.

Product Prices

Spot Product Prices in December

The strength of light product demand from the Far East has clearly dominated product prices and trade since the start of December. Naphtha supplies have been particularly tight on a combination of good demand from the region, particularly the Chinese and Japanese petrochemical makers, and tight supplies caused by Middle Eastern refinery maintenance.

Naphtha tightness has resulted in a general rise in light product prices as refineries maximise output of the product. This is particularly true of gasoline where considerable flexibility is available at a refinery level. On the demand side, naphtha crackers also have the potential to substitute some feed with gas oil and condensate.

Supplies have also been constrained by refinery problems in the Middle East: potential disruptions could be seen from the region's top three suppliers.

Kuwait's entire refinery system was hit by a power outage on 12 January, causing an automated shutdown. Two small fires occurred as a result of the outage, but were contained. Industry sources say that second half January term liftings of gas oil, jet-kerosene and naphtha have been cut. Should there be damage or restart problems, maintenance issues mean Kuwait has limited flexibility to adjust output. The 200,000 b/d crude unit at the Shuaiba refinery had already been shut down for maintenance throughout January according to trade reports. Other refineries had been running at full

capacity prior to the incident trade sources said. Kuwait sells around 600,000 tonnes of naphtha per month of which 85 to 90 % goes to Asia.

Saudi Arabia has also reportedly reduced term shipments to the minimum in November and January, and ADNOC has cut back January term sales and delayed some February cargoes. The curbs are believed to be related to technical issues and strong regional demand.

Spot Product Prices

(monthly and weekly averages, \$/bbl)

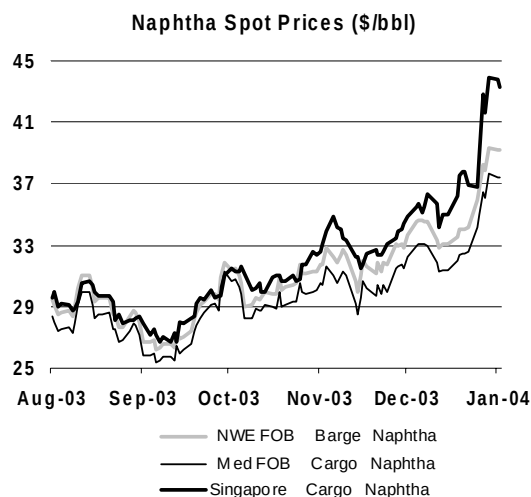
	Oct	Nov	Dec	Dec-Nov Change	%	Week Commencing:					Oct	Nov	Dec
						08 Dec	15 Dec	22 Dec	29 Dec	05 Jan			
Rotterdam, Barges FOB											Differential to Brent		
Premium Unleaded (Cargo)	34.31	34.14	34.45	0.30	0.9	34.50	35.10	33.66	35.06	38.06	4.66	5.42	4.58
Regular Unleaded	33.81	33.66	33.93	0.28	0.8	33.95	34.66	33.26	34.45	37.56	4.16	4.93	4.07
Naphtha	30.03	31.55	33.19	1.65	5.2	33.13	34.53	33.09	33.98	37.62	0.38	2.82	3.33
Jet/Kerosene	36.45	37.67	39.18	1.52	4.0	39.10	39.71	38.51	39.62	41.35	6.80	8.94	9.32
Gasoil	34.46	34.75	35.57	0.82	2.4	35.52	36.62	35.36	36.49	38.52	4.81	6.02	5.71
Fuel Oil 1.0%S	25.19	24.00	21.45	-2.54	-10.6	22.21	21.70	20.48	20.67	23.63	-4.47	-4.73	-8.42
Fuel Oil 3.5%	23.60	23.52	20.39	-3.13	-13.3	21.25	19.81	18.94	20.02	23.02	-6.05	-5.21	-9.48
Mediterranean – Basis Italy, Cargoes FOB											Differential to Urals		
Premium Leaded (0.15 g/l)	34.49	34.10	34.39	0.29	0.9	33.57	35.20	34.60	36.02	38.43	6.51	6.47	6.06
Premium Unleaded	33.78	33.38	33.67	0.29	0.9	32.85	34.48	33.88	35.30	37.71	5.79	5.75	5.34
Naphtha	29.25	30.23	31.68	1.46	4.8	31.69	33.07	31.48	32.33	35.85	1.27	2.59	3.35
Jet/Kerosene	34.44	35.69	37.46	1.77	5.0	37.60	38.15	36.54	37.24	38.92	6.45	8.06	9.13
Gasoil	35.55	34.32	34.40	0.08	0.2	34.05	34.93	34.10	35.02	37.88	7.56	6.69	6.06
Fuel Oil 1.0%S	25.79	24.88	22.46	-2.42	-9.7	21.92	22.19	23.32	24.16	24.95	-2.20	-2.76	-5.88
Fuel Oil 3.5%S	22.40	21.19	17.39	-3.81	-18.0	17.39	17.67	16.56	17.45	20.47	-5.59	-6.44	-10.95
NY Harbour, Barges											Differential to WTI		
Super Unleaded *	38.94	39.69	38.62	-1.07	-2.7	37.61	39.02	38.41	40.46	43.02	8.64	8.63	6.48
Regular Unleaded *	36.45	36.72	37.18	0.46	1.2	36.30	37.90	37.44	39.67	41.60	6.15	5.66	5.04
Jet/Kerosene	35.46	36.15	38.49	2.34	6.5	38.41	39.68	38.05	38.79	42.32	5.15	5.09	6.35
No.2 Heating Oil	34.41	35.06	37.38	2.32	6.6	37.28	38.80	37.30	37.85	40.81	4.10	4.00	5.24
Fuel Oil 1.0%S (Cargo)	25.93	26.14	25.78	-0.36	-1.4	25.75	26.77	26.17	26.16	28.13	-4.37	-4.92	-6.36
Fuel Oil 3.0%S (Cargo)	24.02	24.43	22.64	-1.79	-7.3	23.14	22.86	21.86	21.91	23.14	-6.29	-6.63	-9.50
Singapore, Cargoes											Differential to Dubai		
Premium Unleaded 95	35.55	35.78	39.52	3.75	10.5	39.43	40.58	40.09	42.22	46.04	8.27	8.12	11.42
Naphtha	30.46	32.54	34.67	2.13	6.5	34.12	35.63	34.92	37.11	40.80	3.18	4.88	6.56
Jet/Kerosene	33.84	35.89	37.50	1.61	4.5	37.23	38.09	37.41	37.81	39.44	6.56	8.23	9.40
Gasoil	32.41	33.68	35.10	1.42	4.2	34.24	36.20	36.19	36.60	38.88	5.14	6.02	7.00
LSWR (0.3%S)	26.14	28.73	30.13	1.39	4.8	31.44	29.14	29.35	28.18	26.51	-1.13	1.07	2.02
HSFO (3.5%S 180cst)	25.38	25.01	24.85	-0.16	-0.6	25.38	25.48	24.13	24.30	25.22	-1.89	-2.64	-3.25
HSFO 4%S	25.56	25.17	24.93	-0.24	-1.0	25.58	25.46	23.96	24.26	25.25	-1.72	-2.48	-3.17

* From 1 November 2003 assessments for NYH are for Max 0.3% MTBE

Strong Far Eastern demand together with the Middle Eastern supply disruptions have led to a tight naphtha and gasoline market, attracting arbitrage flows from Europe. However the shortage of ships and high freight rates means that regional prices have to rise to higher levels to attract additional material.

The strength of the light end of the barrel in Asia Pacific is in sharp contrast to the performance of the middle and heavy end of the barrel. While middle distillate prices (jet kerosene, kerosene and gas oil) are firm, with strong cracks relative to Dubai, outright prices remain sandwiched between US and European values.

Meanwhile the focus of regional refiners on the production of kerosene and jet fuel, coupled with gas oil shortages in China has caused a sharp contraction in the regrade spread (premium of jet over gas oil). While this is likely to cause a switch in emphasis towards gas oil, regional jet demand is likely to remain robust on the back of a strong recovery in airline traffic (the recent SARS scares in the Far East appear to be well controlled for the time being).



At the heavy end of the barrel, prices remained relatively weak in December on uncertain Chinese import demand and high refinery throughput. The Japanese utilities remained featured buyers in the early part of the month, but a relatively mild winter prompted an abrupt withdrawal from the fuel oil and direct-burn markets in early January. Trade sources suggest that utilities feel that their stocks are adequate and are being more selective in their purchases. Even so, the performance of the Far Eastern market was still better than the oversupplied European market, leading to some arbitrage activity in December. Japanese temperatures have also trended towards more normal winter conditions in recent weeks, which could encourage more use.

Arctic weather in the US Northeast in December and forecasts of a very cold January have bolstered heating oil, just ahead of what is expected to be a very heavy first quarter maintenance schedule. Although US gasoline and distillate stocks are within normal seasonal ranges, there is some concern that the heavy maintenance programme, coupled with strong demand (led by robust growth and a cold winter) will lead to a sharp drop in product stocks.

While US middle distillate and heating oil stocks are higher than at the same stage last year, the concern for the market is that the strength of the Far Eastern market will lead to intensive price competition for European supplies. This scenario is already bolstering gasoline values and the danger is that the recent cooler weather in Japan continues and is mirrored in Europe and the US. The weather will remain an unpredictable and important variable.

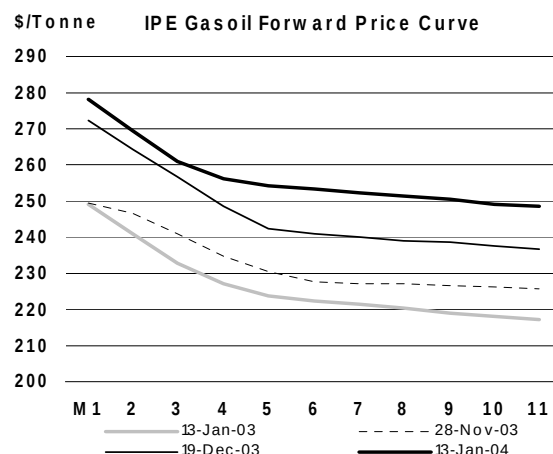
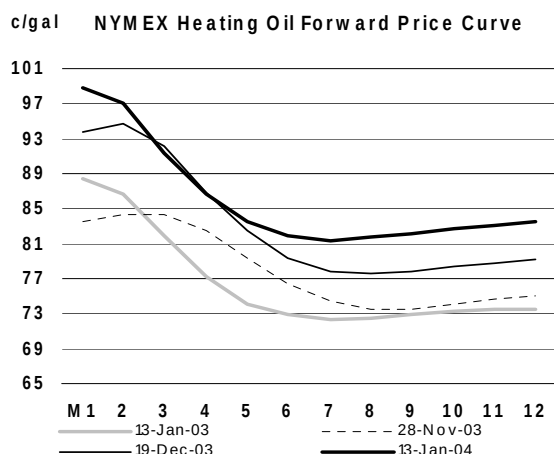
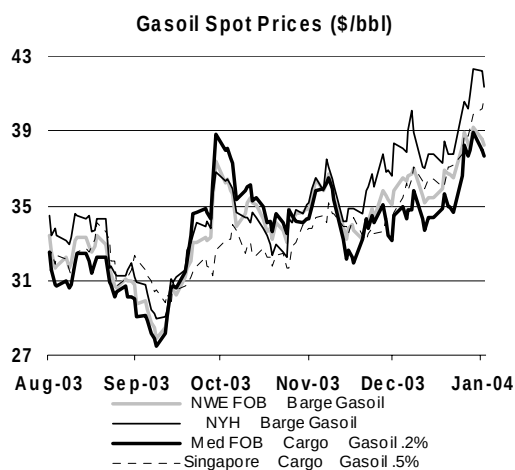
The European products markets have been largely dominated by export activity. An open arbitrage for gasoline to the US and the Far East is being supplemented by strong demand from Nigeria and the East Mediterranean for movement into Iraq. Similarly, naphtha is being attracted eastwards, subject to the price and supply constraints of the clean cargo market. With Singapore gas oil prices on a par with those in Europe, clearly the main export market for gas oil is across the Atlantic to the US.

The European fuel oil market saw a sharp recovery for both low and high sulphur material towards the end of December, as the glut of Russian material started to clear on arbitrage movements to the Far East. Discounts to Far Eastern markets had to be particularly severe as the high price of dirty freight coupled with the lack of interest from the US for straight run material ahead of first quarter maintenance restricted movement.

Product Futures in December

The expiry of the January NYMEX heating oil contract has removed the seasonal contango from the heating oil forward strip, leaving the futures market in backwardation until the third quarter where a slight contango is seen. This is a normal pattern for the market reflecting the general seasonal tendency to draw stocks into the summer and the lower demand for heating oil as spring approaches.

The current extreme cold weather in the US Northeast has however led to a narrowing of the backwardation between the front two months and reflects concern that demand may be higher than was previously expected after a relatively mild start to the winter.



The IPE gas oil contract shows a more consistent backwardation curve through to the spring, but surprisingly remains in slight backwardation through to next winter. Lower storage costs and the greater diesel intensity of the European car fleet gives a lower tendency of the IPE gas oil market to tend towards contango in the winter months. Trading also tends to be focussed on the nearby months at this time of year and the back months would appear to reflect more the backwardation in the Brent market and the high outright price of gas oil rather than inferring anything about future expectations for stocks or demand.

Front month NYMEX gasoline prices have rallied steeply over the course of December and early January, while the forward months have been anchored to 83 cents per gallon. The summer season jump in prices between March and April remains in place as the market switches to summer specification gasoline.

It is noticeable that despite the potential for supply distortions in the East Coast caused by the switch by New York and Connecticut to MTBE-free gasoline, the jump in prices remains consistent with the rise that was in place in the futures markets at the same time last year. Indeed, the entire curve has now shifted to a virtually identical pattern to the market structure that was in place in January 2003.

Limits to Gasoline Price Differentials?

The US Environmental Protection Agency (EPA) is looking to formalise its waiver procedure in time for the gasoline season this summer. The EPA has requested suggestions on how it should handle requests for waivers to allow companies to sell non-compliant gasoline in areas facing shortages of fuel that meets federal standards. The EPA may release a policy document in the spring, but the Agency expects to define procedures rather than impose formal rules.

One of the goals of clarifying the waiver process is to reduce uncertainty in the market. The EPA currently examines each request on a case-by-case basis. One issue that was discussed at a meeting in mid-November between Washington, regional and industry representatives was whether a fee per gallon should be paid for those who supply non-specification gasoline.

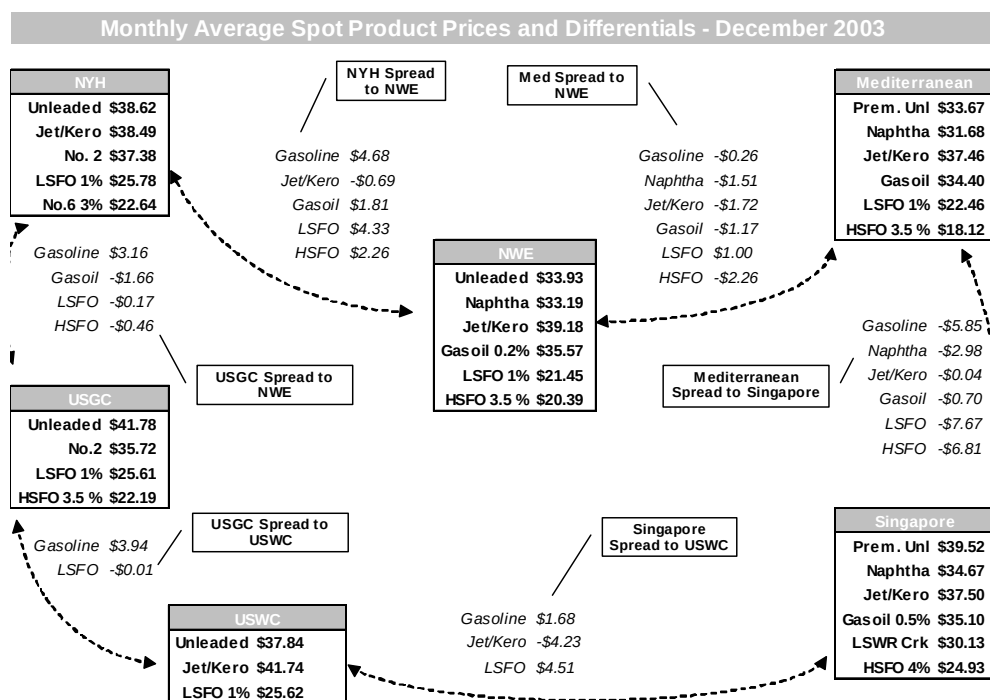
This issue is important. A clear understanding of the waiver procedure could help to define price spreads between gasoline specifications in certain regions should a shortage arise and could prevent the kind of price spike that was seen in the Midwest in 2000 when regional refiners were unable to meet new gasoline specifications.

In defining a system the EPA has to balance the short-term economic needs of the consumer with an economic incentive to ensure sufficient future investment to comply with new environmental conditions. Further, the EPA can only issue a waiver over Federal regulations and supplies would still have to meet state laws.

Traders have expressed concerns over supply disruptions in the US East Coast following the implementation of the MTBE bans in New York and Connecticut. Should such a shortage develop (which is by no means certain) and should a waiver be granted from clean air regulations, then refiners would still have to meet state requirements. In other words, refiners would be likely to be allowed to sell (easier to produce) winter specification gasoline in the summer months, but it would be less likely that gasoline containing MTBE could be sold.

End-User Product Prices in December

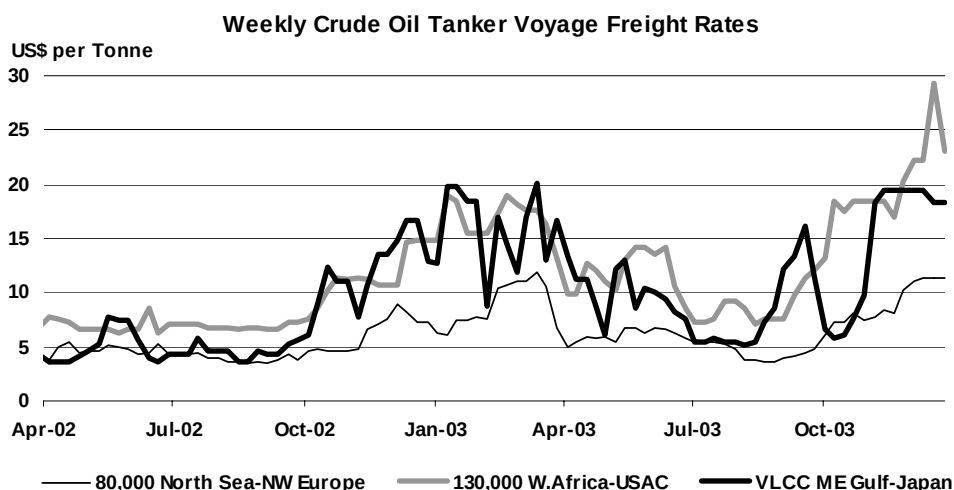
End user retail prices in local currencies for most products were broadly lower in December, reflecting the weakness of the US dollar as much as the dip in spot market prices between the middle of November and the middle of December. Gasoline retail prices fell in every country monitored except the UK and Japan where prices were unchanged, but in dollar terms prices rose in Europe and Japan. In dollar terms there was a broad jump in automotive diesel prices, which left European and Japanese values virtually flat in local currencies. Heating oil prices dipped everywhere bar the UK and there was a broad dip in fuel oil prices reflecting the weakness of the spot market



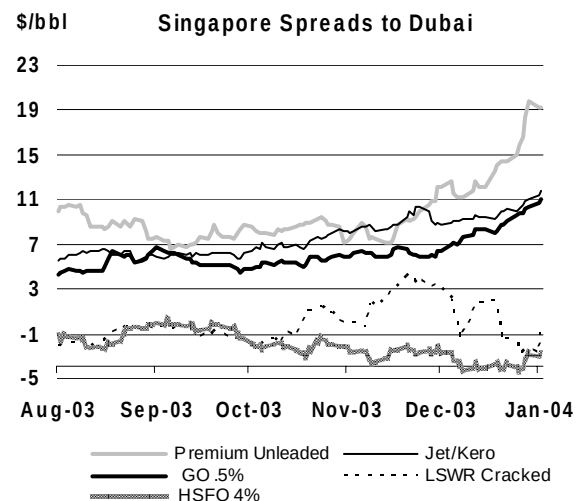
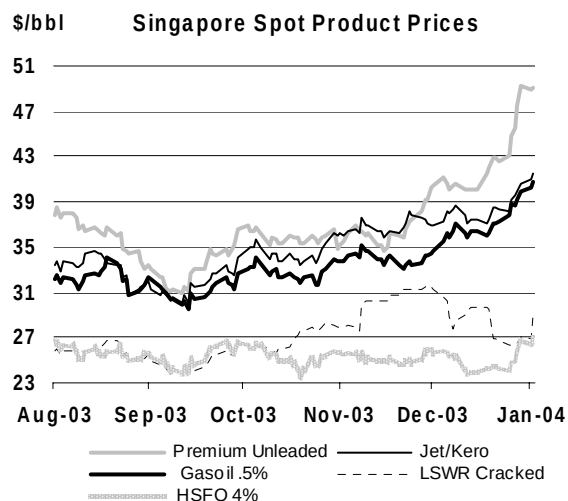
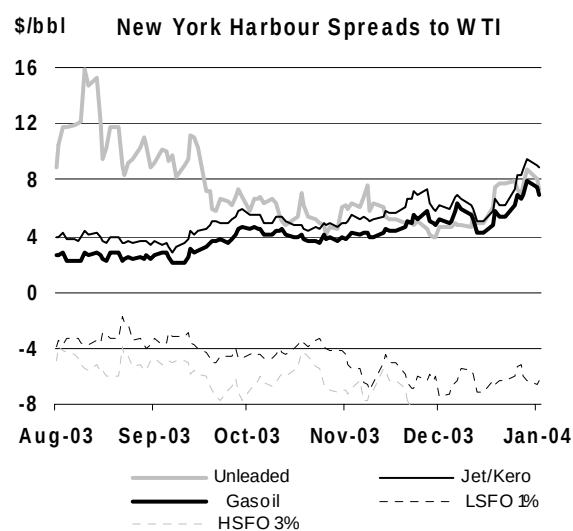
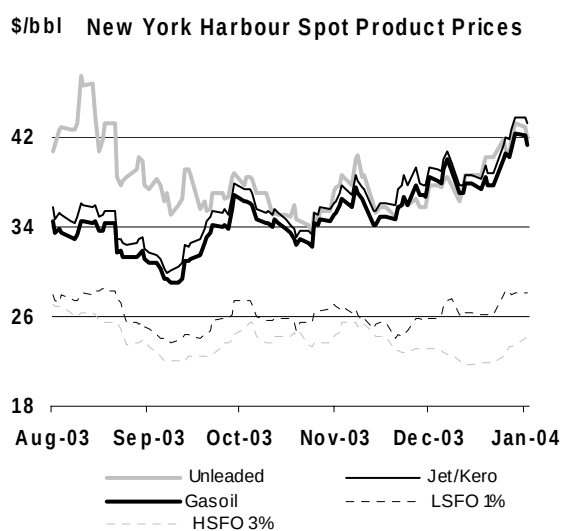
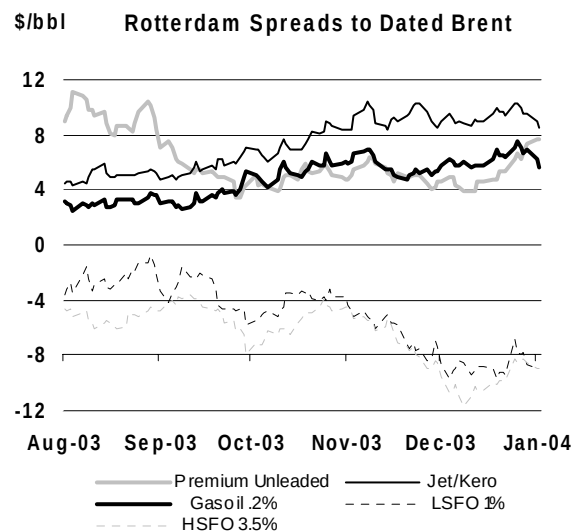
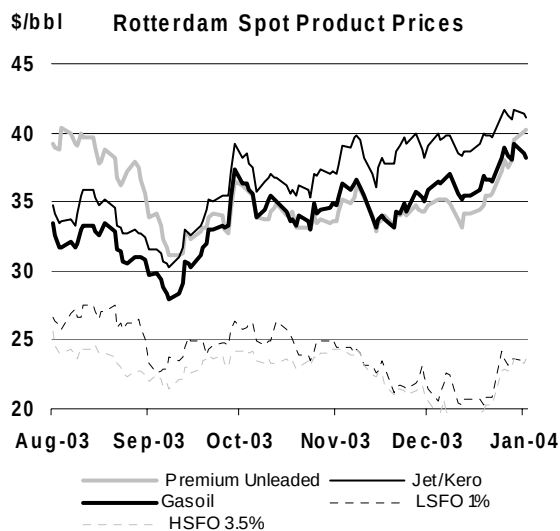
Freight

VLCC rates remained relatively flat in early December, before becoming very volatile, dipping at the start of January before returning to the December peaks. Strong demand for crude oil (as for all tradable goods) reflects the strength of the world economy, particularly in the Far East and provides the main support for the market.

However, other issues such as the congestion in the Bosphorus and Dardanelles straits continue to impact the freight market. While a relatively steady level of congestion in the Black Sea means that net crude supply from the region is at relatively normal levels, the delays reduce the overall quantity of freight available. This has certainly been a factor behind the surge in 130,000 tonne vessels rates from West Africa, and a shortage of vessels has forced some charterers to look to the VLCC market instead, thereby lifting other rates.



VLCC prices have also received some support in recent days by the announcement that most major Middle Eastern producers planned to maintain volumes at February levels. Clearly there was an element of expectations of lower volumes priced into the market. Far Eastern traders have also returned to the market with vigour, seeking to cover post Lunar New Year requirements.



Strong demand in the Far East for naphtha and gasoline and an opening of the arbitrage window for European gas oil movement to the US has helped to bolster clean freight rates. However, it is fair to say that the relative underperformance of product tankers to dirty freight highlights that the bulk of trade has been in the crude rather than product markets, and values remain well below last year's peaks.

Refining Margins in December

Refining margins in all regions covered have seen a sharp rally since the start of January, bolstered by the strength of the Far East products. Returns in the Far East appear particularly attractive, continuing the trend of 2003 when industry surveys' showed returns were on average the best for the past seven years.

Refining Margins in Major Refining Centres

	(\$/bbl)									
	Monthly Averages			Dec-Nov		Week Ending:				
	Oct	Nov	Dec	Change	%	28 Nov	05 Dec	12 Dec	19 Dec	26 Dec
Refining Margins										
NW Europe										
Brent (Hydroskimming)	-0.54	0.28	-1.02	-1.30		-0.82	-0.95	-1.01	-1.18	-0.77
Brent (Cracking)	0.87	1.78	0.84	-0.94		0.89	0.96	0.77	0.72	1.08
Mediterranean										
Urals (Hydroskimming)	1.50	1.21	-0.38	-1.59		-0.45	-0.43	-0.60	-0.22	0.05
Urals (Cracking)	3.16	2.88	1.74	-1.14		1.33	1.67	1.44	2.01	2.25
US Gulf Coast										
WTI (Cracking)	3.42	1.50	1.26	-0.24		1.23	1.24	0.21	1.05	1.89
Brent (Cracking)	1.85	1.17	-0.23	-1.40		0.59	0.66	0.42	-0.08	2.32
Singapore										
Dubai (Hydroskimming)	0.99	1.08	1.61	0.54		1.24	1.39	1.66	1.27	1.77
Dubai (Cracking)	3.30	3.61	4.89	1.28		4.00	4.15	4.92	4.89	5.52
Gross Product Worth										
NW Europe										
Brent (Hydroskimming)	30.30	30.40	30.58	0.19	0.6	29.45	29.54	30.78	31.63	30.68
Brent (Cracking)	31.80	32.01	32.55	0.54	1.7	31.26	31.55	32.66	33.63	32.63
Mediterranean										
Urals (Hydroskimming)	29.67	29.03	28.14	-0.89	-3.1	27.42	27.51	28.16	29.07	28.12
Urals (Cracking)	31.43	30.80	30.36	-0.44	-1.4	29.30	29.72	30.30	31.40	30.42
US Gulf Coast										
WTI (Cracking)	34.82	33.66	34.50	0.84	2.5	32.79	33.10	34.43	35.15	36.55
Brent (Cracking)	34.56	33.43	34.20	0.77	2.3	32.55	32.84	34.15	34.85	36.18
Singapore										
Dubai (Hydroskimming)	28.77	29.24	30.23	0.99	3.4	29.35	29.41	30.43	31.20	30.24
Dubai (Cracking)	31.18	31.88	33.61	1.73	5.4	32.21	32.27	33.79	34.92	34.09

For the purposes of this Report, refining margins are calculated on the basis of an 'average' refinery that is running a 'typical' crude slate in a specific refining centre. 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.

Singapore margins remained firm in December. The tightness of the naphtha and gasoline market was illustrated by the increasing differential between hydroskimming and cracking margins over the month. Regional refiners were also said to be focussing on sweet crudes over sour wherever possible.

This contrasts with a broadly negative picture for average margins in Northwest Europe, the Mediterranean and the US Gulf Coast on average in December. A relatively strong sweet crude market, coupled with a lacklustre performance of product net worth caused refining margins in these three regions to decline on average in the last month of 2003.

Brent crude oil was particularly strong, which coupled with a closed US gasoline arbitrage for most of the month and a glut of fuel oil helped to subdue gains in product net worth, despite a relatively healthy middle distillate market.

The fall in Mediterranean product net worth in December was, predominantly, a result of a slump in high and low sulphur fuel oil values over November levels. Relatively mild weather, coupled with a

glut of material from the Baltics and high freight rates kept fuel oil marooned in the region for most of December. However, by the end of the month the Far Eastern arbitrage became so wide that an estimated 10 cargoes were provisionally fixed from Europe. The subsequent slump in Singapore values and the rise in European prices is likely to mean that some of these deals were not finalised.

The underperformance of Mediterranean Urals margins in comparison to NWE Europe also reflects the relative attractiveness of sweet crudes over sour in Europe. Margins were also depressed by the switch of some Urals loadings from the Black Sea to the Baltic ports because of Bosphorus congestion, inflating Mediterranean crude differential relative to Northern Europe.

OECD Refinery Throughput in November

OECD refinery throughputs November rose by 530,000 b/d year-on-year and 850,000 b/d higher than October levels. Strong growth was seen in OECD European and Asian Pacific regions, but was relatively flat in OECD North America.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day					Change from Nov 02			Utilisation rate ²	
	Jun 03	Jul 03	Aug 03	Sep 03	Oct 03	Nov 03	mb/d	%	Nov 03	Nov 02
OECD North America										
US ³	15.62	15.55	15.69	15.44	15.34	15.32	0.17	1.1	91.2	90.2
Canada	1.92	1.76	1.72	1.88	1.80	1.79	-0.01	-1.7	92.3	93.9
Mexico	1.21	1.28	1.27	1.25	1.21	1.24	0.10	14.1	80.2	70.7
Total	18.75	18.59	18.68	18.57	18.35	18.36	0.51	1.6	90.5	89.0
OECD Europe										
France	1.69	1.83	1.79	1.82	1.86	1.87	0.15	10.7	98.4	88.9
Germany	2.14	1.97	2.26	2.34	2.34	2.34	0.08	4.9	103.6	98.8
Italy	1.75	1.85	1.84	1.66	1.83	1.89	0.02	-0.7	82.7	83.3
Netherlands	1.03	1.08	1.04	1.07	0.95	0.90	-0.09	-6.3	74.9	79.9
Spain	1.16	1.20	1.16	1.11	1.14	1.18	0.00	-2.4	91.1	93.3
UK	1.63	1.49	1.62	1.46	1.43	1.68	0.04	4.5	94.0	90.0
Other OECD Europe	3.80	4.05	4.07	4.07	3.87	4.05	0.14	3.0	88.1	85.5
Total	13.21	13.47	13.78	13.53	13.41	13.90	0.34	2.8	90.8	88.3
OECD Pacific										
Japan	3.65	3.90	3.89	3.78	3.91	4.14	-0.32	-1.8	83.3	84.8
Korea	2.11	2.09	1.83	1.93	2.23	2.31	0.03	7.1	90.2	84.2
Other OECD Pacific	0.72	0.69	0.71	0.70	0.73	0.78	-0.03	-4.9	81.7	85.9
Total	6.48	6.68	6.44	6.42	6.87	7.23	-0.32	0.5	85.2	84.8
OECD Total	38.44	38.74	38.90	38.52	38.64	39.49	0.53	1.8	89.6	88.0

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US\$0

Preliminary data suggest that US refinery throughput remained relatively static in December at 15.3 mb/d as refiners maintained output ahead of an anticipated heavy first quarter maintenance schedule (see grey box). Stocks of both gasoline and distillate fuel have now rebounded to the middle-to-upper portion of observed ranges. Heating oil stocks are now in a better position than last year to withstand a cold second half to this winter (should it materialise).

There were a number of relatively minor technical hitches in December which reduced briefly US throughput in the middle of the month, but none of which had a serious impact on the market.

European throughput continued to rebound in November as UK refineries returned from maintenance, reaching the highest level since December 2000. Provisional Euroilstock data suggests that throughput dipped slightly in December. However although there were some refinery glitches in Germany and Italy, these should have been more than offset by the end to work on two refineries in the Netherlands and the restart of a troubled cat cracker in Italy.

Attractive refinery margins in the Far East continued to encourage Japanese and South Korean refiners to maintain runs at relatively high levels, pushing November OECD Asia Pacific throughput 350,000 b/d higher than October to 7.23 mb/d. Despite strong regional demand the year-on-year increase was only 0.5%, but margin returns were significantly higher.

In early January, South Korean refiners gave notice of their intentions to reduce throughput in February to accommodate an anticipated seasonal weakening of demand. After years of oversupply and poor management Japanese and Korean refiners have taken a pre-emptive approach to adjust runs to balance the market. However, if refining margins continue at existing high rates and buoyant freight levels continue to limit product imports, it is difficult to see these plans being implemented.

Outside of the OECD, Chinese refineries continue to produce flat out to meet regional demand. Strong internal demand for gas oil has led Sinopec and other refiners to limit exports in December and January, while gasoline exports have also been limited. Reports of product shortages in different parts of China are leading to internal arbitrage opportunities, forcing refiners to run flat out. Some industry observers are concerned that this could put a strain on the refining system and are fearful of supply disruptions should outages occur. Should unplanned maintenance occur, the balance is likely to be met from a surge in imports, keeping regional margins high.

First Quarter Refinery Maintenance

Refinery surveys have been few and relatively sparse on details, but provisional assessments suggest that first quarter 2004 US maintenance programme is expected to be heavy. While it generally follows the turnaround pattern seen last year, it remains heavier than normal. Typically US refinery capacity utilisation falls by an average of 2.6% during the first quarter of the year, but this year it is expected to be closer to 6%.

Maintenance is expected to average around 1 mb/d for the quarter peaking between 1.2 and 1.3 mb/d at the end of February. Initial work is expected to be concentrated in the PADD 3 region, and will therefore reduce the demand for heavy crudes.

In Europe, maintenance tends to be heaviest between March and May in the Northwest, and more broadly spread over the first six months in Southern Europe. Confirmation of activity is similarly scant, but preliminary details suggest that March will see a heavy work schedule in NWE, while in the South there will be reasonably normal maintenance in February, March and April, notably in Portugal, Italy and Greece.

At the time of going to press Shell has confirmed that it will be undertaking seasonal work at its 262,000 b/d Stanlow refinery in the UK. It is believed that the work is a major overhaul that is generally scheduled every three to five years and takes around four to five weeks to complete.

Meanwhile the Far East generally moves towards heavy maintenance in the summer months, with preliminary indications suggesting Korean refiners will undertake a relatively normal maintenance programme. However traders have expressed some concern about the sustainability of the Chinese refineries to run at current high throughputs for an extended period of time. Also Taiwan's state-owned Chinese Petroleum Corporation has shut the 100,000 b/d No 2 crude distillation unit and the 22,500 b/d No 2 catalytic reformer at its 200,000 b/d Taoyuan refinery in mid-December for 30 days of planned maintenance.

This sequential progression of maintenance during the first half of the year effectively staggers global refinery activity. Work can be completed in one region, leaving other refiners in a position to ship surplus products to supplement domestic activity.

This is fine, as long as demand proves to be relatively normal and stocks are adequate to provide a buffer reserve. There is a danger that the current strength of demand in the Far East continues to attract surplus European product away from the region, leaving US product prices higher as a heavy maintenance schedule limits domestic productive capabilities. In this regard, a cold but dry second half of the US winter would offer the potential to extend current price strength towards the first quarter. A simultaneously similarly cold pattern in Europe and Asia could exacerbate such tightness.

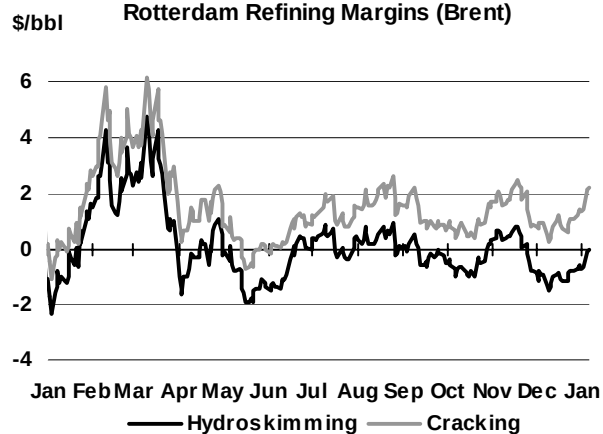
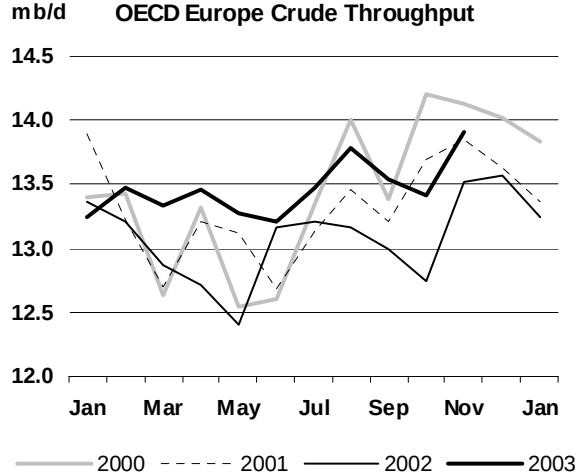
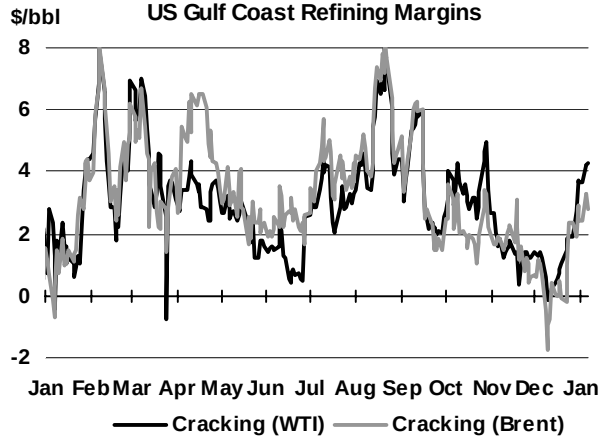
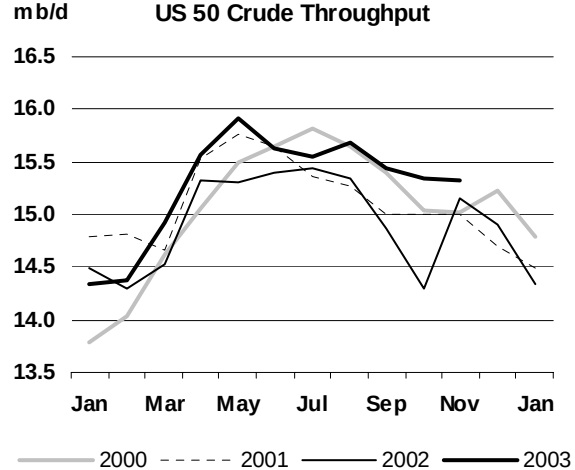
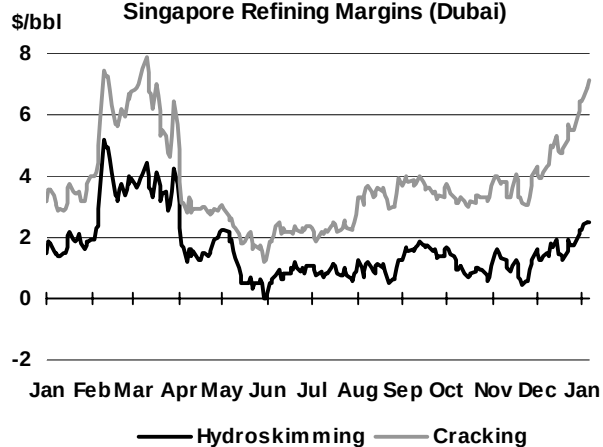
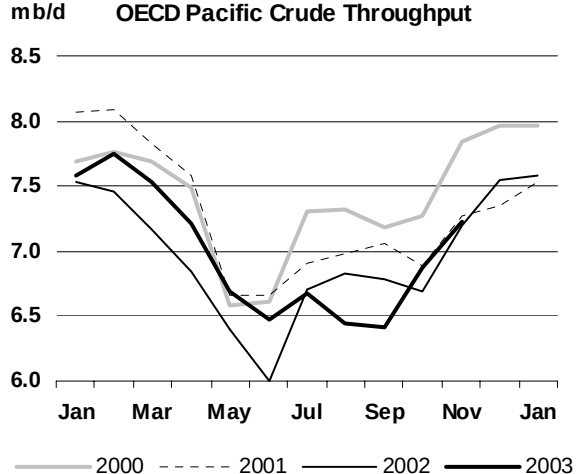
Rotterdam Refining Margins (Brent)**OECD Europe Crude Throughput****US Gulf Coast Refining Margins****US 50 Crude Throughput****Singapore Refining Margins (Dubai)****OECD Pacific Crude Throughput**

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

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	24.1	24.0	23.9	24.0	24.3	24.3	24.2	24.6	24.2	24.8	24.7	24.5	24.6	24.3	25.2	25.1	24.8
Europe	15.1	15.3	15.1	14.6	15.2	15.3	15.1	15.2	15.0	15.3	15.6	15.3	15.3	15.1	15.4	15.8	15.4
Pacific	8.6	8.5	9.1	7.6	8.0	9.3	8.5	9.6	8.0	7.9	9.1	8.7	9.4	7.9	7.9	9.0	8.5
Total OECD	47.8	47.8	48.1	46.3	47.6	49.0	47.7	49.4	47.2	48.0	49.4	48.5	49.3	47.3	48.5	49.9	48.8
NON-OECD DEMAND																	
FSU	3.7	3.7	3.5	3.1	3.4	3.8	3.5	3.7	3.1	3.4	3.9	3.5	3.8	3.1	3.5	4.0	3.6
Europe	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
China	4.6	4.7	4.6	5.0	4.9	5.2	4.9	5.2	5.2	5.7	5.8	5.5	5.6	5.7	5.8	6.1	5.8
Other Asia	7.4	7.6	7.5	7.7	7.6	7.9	7.7	7.7	7.7	7.7	8.1	7.8	7.9	7.9	7.9	8.4	8.0
Latin America	4.9	4.9	4.7	4.8	4.9	4.7	4.8	4.5	4.6	4.8	4.7	4.6	4.5	4.7	4.8	4.8	4.7
Middle East	4.7	4.9	5.0	4.9	5.1	5.1	5.1	5.1	4.9	5.3	5.3	5.1	5.3	5.3	5.4	5.4	5.3
Africa	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.5	2.6	2.6	2.7	2.7	2.6	2.7	2.6
Total Non-OECD	28.4	29.0	28.8	28.9	29.1	30.1	29.2	29.6	28.9	30.0	31.2	30.0	30.7	30.1	30.7	32.0	30.9
Total Demand¹	76.2	76.8	76.9	75.2	76.7	79.1	77.0	79.0	76.1	78.0	80.6	78.4	80.0	77.4	79.2	81.9	79.6
OECD SUPPLY																	
North America	14.3	14.4	14.6	14.6	14.4	14.6	14.6	14.7	14.5	14.7	14.9	14.7	15.0	14.9	14.9	15.0	15.0
Europe	6.8	6.7	6.7	6.7	6.2	6.8	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	6.2	6.3	6.3
Pacific	0.9	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
Total OECD	21.9	21.8	22.1	22.1	21.4	22.1	21.9	22.1	21.3	21.4	21.9	21.7	22.0	21.8	21.7	21.9	21.8
NON-OECD SUPPLY																	
FSU	7.9	8.6	9.0	9.2	9.5	9.8	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.0	11.1	11.3	11.1
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Other Asia	2.3	2.3	2.4	2.4	2.4	2.5	2.4	2.5	2.5	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Latin America	3.8	3.8	3.9	3.9	3.9	3.8	3.9	3.9	3.8	4.0	4.0	3.9	4.1	4.0	4.1	4.3	4.1
Middle East	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9
Africa	2.8	2.8	3.0	3.0	3.0	2.9	3.0	2.9	3.0	3.1	3.3	3.1	3.3	3.4	3.5	3.6	3.5
Total Non-OECD	22.4	23.1	23.9	24.2	24.5	24.7	24.3	24.8	25.1	25.5	26.1	25.4	26.3	26.5	26.7	27.2	26.7
Processing Gains ²	1.7	1.7	1.8	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8
Total Non-OPEC	46.0	46.6	47.8	48.0	47.7	48.5	48.0	48.8	48.1	48.7	49.8	48.9	50.2	50.1	50.2	51.0	50.4
OPEC																	
Crude ³	27.8	27.0	24.9	24.3	25.3	25.8	25.1	26.7	26.2	26.6	27.7	26.8					
NGLs	2.8	3.1	3.4	3.4	3.6	3.5	3.5	3.3	3.7	3.8	4.0	3.7	4.0	4.1	4.1	4.2	4.1
Total OPEC	30.7	30.2	28.3	27.7	28.9	29.3	28.6	29.9	29.8	30.4	31.7	30.5					
Total Supply⁴	76.7	76.8	76.1	75.7	76.6	77.8	76.6	78.7	78.0	79.1	81.5	79.3					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	0.2	-0.3	0.6	-0.9	-1.1	-0.4	-0.6	1.3	0.5							
Government	-0.1	0.0	0.2	0.1	0.1	0.3	0.2	0.2	0.0	0.2							
Total	0.2	0.3	-0.1	0.7	-0.8	-0.9	-0.3	-0.5	1.3	0.7							
Floating Storage/Oil in Transit	0.1	-0.1	0.1	-0.2	0.0	-0.1	0.0	0.3	0.1	0.0							
Miscellaneous to balance ⁵	0.2	-0.3	-0.8	0.0	0.7	-0.3	-0.1	-0.2	0.5	0.4							
Total Stock Ch. & Misc	0.5	0.0	-0.8	0.5	-0.1	-1.2	-0.4	-0.3	1.9	1.1	0.9	0.9					
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.4	27.1	25.7	23.7	25.4	27.1	25.5	27.0	24.3	25.5	26.8	25.9	25.8	23.3	24.9	26.7	25.2
Total Demand ex. FSU	72.5	73.2	73.4	72.1	73.3	75.2	73.5	75.3	73.0	74.6	76.6	74.9	76.2	74.4	75.8	77.9	76.1
Total demand exc. FSU (% ch) ⁷	0.9	0.9	-0.7	-0.2	0.8	1.9	0.5	2.6	1.2	1.7	1.9	1.9	1.2	1.9	1.6	1.7	1.6

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

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

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

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

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

6 Equals total demand minus total non-OPEC supply minus OPEC NGLs and thus includes "Miscellaneous to balance" for historical time periods

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

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

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	0.1	-	-	0.1	-	0.1	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-0.1	-	-	-	-	-	-	0.1	0.1	0.1	-	0.1
Total Demand	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-	0.1	0.1	-	-
OECD SUPPLY																	
North America	-	-	-	-	-	-0.1	-	-	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-0.1	-	-	-0.1	-0.1	-0.3	-0.1	-0.2	-0.2	-0.2	-0.1	-0.2
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-0.1	-	-	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
OPEC																	
Crude	-	-	-	-	-0.1	-0.2	-0.1	-0.2	-	0.1	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-0.1	-0.2	-0.1	-0.2	-	0.1	-	-	-	-	-	-	-
Total Supply	-	-	-	-	-0.1	-0.3	-0.1	-0.2	-0.1	-	-	-	-	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-	-	-0.1	-0.2	-0.1	-0.3	-0.1	-	-	-	-	-	-	-	-
Total Stock Ch. & Misc	-	-	-	-	-0.1	-0.2	-0.1	-0.2	-0.1	-	-	-	-	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.1	0.2
Total Demand ex. FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1

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

Table 2
OECD REGIONAL OIL DEMAND¹
(million barrels per day)

	Second Quarter			July			August			September			Third Quarter		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%
North America															
LPG	2.69	2.48	-7.8	2.72	2.49	-8.3	2.77	2.74	-1.0	2.81	2.83	0.9	2.76	2.69	-2.8
Naphtha	0.45	0.47	5.1	0.47	0.51	7.2	0.41	0.41	-1.0	0.45	0.44	-1.8	0.44	0.45	1.7
Motor Gasoline	10.28	10.36	0.8	10.50	10.61	1.0	10.69	10.79	1.0	9.96	10.27	3.1	10.39	10.56	1.6
Jet/Kerosene	1.84	1.74	-5.2	1.90	1.85	-3.1	1.87	1.89	1.2	1.82	1.84	1.1	1.87	1.86	-0.3
Gasoil	4.49	4.65	3.6	4.49	4.53	0.9	4.55	4.51	-0.7	4.55	4.74	4.2	4.53	4.59	1.4
Residual Fuel Oil	1.38	1.41	1.9	1.30	1.47	13.2	1.29	1.58	22.4	1.29	1.31	1.9	1.29	1.45	12.6
Other Products	2.88	3.04	5.3	3.14	3.37	7.3	3.13	3.21	2.3	2.92	3.03	3.7	3.07	3.20	4.5
Total	24.02	24.16	0.6	24.52	24.81	1.2	24.71	25.13	1.7	23.79	24.45	2.8	24.34	24.80	1.9
Europe															
LPG	0.88	0.98	10.9	0.90	0.97	8.6	0.89	0.95	6.5	0.83	0.97	16.4	0.87	0.96	10.3
Naphtha	1.06	1.10	4.1	1.06	1.06	-0.3	1.09	1.11	1.5	1.10	1.19	7.5	1.09	1.12	2.9
Motor Gasoline	2.94	2.90	-1.3	3.11	3.03	-2.7	3.02	2.88	-4.6	2.88	2.90	0.7	3.01	2.94	-2.3
Jet/Kerosene	1.07	1.11	3.0	1.15	1.15	0.0	1.15	1.19	3.6	1.16	1.22	5.4	1.15	1.19	3.0
Gasoil	5.35	5.63	5.0	5.79	5.69	-1.7	5.31	5.00	-5.8	5.91	6.12	3.6	5.67	5.60	-1.2
Residual Fuel Oil	1.98	1.87	-5.3	1.99	1.93	-3.4	1.97	1.89	-3.9	1.90	1.98	4.1	1.96	1.93	-1.2
Other Products	1.34	1.40	4.7	1.48	1.56	5.1	1.34	1.51	12.2	1.48	1.55	4.7	1.44	1.54	7.2
Total	14.63	14.99	2.5	15.49	15.38	-0.7	14.78	14.54	-1.7	15.27	15.93	4.3	15.18	15.28	0.7
Pacific															
LPG	0.87	0.83	-4.3	0.82	0.78	-4.6	0.79	0.73	-8.1	0.79	0.76	-4.2	0.80	0.76	-5.6
Naphtha	1.37	1.40	2.3	1.59	1.49	-6.6	1.51	1.53	1.1	1.51	1.48	-1.9	1.54	1.50	-2.5
Motor Gasoline	1.54	1.57	1.8	1.66	1.64	-1.2	1.75	1.71	-2.4	1.62	1.64	1.2	1.68	1.66	-0.9
Jet/Kerosene	0.73	0.75	2.4	0.68	0.65	-5.0	0.73	0.70	-4.2	0.86	0.74	-14.6	0.76	0.69	-8.3
Gasoil	1.80	1.85	2.5	1.77	1.77	0.1	1.83	1.79	-1.8	1.87	1.84	-1.7	1.82	1.80	-1.1
Residual Fuel Oil	0.94	1.13	20.3	1.00	1.01	1.4	0.96	0.96	-0.4	1.04	1.05	1.1	1.00	1.01	0.7
Other Products	0.39	0.52	33.7	0.42	0.46	10.1	0.43	0.44	2.9	0.47	0.49	3.4	0.44	0.46	5.4
Total	7.64	8.04	5.3	7.93	7.79	-1.7	8.00	7.85	-1.8	8.16	7.99	-2.1	8.03	7.88	-1.9
OECD															
LPG	4.44	4.29	-3.4	4.43	4.24	-4.2	4.46	4.42	-0.8	4.43	4.56	2.9	4.44	4.41	-0.7
Naphtha	2.88	2.98	3.4	3.13	3.06	-2.4	3.01	3.04	1.0	3.06	3.10	1.5	3.07	3.07	0.0
Motor Gasoline	14.76	14.83	0.5	15.28	15.27	0.0	15.46	15.38	-0.5	14.46	14.81	2.4	15.07	15.16	0.6
Jet/Kerosene	3.64	3.59	-1.3	3.74	3.64	-2.5	3.75	3.78	0.9	3.84	3.80	-1.1	3.78	3.74	-0.9
Gasoil	11.65	12.13	4.1	12.05	11.99	-0.5	11.68	11.31	-3.2	12.32	12.69	3.0	12.01	11.99	-0.2
Residual Fuel Oil	4.30	4.41	2.6	4.29	4.41	2.7	4.22	4.42	5.0	4.23	4.34	2.7	4.24	4.39	3.5
Other Products	4.61	4.96	7.5	5.04	5.38	6.9	4.90	5.15	5.1	4.87	5.06	3.9	4.94	5.20	5.3
Total	46.29	47.19	2.0	47.94	47.99	0.1	47.49	47.52	0.1	47.22	48.37	2.5	47.55	47.96	0.9

¹ Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada. Data based on Monthly Oil Questionnaire submitted by OECD countries in tonnes, and converted to barrels. Data may differ slightly from Table 1.

Table 3
OIL DEMAND AND % GROWTH IN DEMAND IN SELECTED OECD COUNTRIES¹
(million barrels per day)

	July			August			September			Third Quarter			October		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%
United States²															
LPG	1.98	1.76	-11.3	2.04	2.04	-0.2	2.05	2.10	2.7	2.02	1.96	-2.9	2.20	2.04	-7.2
Naphtha	0.36	0.40	9.6	0.28	0.30	6.5	0.33	0.32	-2.8	0.32	0.34	4.6	0.25	0.31	20.6
Motor Gasoline	9.14	9.21	0.7	9.31	9.41	1.0	8.69	8.93	2.8	9.05	9.18	1.5	8.81	9.04	2.5
Jet/Kerosene	1.70	1.64	-3.5	1.63	1.67	2.5	1.63	1.64	0.5	1.65	1.65	-0.2	1.68	1.63	-2.9
Gasoil	3.68	3.68	0.0	3.73	3.67	-1.4	3.73	3.88	4.0	3.71	3.74	0.8	3.81	3.97	4.1
Residual Fuel Oil	0.61	0.78	27.6	0.61	0.90	47.6	0.63	0.66	5.1	0.62	0.78	26.9	0.65	0.71	9.7
Other Products	2.60	2.74	5.3	2.61	2.62	0.3	2.41	2.52	4.5	2.54	2.63	3.3	2.28	2.36	3.6
Total	20.08	20.20	0.6	20.22	20.62	2.0	19.46	20.05	3.0	19.92	20.29	1.8	19.68	20.05	1.9
Japan³															
LPG	0.50	0.47	-6.7	0.45	0.43	-4.9	0.46	0.45	-1.4	0.47	0.45	-4.4	0.50	0.46	-8.5
Naphtha	0.89	0.77	-13.1	0.85	0.84	-0.9	0.79	0.80	1.6	0.84	0.81	-4.5	0.84	0.84	-0.4
Motor Gasoline	1.11	1.06	-4.6	1.18	1.14	-3.5	1.06	1.08	1.6	1.12	1.09	-2.3	1.01	1.04	2.9
Jet/Kerosene	0.47	0.43	-9.0	0.48	0.45	-6.3	0.56	0.48	-14.3	0.50	0.45	-10.1	0.61	0.68	11.8
Diesel	0.67	0.63	-5.4	0.67	0.62	-7.7	0.68	0.65	-3.5	0.67	0.63	-5.5	0.68	0.67	-0.5
Other Gasoil	0.49	0.49	-0.7	0.48	0.47	-0.2	0.52	0.50	-4.0	0.50	0.49	-1.7	0.51	0.54	5.9
Residual Fuel Oil	0.56	0.60	7.8	0.53	0.54	2.8	0.60	0.58	-3.2	0.56	0.57	2.4	0.59	0.64	8.4
Direct use of Crude Oil	0.05	0.08	62.9	0.06	0.08	29.8	0.07	0.06	-12.4	0.06	0.08	22.5	0.09	0.06	-35.3
Other Products	0.29	0.29	1.3	0.31	0.27	-12.0	0.31	0.33	6.8	0.30	0.30	-1.4	0.29	0.29	0.8
Total	5.03	4.83	-4.1	5.00	4.84	-3.1	5.04	4.93	-2.2	5.03	4.87	-3.1	5.11	5.21	2.0
Germany															
LPG	0.09	0.09	4.1	0.09	0.08	-10.7	0.09	0.09	-0.5	0.09	0.09	-2.3	0.07	0.07	1.1
Naphtha	0.40	0.35	-13.2	0.40	0.35	-12.1	0.41	0.42	2.3	0.40	0.37	-7.7	0.42	0.39	-8.2
Motor Gasoline	0.66	0.62	-5.0	0.64	0.59	-7.5	0.64	0.62	-2.8	0.65	0.61	-5.2	0.65	0.61	-5.5
Jet/Kerosene	0.16	0.16	-2.7	0.16	0.17	6.6	0.16	0.16	-0.7	0.16	0.16	1.1	0.16	0.16	6.0
Diesel	0.55	0.62	12.9	0.54	0.56	4.0	0.56	0.64	12.5	0.55	0.61	9.8	0.55	0.61	10.7
Other Gasoil	0.74	0.51	-30.3	0.69	0.41	-40.3	0.78	0.71	-9.3	0.73	0.54	-26.2	0.65	0.59	-8.7
Residual Fuel Oil	0.18	0.17	-7.3	0.17	0.17	0.6	0.17	0.18	7.5	0.18	0.18	-0.1	0.18	0.18	4.4
Other Products	0.14	0.11	-20.2	0.10	0.11	17.0	0.13	0.06	-52.2	0.12	0.09	-21.1	0.10	0.12	20.8
Total	2.92	2.64	-9.6	2.79	2.45	-12.0	2.93	2.87	-2.2	2.88	2.65	-7.9	2.77	2.74	-1.0
Italy															
LPG	0.09	0.11	14.3	0.10	0.10	3.5	0.11	0.10	-2.9	0.10	0.10	4.7	0.12	0.11	-4.8
Naphtha	0.07	0.09	24.2	0.07	0.09	25.2	0.08	0.10	28.5	0.07	0.09	26.0	0.07	0.08	2.7
Motor Gasoline	0.42	0.42	1.1	0.40	0.39	-2.4	0.38	0.41	6.9	0.40	0.41	1.7	0.40	0.37	-5.4
Jet/Kerosene	0.07	0.10	32.6	0.07	0.11	52.4	0.07	0.10	42.1	0.07	0.10	42.3	0.07	0.09	21.8
Diesel	0.45	0.49	7.3	0.36	0.42	15.4	0.44	0.54	24.5	0.42	0.48	15.5	0.46	0.57	23.0
Other Gasoil	0.14	0.10	-24.3	0.13	0.07	-41.0	0.17	0.08	-52.1	0.14	0.09	-39.8	0.20	0.12	-38.7
Residual Fuel Oil	0.51	0.42	-17.4	0.47	0.42	-10.5	0.42	0.45	5.2	0.47	0.43	-8.4	0.43	0.42	-2.7
Other Products	0.15	0.16	4.9	0.14	0.14	1.2	0.16	0.15	-9.3	0.15	0.15	-1.1	0.16	0.14	-12.2
Total	1.92	1.90	-1.2	1.74	1.74	0.3	1.82	1.92	5.6	1.82	1.85	1.5	1.91	1.90	-0.5
France															
LPG	0.09	0.09	1.1	0.08	0.08	-1.2	0.09	0.10	14.6	0.09	0.09	5.0	0.12	0.11	-4.1
Naphtha	0.15	0.21	36.0	0.19	0.22	16.6	0.16	0.22	38.6	0.17	0.22	29.5	0.15	0.20	31.4
Motor Gasoline	0.35	0.32	-9.0	0.34	0.30	-10.1	0.31	0.29	-4.5	0.33	0.30	-8.0	0.31	0.28	-8.3
Jet/Kerosene	0.15	0.16	7.7	0.15	0.16	7.3	0.15	0.16	11.0	0.15	0.16	8.6	0.13	0.15	14.9
Diesel	0.67	0.66	-2.1	0.57	0.56	-1.1	0.61	0.65	5.5	0.62	0.62	0.6	0.65	0.65	-0.2
Other Gasoil	0.38	0.34	-9.7	0.28	0.27	-1.9	0.37	0.40	9.3	0.34	0.34	-0.9	0.38	0.42	11.1
Residual Fuel Oil	0.10	0.12	19.7	0.10	0.09	-6.1	0.11	0.11	2.9	0.10	0.10	5.5	0.13	0.13	2.9
Other Products	0.21	0.25	20.9	0.17	0.20	18.7	0.21	0.25	19.6	0.19	0.23	19.8	0.19	0.23	21.7
Total	2.09	2.14	2.3	1.87	1.89	1.2	2.00	2.19	9.5	1.99	2.07	4.3	2.07	2.20	6.0
United Kingdom															
LPG	0.18	0.16	-10.0	0.16	0.16	0.6	0.14	0.15	6.0	0.16	0.16	-1.9	0.15	0.15	-3.1
Naphtha	0.02	0.05	175.9	0.05	0.06	29.9	0.05	0.05	5.3	0.04	0.05	41.8	0.05	0.06	30.1
Motor Gasoline	0.46	0.45	-0.3	0.45	0.42	-6.8	0.45	0.47	3.2	0.45	0.45	-1.4	0.44	0.43	-2.3
Jet/Kerosene	0.31	0.27	-10.1	0.29	0.27	-7.7	0.29	0.32	10.0	0.29	0.29	-2.9	0.33	0.33	-0.8
Diesel	0.36	0.36	1.0	0.35	0.32	-7.4	0.36	0.37	3.7	0.35	0.35	-0.9	0.37	0.36	-2.5
Other Gasoil	0.15	0.16	3.6	0.16	0.13	-17.3	0.16	0.15	-4.4	0.16	0.15	-6.1	0.16	0.16	1.3
Residual Fuel Oil	0.07	0.09	35.8	0.08	0.08	7.4	0.08	0.08	-6.4	0.08	0.08	10.9	0.08	0.10	21.5
Other Products	0.16	0.13	-18.1	0.17	0.13	-24.6	0.14	0.14	-3.8	0.16	0.13	-16.3	0.13	0.13	-1.8
Total	1.70	1.68	-0.9	1.70	1.57	-7.5	1.67	1.72	3.0	1.69	1.66	-1.9	1.72	1.72	0.3
Canada															
LPG	0.29	0.29	0.3	0.28	0.26	-8.5	0.31	0.28	-8.0	0.29	0.28	-5.4	0.31	0.28	-9.8
Naphtha	0.09	0.07	-24.8	0.09	0.07	-21.4	0.06	0.08	39.9	0.08	0.07	-8.0	0.07	0.08	6.3
Motor Gasoline	0.74	0.74	0.0	0.75	0.75	-0.3	0.69	0.70	2.1	0.73	0.73	0.5	0.69	0.71	2.4
Jet/Kerosene	0.12	0.12	-0.2	0.13	0.12	-12.6	0.10	0.11	11.9	0.12	0.12	-1.5	0.12	0.11	-6.0
Diesel	0.16	0.18	9.1	0.18	0.18	-0.7	0.19	0.19	-3.0	0.18	0.18	1.5	0.19	0.20	4.5
Other Gasoil	0.28	0.28	0.6	0.27	0.29	6.0	0.29	0.31	7.7	0.28	0.29	4.8	0.35	0.33	-6.5
Residual Fuel Oil	0.12	0.15	23.5	0.11	0.19	66.2	0.16	0.18	7.4	0.13	0.17	29.5	0.14	0.15	1.5
Other Products	0.32	0.31	-2.4	0.33	0.31	-3.7	0.31	0.21	-31.4	0.32	0.28	-12.0	0.29	0.31	4.1
Total	2.12	2.13	0.7	2.15	2.17	0.8	2.11	2.07	-2.0	2.13	2.12	-0.2	2.18	2.16	-0.8

¹ Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. Data based on Monthly Oil Questionnaire submitted by OECD countries in tonnes, and converted to barrels. Data may differ slightly from Table 1.

² US figures exclude US territories.

³ In Japan, the breakdown between Diesel and Other Gasoil in the latest month is estimated.

Table 4
WORLD OIL PRODUCTION

(million barrels per day)

	2002	2003	2004	3Q03	4Q03	1Q04	2Q04	3Q04	Oct 03	Nov 03	Dec 03
OPEC											
Crude Oil											
Saudi Arabia	7.38	8.48		8.29	8.24				8.30	8.19	8.25
Iran	3.40	3.80		3.86	4.00				3.95	4.05	4.00
Iraq	2.01	1.32		1.07	1.81				1.58	1.90	1.96
UAE	1.99	2.28		2.28	2.23				2.23	2.20	2.27
Kuwait	1.60	1.87		1.84	1.97				1.94	1.98	2.00
Neutral Zone	0.54	0.61		0.60	0.61				0.61	0.63	0.61
Qatar	0.64	0.74		0.73	0.74				0.74	0.74	0.75
Nigeria	1.97	2.15		2.17	2.28				2.25	2.27	2.31
Libya	1.32	1.42		1.42	1.45				1.45	1.45	1.47
Algeria	0.85	1.11		1.14	1.15				1.15	1.15	1.15
Venezuela	2.29	2.01		2.24	2.21				2.22	2.22	2.20
Indonesia	1.11	1.02		1.00	1.01				1.02	1.00	1.00
Total Crude Oil	25.08	26.79		26.63	27.71				27.43	27.76	27.95
Total NGLs ¹	3.47	3.67	4.10	3.81	3.96	4.02	4.05	4.11	3.95	3.97	3.98
Total OPEC	28.55	30.47		30.43	31.67				31.37	31.72	31.93
NON-OPEC²											
OECD											
North America	14.56	14.71	14.95	14.73	14.89	14.97	14.91	14.89	14.81	14.91	14.94
United States	8.12	7.95	8.13	7.88	8.00	8.06	8.15	8.11	7.99	8.04	7.98
Mexico	3.59	3.78	3.74	3.83	3.82	3.79	3.75	3.71	3.83	3.80	3.82
Canada	2.86	2.98	3.09	3.02	3.07	3.13	3.01	3.07	2.99	3.07	3.14
Europe	6.61	6.32	6.27	6.00	6.41	6.42	6.24	6.16	6.34	6.46	6.44
UK	2.50	2.28	2.17	2.12	2.26	2.25	2.14	2.12	2.27	2.25	2.28
Norway	3.33	3.24	3.27	3.10	3.32	3.33	3.26	3.21	3.25	3.39	3.33
Others	0.78	0.80	0.83	0.78	0.83	0.84	0.83	0.83	0.83	0.82	0.83
Pacific	0.76	0.66	0.62	0.66	0.63	0.64	0.60	0.61	0.57	0.66	0.67
Australia	0.71	0.62	0.57	0.62	0.59	0.60	0.56	0.57	0.53	0.61	0.63
Others	0.05	0.05	0.04	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total OECD	21.93	21.69	21.84	21.39	21.93	22.03	21.75	21.66	21.72	22.02	22.05
NON-OECD											
Former USSR	9.37	10.31	11.07	10.48	10.73	10.85	10.99	11.15	10.68	10.72	10.78
Russia	7.66	8.49	9.09	8.68	8.81	8.88	9.00	9.17	8.79	8.82	8.83
Others	1.71	1.83	1.98	1.80	1.91	1.97	1.98	1.98	1.89	1.90	1.95
Asia	5.80	5.89	5.93	5.82	5.92	5.94	5.92	5.93	5.87	5.91	5.98
China	3.39	3.41	3.39	3.38	3.40	3.40	3.39	3.38	3.39	3.39	3.43
Malaysia	0.79	0.82	0.85	0.82	0.83	0.84	0.85	0.85	0.82	0.84	0.84
India	0.78	0.78	0.78	0.76	0.81	0.79	0.78	0.78	0.81	0.81	0.80
Others	0.85	0.88	0.91	0.86	0.88	0.90	0.90	0.92	0.85	0.88	0.91
Europe	0.18	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Latin America	3.89	3.93	4.11	3.97	4.02	4.07	4.04	4.08	3.99	4.00	4.06
Brazil	1.72	1.78	1.88	1.80	1.80	1.85	1.83	1.85	1.78	1.78	1.83
Argentina	0.80	0.78	0.76	0.79	0.78	0.77	0.77	0.76	0.78	0.78	0.78
Colombia	0.59	0.55	0.52	0.55	0.53	0.53	0.52	0.51	0.54	0.53	0.53
Ecuador	0.40	0.42	0.54	0.44	0.52	0.53	0.53	0.55	0.51	0.52	0.53
Others	0.39	0.39	0.41	0.39	0.39	0.39	0.39	0.41	0.39	0.39	0.40
Middle East³	2.10	2.00	1.95	1.98	1.99	1.97	1.95	1.92	1.98	2.02	1.97
Oman	0.90	0.83	0.79	0.81	0.83	0.82	0.80	0.78	0.82	0.85	0.81
Syria	0.55	0.53	0.50	0.52	0.52	0.51	0.50	0.49	0.52	0.52	0.51
Yemen	0.45	0.45	0.46	0.45	0.46	0.46	0.46	0.46	0.45	0.46	0.46
Africa	2.98	3.06	3.47	3.09	3.25	3.33	3.43	3.49	3.20	3.28	3.29
Egypt	0.75	0.75	0.73	0.74	0.74	0.74	0.74	0.73	0.74	0.74	0.74
Angola	0.90	0.88	0.98	0.88	0.91	0.93	0.94	0.97	0.87	0.92	0.92
Gabon	0.25	0.24	0.24	0.24	0.25	0.24	0.24	0.23	0.25	0.25	0.25
Others	1.09	1.20	1.52	1.23	1.36	1.42	1.52	1.56	1.34	1.37	1.38
Total Non-OECD	24.32	25.37	26.69	25.51	26.08	26.33	26.49	26.73	25.88	26.09	26.25
Processing Gains ⁴	1.76	1.80	1.83	1.78	1.82	1.85	1.81	1.81	1.82	1.82	1.82
TOTAL NON-OPEC	48.02	48.86	50.36	48.69	49.83	50.21	50.06	50.20	49.42	49.94	50.13
TOTAL SUPPLY	76.57	79.33		79.12	81.50				80.80	81.66	82.06

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

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

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

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

Table 4A
OIL SUPPLY IN OECD COUNTRIES¹
(thousand of barrels per day)

	2002	2003	2004	3Q03	4Q03	1Q04	2Q04	3Q04	Oct-03	Nov-03	Dec-03
United States											
Alaska	986	980	956	941	973	1005	963	911	985	972	961
California	790	761	730	757	755	745	735	725	754	755	755
Texas	1145	1118	1090	1122	1120	1108	1096	1084	1121	1121	1119
Federal Gulf of Mexico ²	1601	1704	1941	1681	1711	1802	1909	1990	1689	1713	1730
Other US Lower 48	1294	1236	1165	1226	1215	1195	1175	1155	1218	1214	1214
NGLs ³	1881	1723	1854	1706	1817	1800	1875	1860	1820	1854	1777
Other Hydrocarbons	417	425	393	444	410	404	397	389	399	410	421
Total	8115	7946	8128	7876	8000	8060	8150	8114	7986	8039	7976
Canada											
Alberta Light/Medium/Heavy	659	628	608	624	620	615	595	613	621	620	618
Alberta Bitumen	301	357	393	377	389	394	380	396	386	392	389
Saskatchewan	421	414	409	415	415	413	399	412	414	415	415
Other Crude	366	413	413	398	421	424	423	382	419	420	424
NGLs	672	657	658	620	643	675	640	640	580	650	700
Synthetic Crudes	440	512	607	590	579	605	572	625	568	575	595
Total	2858	2980	3086	3024	3068	3125	3009	3069	2990	3073	3141
Mexico											
Crude	3177	3366	3314	3414	3393	3362	3329	3285	3398	3380	3400
NGLs	408	417	425	415	424	425	425	425	435	418	420
Total	3585	3783	3739	3830	3817	3787	3754	3710	3833	3798	3820
UK Offshore⁴											
Brent Fields	243	217	189	210	182	190	192	189	181	184	181
Forties Fields	794	736	718	687	773	752	709	707	782	771	765
Ninian Fields	107	97	100	87	106	99	100	103	110	104	105
Flotta Fields	132	106	92	103	105	99	91	90	106	105	105
Other Fields	963	899	805	851	857	828	791	788	874	851	846
NGLs	211	184	225	137	196	240	220	200	167	185	235
Total	2450	2238	2129	2074	2219	2207	2102	2076	2219	2200	2236
Norway⁴											
Ekofisk-Ula Area	490	481	471	458	492	477	475	467	487	505	483
Oseberg-Troll Area	754	754	761	751	785	791	761	736	771	785	798
Staffjord-Gullfaks Area	874	861	797	846	858	842	799	772	824	892	858
Haltenbanken Area	716	593	544	546	587	571	543	523	549	608	604
Sleipner-Frigg Area	157	169	292	142	193	240	282	309	186	202	191
NGLs	335	381	404	356	410	406	401	402	431	400	399
Total	3325	3239	3269	3099	3324	3327	3261	3209	3247	3393	3333
Other OECD Europe											
Other N Sea Crude/NGLs ⁵	437	444	449	434	452	455	451	446	460	449	446
UK Onshore	54	45	41	47	46	44	42	40	46	46	45
Italy	84	94	118	90	101	115	115	120	87	100	115
Turkey	47	45	44	45	44	44	44	44	44	44	44
Other	159	159	158	160	161	160	159	158	162	160	160
NGLs (excl. North Sea)	27	21	17	18	17	17	17	17	17	18	18
Non-Conventional Oils	29	35	47	34	51	48	47	46	60	45	47
Total	837	842	873	827	871	883	874	871	876	863	875
Australia											
Gippsland Basin	140	119	104	121	118	112	107	102	118	118	117
Cooper-Eromanga Basin	25	24	25	25	25	25	25	25	25	26	26
Carnarvon Basin	359	317	289	319	297	310	283	288	234	319	338
Other Crude	104	72	58	64	64	62	59	57	64	64	64
NGLs	79	83	97	89	85	85	85	97	85	85	85
Total	707	615	574	617	589	595	559	568	526	611	630
Other OECD Pacific											
New Zealand	31	24	22	25	21	22	22	22	19	23	22
Japan	5	6	6	6	6	6	6	6	6	6	6
NGLs	18	16	15	15	15	15	15	15	15	15	15
Synthetic Fuels	0	0	0	0	0	0	0	0	0	0	0
Total	53	46	43	45	42	43	43	43	40	44	43
OECD											
Crude Oil	17406	17228	17091	16962	17273	17298	17051	16936	17130	17357	17335
NGLs	3639	3490	3704	3363	3617	3672	3687	3664	3561	3633	3658
Non-Conventional Oils	886	971	1046	1068	1040	1057	1016	1060	1027	1030	1063
Total	21931	21690	21841	21393	21930	22027	21753	21661	21718	22020	22055

¹ Subcategories refer to crude oil only unless otherwise noted

² Only production from Federal waters is included

³ When possible, condensates from natural gas processing plants are included with NGLs, while field condensates are counted as crude oil

⁴ North Sea production is grouped by area including all fields being processed through the named facility, ie, not just the field of that name

⁵ Other North Sea NGLs is included

Table 5
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Jul2003	Aug2003	Sep2003	Oct2003	Nov2003*	Nov2000	Nov2001	Nov2002	4Q2002	1Q2003	2Q2003	3Q2003
North America												
Crude	390.9	384.4	387.8	400.2	390.8	396.0	422.6	397.5	0.07	0.08	-0.02	-0.03
Motor Gasoline	230.9	221.3	227.5	223.0	229.8	228.7	243.7	236.3	0.04	-0.09	0.05	-0.10
Middle Distillate	189.9	201.7	207.9	209.9	206.4	195.6	213.7	200.1	0.06	-0.47	0.19	0.28
Residual Fuel Oil	39.1	39.1	41.9	45.5	47.5	48.0	48.1	44.9	-0.02	0.01	0.03	-0.02
Total Products ³	641.4	645.1	657.4	655.2	651.3	636.3	684.7	657.3	-0.27	-0.83	0.66	0.22
Total ⁴	1186.1	1180.0	1200.7	1210.7	1196.7	1180.8	1268.3	1210.8	-0.48	-0.82	0.87	0.25
Europe												
Crude	318.2	315.6	304.1	318.0	312.6	304.6	311.1	307.7	-0.13	0.35	-0.09	-0.09
Motor Gasoline	105.6	107.3	108.5	109.3	111.7	121.4	116.3	113.6	0.01	0.02	-0.09	-0.01
Middle Distillate	236.5	256.1	249.9	233.3	233.4	231.1	218.4	242.9	-0.23	-0.25	0.17	0.20
Residual Fuel Oil	67.4	69.3	71.5	70.5	73.3	82.6	74.2	77.7	0.06	-0.06	-0.03	0.05
Total Products ³	513.4	540.5	532.2	514.9	520.4	542.8	523.8	534.0	-0.20	-0.28	0.10	0.21
Total ⁴	903.3	925.9	909.0	904.9	904.4	913.9	901.6	905.7	-0.31	0.15	-0.02	0.15
Pacific												
Crude	192.6	176.3	183.9	167.4	155.1	179.9	176.9	159.7	-0.05	0.24	0.07	-0.05
Motor Gasoline	26.2	25.2	24.0	23.7	23.5	25.2	24.6	24.4	-0.01	0.02	0.00	-0.02
Middle Distillate	73.9	79.1	83.7	79.8	81.2	92.4	90.4	73.1	-0.19	-0.09	0.17	0.13
Residual Fuel Oil	26.2	25.2	23.1	22.5	22.5	24.5	24.6	22.2	0.00	0.00	0.03	-0.02
Total Products ³	196.0	202.3	204.6	198.0	196.5	217.8	216.0	189.3	-0.23	-0.15	0.29	0.15
Total ⁴	462.6	451.9	459.6	437.3	426.2	480.4	477.4	422.7	-0.32	0.03	0.44	0.07
Total OECD												
Crude	901.6	876.3	875.8	885.6	858.5	880.5	910.6	864.9	-0.11	0.67	-0.05	-0.17
Motor Gasoline	362.7	353.8	359.9	356.1	364.9	375.3	384.6	374.3	0.04	-0.04	-0.05	-0.13
Middle Distillate	500.3	537.0	541.4	523.0	521.1	519.2	522.4	516.0	-0.35	-0.81	0.53	0.60
Residual Fuel Oil	132.7	133.7	136.5	138.4	143.3	155.0	146.9	144.8	0.03	-0.05	0.03	0.01
Total Products ³	1350.9	1387.9	1394.2	1368.1	1368.3	1396.9	1424.5	1380.6	-0.70	-1.27	1.05	0.58
Total ⁴	2552.0	2557.7	2569.3	2552.9	2527.2	2575.1	2647.3	2539.2	-1.11	-0.64	1.29	0.48

OECD GOVERNMENT-CONTROLLED STOCKS^{5,6} AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Jul2003	Aug2003	Sep2003	Oct2003	Nov2003*	Nov2000	Nov2001	Nov2002	4Q2002	1Q2003	2Q2003	3Q2003
North America												
Crude	612.4	618.3	624.4	630.9	634.5	547.5	547.3	595.9	0.13	0.00	0.10	0.17
Products ⁷	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	152.3	151.4	150.8	151.8	151.8	136.2	142.7	155.2	0.08	0.02	-0.05	-0.03
Products	204.1	206.8	207.8	207.8	207.8	214.5	206.8	190.7	0.02	0.10	-0.01	0.05
Pacific												
Crude	382.8	382.8	382.8	382.8	382.8	362.4	372.6	379.6	0.01	0.04	0.00	0.00
Products	10.0	10.3	10.3	10.3	10.7	6.7	7.3	8.9	0.02	0.00	0.00	0.01
Total OECD												
Crude	1147.5	1152.5	1158.0	1165.5	1169.1	1046.2	1062.6	1130.7	0.22	0.06	0.05	0.14
Products	216.1	219.1	220.1	220.1	220.5	223.3	216.1	201.6	0.04	0.10	-0.01	0.06
Total ⁴	1364.6	1372.6	1379.0	1386.6	1390.6	1270.4	1279.7	1333.2	0.26	0.16	0.04	0.20

* 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.

6 Previously confidential Korean government stocks are now included.

7 US government-controlled heating oil stocks amount to 2 mb.

Table 6
INDUSTRY STOCKS¹ ON LAND IN SELECTED COUNTRIES
(million barrels)

	June			July			August			September			October		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%
United States²															
Crude	317.6	283.7	-10.7	304.3	284.3	-6.6	296.2	278.3	-6.0	270.6	284.5	5.1	291.5	293.7	0.8
Motor Gasoline	216.6	206.0	-4.9	214.5	200.5	-6.5	204.0	192.2	-5.8	206.5	196.2	-5.0	193.5	191.7	-0.9
Middle Distillate	176.3	154.1	-12.6	176.6	160.0	-9.4	174.5	172.3	-1.3	172.6	175.9	1.9	167.9	177.7	5.8
Residual Fuel Oil	32.7	35.6	8.9	33.5	31.6	-5.7	31.9	30.2	-5.3	33.0	31.7	-3.9	33.6	34.6	3.0
Other Products	159.7	142.2	-11.0	165.0	148.9	-9.8	168.6	150.6	-10.7	166.2	146.6	-11.8	156.5	142.2	-9.1
Total Products	585.3	537.9	-8.1	589.6	541.0	-8.2	579.0	545.3	-5.8	578.3	550.4	-4.8	551.5	546.2	-1.0
Other ³	136.7	128.9	-5.7	138.4	130.3	-5.9	138.9	129.8	-6.6	137.9	133.1	-3.5	140.5	133.1	-5.3
Total	1039.6	950.5	-8.6	1032.3	955.6	-7.4	1014.1	953.4	-6.0	986.8	968.0	-1.9	983.5	973.0	-1.1
Japan															
Crude	128.2	142.3	11.0	126.3	140.1	10.9	126.8	133.1	5.0	120.6	134.5	11.5	121.5	124.5	2.5
Motor Gasoline	14.0	13.8	-1.4	13.1	14.4	9.9	12.3	13.7	11.4	12.9	12.7	-1.6	12.6	12.7	0.8
Middle Distillate	39.0	40.8	4.6	43.1	45.5	5.6	49.2	52.5	6.7	50.5	56.7	12.3	49.9	54.3	8.8
Residual Fuel Oil	10.8	13.4	24.1	10.3	13.0	26.2	10.4	12.2	17.3	8.7	11.1	27.6	8.8	12.1	37.5
Other Products	50.5	49.9	-1.2	48.1	49.7	3.3	48.1	53.1	10.4	50.1	54.2	8.2	52.2	53.4	2.3
Total Products	114.3	117.9	3.1	114.6	122.6	7.0	120.0	131.5	9.6	122.2	134.7	10.2	123.5	132.5	7.3
Other ³	70.6	65.2	-7.6	72.4	66.4	-8.3	68.9	65.3	-5.2	67.7	63.2	-6.6	65.9	64.0	-2.9
Total	313.1	325.4	3.9	313.3	329.1	5.0	315.7	329.9	4.5	310.5	332.4	7.1	310.9	321.0	3.2
Germany															
Crude	23.4	18.2	-22.2	20.5	23.8	16.1	18.9	24.1	27.5	21.0	21.8	3.8	15.5	23.0	48.4
Motor Gasoline	10.6	8.5	-19.8	10.5	7.4	-29.5	10.9	9.2	-15.6	9.9	7.8	-21.2	9.1	8.9	-2.2
Middle Distillate	17.9	16.0	-10.6	17.5	14.9	-14.9	19.7	17.2	-12.7	15.5	12.4	-20.0	16.0	14.2	-11.3
Residual Fuel Oil	9.0	10.3	14.4	9.2	10.3	12.0	9.1	10.8	18.7	9.6	10.7	11.5	9.4	10.1	7.4
Other Products	11.2	12.2	8.9	11.4	10.8	-5.3	11.7	11.2	-4.3	10.5	10.6	1.0	10.9	10.3	-5.5
Total Products	48.7	47.0	-3.5	48.6	43.4	-10.7	51.4	48.4	-5.8	45.5	41.5	-8.8	45.4	43.5	-4.2
Other ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	72.1	65.2	-9.6	69.1	67.2	-2.7	70.3	72.5	3.1	66.5	63.3	-4.8	60.9	66.5	9.2
Italy															
Crude	34.6	37.2	7.5	36.2	36.7	1.4	41.3	38.3	-7.3	34.6	39.2	13.3	37.5	37.7	0.5
Motor Gasoline	20.9	18.0	-13.9	23.2	18.1	-22.0	21.6	19.2	-11.1	21.6	19.5	-9.7	21.9	19.4	-11.4
Middle Distillate	34.1	36.7	7.6	36.6	36.3	-0.8	39.8	38.5	-3.3	39.8	37.1	-6.8	37.5	37.2	-0.8
Residual Fuel Oil	11.9	10.8	-9.2	10.7	11.3	5.6	11.0	10.1	-8.2	12.0	11.7	-2.5	14.5	11.3	-22.1
Other Products	19.7	17.5	-11.2	18.0	17.6	-2.2	17.9	19.2	7.3	17.5	17.4	-0.6	17.4	18.4	5.7
Total Products	86.6	83.0	-4.2	88.5	83.3	-5.9	90.3	87.0	-3.7	90.9	85.7	-5.7	91.3	86.3	-5.5
Other ³	11.2	14.3	27.7	12.3	15.5	26.0	10.5	14.4	37.1	10.5	15.6	48.6	11.3	14.7	30.1
Total	132.4	134.5	1.6	137.0	135.5	-1.1	142.1	139.7	-1.7	136.0	140.5	3.3	140.1	138.7	-1.0
France															
Crude	39.5	36.7	-7.1	39.7	36.9	-7.1	36.1	39.3	8.9	38.5	38.1	-1.0	38.8	36.0	-7.2
Motor Gasoline	11.1	10.6	-4.5	12.0	9.8	-18.3	11.9	10.2	-14.3	12.0	11.6	-3.3	11.6	11.9	2.6
Middle Distillate	31.4	32.0	1.9	29.1	32.9	13.1	34.6	38.1	10.1	32.7	35.1	7.3	34.9	33.3	-4.6
Residual Fuel Oil	7.0	5.4	-22.9	7.1	5.2	-26.8	7.3	6.2	-15.1	7.9	5.2	-34.2	6.9	5.4	-21.7
Other Products	9.4	7.9	-16.0	9.2	8.3	-9.8	9.1	8.8	-3.3	8.5	8.4	-1.2	7.8	8.4	7.7
Total Products	58.9	55.9	-5.1	57.4	56.2	-2.1	62.9	63.3	0.6	61.1	60.3	-1.3	61.2	59.0	-3.6
Other ³	12.1	14.3	18.2	11.7	14.6	24.8	12.2	14.8	21.3	13.5	14.4	6.7	13.7	14.4	5.1
Total	110.5	106.9	-3.3	108.8	107.7	-1.0	111.2	117.4	5.6	113.1	112.8	-0.3	113.7	109.4	-3.8
United Kingdom															
Crude	42.8	35.9	-16.1	42.4	40.9	-3.5	36.5	35.3	-3.3	37.0	33.8	-8.6	43.8	34.6	-21.0
Motor Gasoline	11.0	8.7	-20.9	10.9	8.4	-22.9	9.7	9.2	-5.2	9.7	9.3	-4.1	9.8	7.8	-20.4
Middle Distillate	22.0	18.7	-15.0	21.0	16.8	-20.0	20.7	19.5	-5.8	20.1	19.2	-4.5	20.9	17.7	-15.3
Residual Fuel Oil	4.4	5.3	20.5	4.3	5.1	18.6	4.4	5.1	15.9	4.3	4.7	9.3	4.4	5.1	15.9
Other Products	18.2	15.5	-14.8	17.6	15.9	-9.7	17.4	15.8	-9.2	17.1	15.9	-7.0	16.0	15.0	-6.3
Total Products	55.6	48.2	-13.3	53.8	46.2	-14.1	52.2	49.6	-5.0	51.2	49.1	-4.1	51.1	45.6	-10.8
Other ³	11.3	11.6	2.7	11.7	11.6	-0.9	12.0	10.1	-15.8	10.6	9.9	-6.6	11.5	11.5	0.0
Total	109.7	95.7	-12.8	107.9	98.7	-8.5	100.7	95.0	-5.7	98.8	92.8	-6.1	106.4	91.7	-13.8
Canada															
Crude	79.0	75.6	-4.3	77.8	78.2	0.5	78.0	79.7	2.2	75.8	77.3	2.0	76.4	77.4	1.3
Motor Gasoline	15.5	15.1	-2.6	15.4	16.3	5.8	15.5	15.1	-2.6	15.8	16.7	5.7	16.1	17.9	11.2
Middle Distillate	18.7	19.4	3.7	19.6	21.0	7.1	20.4	20.1	-1.5	20.3	21.8	7.4	18.7	23.6	26.2
Residual Fuel Oil	4.2	4.1	-2.4	4.2	4.2	0.0	4.2	4.9	16.7	3.8	5.3	39.5	4.4	5.9	34.1
Other Products	21.8	25.5	17.0	21.9	25.4	16.0	20.2	24.2	19.8	22.1	25.7	16.3	21.5	26.6	23.7
Total Products	60.2	64.1	6.5	61.1	66.9	9.5	60.3	64.3	6.6	62.0	69.5	12.1	60.7	74.0	21.9
Other ³	15.9	21.0	32.1	18.0	23.5	30.6	20.9	20.7	-1.0	22.4	22.5	0.4	22.2	22.1	-0.5
Total	155.1	160.7	3.6	156.9	168.6	7.5	159.2	164.7	3.5	160.2	169.3	5.7	159.3	173.5	8.9

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 US figures exclude US territories.

³ Other includes NGLs, refinery feedstocks, additives/oxygenates and other hydrocarbons.

Table 7
TOTAL STOCKS ON LAND IN OECD COUNTRIES¹

(millions of barrels¹ and 'days')

	End September 2002		End December 2002		End March 2003		End June 2003		End September 2003 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	160.2	74	153.7	71	149.0	71	160.8	76	169.3	-
Mexico	47.0	24	47.3	23	51.5	25	44.2	21	41.4	-
United States	1576.1	79	1549.9	77	1476.8	75	1561.0	77	1594.3	-
Total ⁴	1805.3	74	1773.0	72	1699.4	70	1788.1	72	1827.1	74
Pacific										
Australia	39.4	45	34.0	40	39.8	46	38.1	43	36.0	-
Japan	627.1	107	615.4	99	619.0	124	646.7	133	653.6	-
Korea ⁵	148.8	63	140.4	58	137.0	67	152.1	77	154.5	-
New Zealand	10.1	72	9.5	64	9.8	66	8.5	60	8.5	-
Total	825.3	89	799.3	83	805.6	100	845.4	107	852.6	93
Europe⁶										
Austria	18.3	69	18.7	70	17.6	60	18.5	62	18.7	-
Belgium	28.3	45	25.8	38	29.1	48	27.5	47	29.1	-
Czech Republic	16.2	90	15.5	91	15.3	82	13.5	69	13.3	-
Denmark	18.5	88	17.3	87	15.4	85	15.5	85	16.4	-
Finland	26.9	117	24.4	113	24.7	121	23.9	112	23.2	-
France	174.0	88	174.5	83	175.0	89	173.3	84	179.2	-
Germany	258.8	95	253.4	100	258.6	95	260.7	98	258.6	-
Greece	32.2	72	31.6	66	29.3	75	32.3	84	30.9	-
Hungary	18.0	119	16.1	127	17.9	136	17.6	130	18.3	-
Ireland	10.2	56	11.4	57	10.9	60	11.0	62	12.7	-
Italy	136.1	74	137.6	74	136.3	75	134.6	73	140.7	-
Luxembourg	0.9	19	1.0	17	0.9	17	0.8	14	0.8	-
Netherlands	106.7	116	104.9	120	95.4	103	106.5	115	111.1	-
Norway	17.8	81	19.4	76	33.2	141	21.1	82	23.1	-
Poland	23.6	57	26.2	69	27.2	67	27.9	61	26.9	-
Portugal	24.1	76	21.4	69	24.0	74	24.7	72	25.6	-
Spain	121.3	80	120.8	78	122.8	81	121.1	79	121.4	-
Sweden	30.5	81	29.4	87	34.3	114	34.0	113	33.2	-
Switzerland	38.7	146	36.7	144	36.1	146	37.2	144	37.3	-
Turkey	55.6	81	51.9	85	55.6	89	54.8	77	55.2	-
United Kingdom	98.9	58	97.1	57	99.8	60	95.7	58	92.8	-
Total	1255.5	82	1235.2	81	1259.4	84	1252.3	82	1268.6	81
Total OECD	3886.2	79	3807.5	77	3764.4	80	3885.8	81	3948.3	80
DAYS OF IEA Net Imports⁷	-	114	-	111	-	110	-	114	-	115

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

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

3 End September 2003 forward demand figures are IEA Secretariat forecasts.

4 Total includes US territories.

5 Previously confidential Korean government stocks are now included.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ^{1,2} controlled Millions of Barrels	Industry	Total	Government ^{1,2} controlled Days of Fwd. Demand ³	Industry
3Q2000	3836	1294	2542	79	27	52
4Q2000	3798	1268	2530	78	26	52
1Q2001	3794	1269	2525	81	27	54
2Q2001	3864	1267	2597	81	27	55
3Q2001	3928	1267	2661	82	26	55
4Q2001	3906	1285	2621	81	27	54
1Q2002	3901	1303	2598	84	28	56
2Q2002	3962	1314	2648	83	28	56
3Q2002	3886	1319	2567	79	27	52
4Q2002	3807	1343	2465	77	27	50
1Q2003	3764	1357	2407	80	29	51
2Q2003	3886	1361	2525	81	28	53
3Q2003	3948	1379	2569	80	28	52

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

2 Previously confidential Korean government stocks are now included.

3 Days of forward demand calculated using actual demand except in 3Q2003 (when latest forecasts are used).

Table 8
AVERAGE IEA CIF CRUDE COST AND SPOT CRUDE AND PRODUCT PRICES
(\$/bbl)

	2001	2002	2003	1Q03	2Q03	3Q03	4Q03	Jul 03	Aug 03	Sep 03	Oct 03	Nov 03	Dec 03
CRUDE OIL PRICES													
<i>IEA CIF Average Import¹</i>													
IEA North America	22.30	23.71		30.76	25.82	27.48		27.77	28.36	26.35	27.04		
IEA Europe	23.92	24.27		31.10	25.52	27.86		27.59	28.77	27.15	29.00		
IEA Pacific	25.05	24.74		30.91	27.96	28.44		27.70	28.82	28.88	27.94		
IEA Total	23.65	24.19		30.94	26.21	27.84		27.68	28.62	27.20	28.01		
<i>FOB Spot</i>													
Brent (Dated)	24.44	25.02	28.83	31.49	26.03	28.38	29.43	28.35	29.79	27.08	29.65	28.73	29.87
WTI (1st month)	25.93	26.16	31.06	34.00	29.02	30.19	31.15	30.70	31.59	28.25	30.30	31.06	32.14
Urals (del. Med.)	22.97	23.73	27.04	29.24	23.86	27.05	27.99	26.84	28.74	25.64	27.99	27.63	28.34
Dubai (1st month)	22.80	23.85	26.76	28.39	24.44	26.57	27.67	26.72	27.66	25.37	27.27	27.66	28.10
Tapis (1st month)	25.32	25.72	30.06	32.34	27.19	29.53	31.26	28.54	30.70	29.45	31.74	30.61	31.34
OPEC Basket	27.60	24.34	28.13	30.45	25.87	27.43	28.79	27.50	28.69	26.15	28.35	28.48	29.57
PRODUCT PRICES													
<i>Rotterdam, Barges FOB</i>													
Premium Unleaded	29.86	29.09	35.46	37.44	33.79	36.26	34.30	35.99	38.73	34.31	34.31	34.14	34.45
Unleaded	28.83	28.57	34.87	36.88	33.06	35.68	33.80	35.32	38.18	33.80	33.81	33.66	33.93
Naphtha	23.69	24.23	29.99	34.99	25.19	28.12	31.54	27.61	29.42	27.48	30.03	31.55	33.19
Jet/Kerosene	30.82	29.24	35.83	40.89	31.32	33.29	37.73	33.07	34.61	32.32	36.45	37.67	39.18
Gasoil .2 %	29.16	27.81	33.99	39.18	30.21	31.58	34.92	31.57	32.98	30.31	34.46	34.75	35.57
LSFO 1%	19.52	21.81	25.79	29.20	24.26	26.06	23.59	26.58	26.88	24.78	25.19	24.00	21.45
HSFO 3.5%	17.79	20.65	23.37	25.65	21.05	24.16	22.52	25.18	24.73	22.57	23.60	23.52	20.39
<i>Mediterranean - Cargoes FOB</i>													
Premium .15 g/l	30.43	29.21	34.56	36.62	31.34	35.79	34.34	35.43	38.59	33.63	34.49	34.10	34.39
Premium Unleaded	29.70	28.49	33.84	35.91	30.62	35.07	33.62	34.71	37.87	32.91	33.78	33.38	33.67
Naphtha	22.47	23.51	28.68	33.37	23.69	27.17	30.35	26.66	28.38	26.60	29.25	30.23	31.68
Jet/Kerosene ²	27.52	27.97	33.60	37.99	28.76	31.69	35.82	31.31	33.03	30.86	34.44	35.69	37.46
Gasoil .2 %	27.50	27.08	33.13	38.67	28.38	30.57	34.79	29.95	31.99	29.93	35.55	34.32	34.40
LSFO 1%	18.73	21.50	26.39	30.56	23.51	26.99	24.41	28.48	28.76	23.82	25.79	24.88	22.46
HSFO 3.5%	16.06	19.08	21.90	24.04	20.04	23.08	20.38	24.28	23.60	21.36	22.40	21.19	17.39
<i>NY Harbour, Barges</i>													
Super Unleaded ³	34.16	33.71	40.23	41.33	36.68	43.71	39.08	40.05	46.80	44.44	38.94	39.69	38.62
Unleaded ³	31.00	30.33	37.07	39.50	33.08	38.80	36.78	36.65	42.13	37.72	36.45	36.72	37.18
Jet/Kerosene	31.18	29.83	36.29	42.43	32.48	33.82	36.69	33.92	35.57	31.95	35.46	36.15	38.49
No. 2 (Heating Oil)	29.82	28.56	35.51	42.00	31.99	32.69	35.60	32.98	34.24	30.83	34.41	35.06	37.38
LSFO 1%	20.70	22.55	27.46	32.74	24.57	26.74	25.94	27.53	27.77	24.88	25.93	26.14	25.78
HSFO 6 3%	17.36	20.99	24.41	27.91	20.93	25.21	23.67	26.19	26.33	23.05	24.02	24.43	22.64
<i>Singapore, Cargoes</i>													
Premium Unleaded	27.43	28.04	34.69	37.14	29.70	34.96	36.96	34.58	37.30	33.11	35.55	35.78	39.52
Naphtha	23.75	24.93	29.93	34.27	24.69	28.40	32.52	27.77	29.67	27.86	30.46	32.54	34.67
Jet/Kerosene	28.32	28.08	32.90	36.14	28.36	31.53	35.71	29.78	33.58	31.40	33.84	35.89	37.50
Gasoil .5%	27.32	27.55	32.31	36.12	28.79	30.78	33.71	28.95	32.33	31.22	32.41	33.68	35.10
LSWR Cracked	21.83	23.80	28.11	31.84	27.21	25.33	28.28	25.54	25.66	24.80	26.14	28.73	30.13
HSFO 180 CST	20.65	22.89	26.14	28.86	24.78	25.87	25.09	27.14	25.80	24.59	25.38	25.01	24.85
HSFO 4%	20.38	22.95	26.25	28.88	24.74	26.19	25.23	27.44	26.12	24.94	25.56	25.17	24.93

¹ IEA CIF Average Import price for October is an estimate

² Following change of assessment, Jet Aviation Fuel for Mediterranean - Cargo FOB from 2002

³ From November 2003 assessments for NYH are for Max 0.3% MTBE

Table 9
MONTHLY AVERAGE END USER PRICES FOR PETROLEUM PRODUCTS
December 2003

NATIONAL CURRENCY *							US DOLLARS					
Total Price	% change from		Ex-Tax Price	% change from		Total Price	% change from		Ex-Tax Price	% change from		
	Nov-03	Dec-02		Nov-03	Dec-02		Nov-03	Dec-02		Nov-03	Dec-02	
GASOLINE ¹ (Price per Litre)												
France	0.988	- 0.5	- 3.0	0.237	-1.7	-9.9	1.215	4.4	17.1	0.291	3.2	8.8
Germany	1.064	- 0.7	2.2	0.262	-2.2	-4.0	1.309	4.2	23.4	0.322	2.6	15.9
Italy	1.034	- 1.0	- 1.3	0.320	-2.4	-3.3	1.272	3.9	19.2	0.394	2.3	16.8
Spain	0.793	- 0.6	- 1.1	0.288	-1.4	-2.4	0.975	4.2	19.4	0.354	3.5	17.9
UK	0.745	-	0.8	0.176	-	2.9	1.305	3.7	11.2	0.308	3.7	13.6
Japan	105.0	-	-	46.2	-	-	0.974	1.3	13.2	0.429	1.3	13.2
Canada	0.679	- 2.2	- 6.1	0.383	-3.5	-9.7	0.517	-2.2	11.6	0.292	-3.5	7.3
USA	0.391	- 2.0	8.0	0.288	-2.7	10.3	0.391	-2.0	8.0	0.288	-2.7	10.3
AUTOMOTIVE DIESEL ² (Price per Litre)												
France	0.653	- 0.6	- 1.7	0.261	-1.5	-4.0	0.803	4.3	18.8	0.321	3.3	15.9
Germany	0.746	- 0.3	2.1	0.276	-0.7	-5.2	0.917	4.6	23.3	0.339	4.2	14.5
Italy	0.725	- 0.5	0.4	0.322	-1.2	0.9	0.892	4.3	21.3	0.396	3.6	21.9
Spain	0.592	0.2	0.2	0.298	0.3	0.3	0.728	5.1	21.0	0.366	5.3	21.2
UK	0.648	0.2	1.1	0.190	0.5	3.8	1.135	3.8	11.5	0.333	4.2	14.6
Japan	85.1	-	-	48.9	-	-	0.789	1.3	13.2	0.454	1.3	13.2
Canada	0.675	4.0	- 0.4	0.453	5.6	-0.7	0.514	4.0	18.3	0.345	5.6	18.0
USA	0.393	0.3	5.4	0.273	0.4	7.1	0.393	0.3	5.4	0.273	0.4	7.1
DOMESTIC HEATING OIL (Price per 1000 Litres)												
France	383.19	-1.7	-2.2	263.79	-2.1	-2.7	471.3	3.1	18.1	324.4	2.8	17.5
Germany	352.38	-2.6	-4.2	242.43	-3.3	-5.2	433.4	2.2	15.7	298.2	1.5	14.4
Italy	839.00	-0.8	-1.6	295.96	-1.9	-3.8	1031.9	4.0	18.8	364.0	2.9	16.2
Spain	375.42	-1.8	-2.1	238.93	-2.4	-2.8	461.7	3.0	18.3	293.9	2.4	17.4
UK	212.47	1.5	11.8	160.35	1.9	6.9	372.1	5.2	23.3	280.8	5.7	17.9
Japan ³	46958	-1.1	2.2	44722	-1.1	2.2	435.6	0.2	15.6	414.9	0.2	15.6
Canada	-	-	-	-	-	-	-	-	-	-	-	-
USA	-	-	-	-	-	-	-	-	-	-	-	-
LOW SULPHUR FUEL OIL FOR INDUSTRY ² (Price per Metric Ton)												
France	172.17	-9.0	-16.0	153.67	-9.9	-17.6	211.7	-4.5	1.4	189.0	-5.5	-0.5
Germany	169.53	-3.6	-4.9	144.53	-4.2	-9.9	208.5	1.1	14.8	177.8	0.5	8.8
Italy	213.38	-8.1	-2.9	181.99	-9.4	-3.4	262.4	-3.6	17.2	223.8	-4.9	16.6
Spain	216.04	-2.7	-9.4	201.61	-2.9	-10.0	265.7	2.1	9.5	248.0	1.9	8.7
UK	149.31	-4.0	1.2	111.31	-5.3	-6.8	261.5	-0.5	11.7	194.9	-1.8	2.8
Japan	34378	-3.1	-1.4	32741	-3.1	-1.4	318.9	-1.9	11.6	303.7	-1.9	11.6
Canada	-	-	-	-	-	-	-	-	-	-	-	-
USA	-	-	-	-	-	-	-	-	-	-	-	-

1 Unleaded premium (95 RON) for France, Germany, Italy, Spain, UK; regular unleaded for Canada, Japan and the United States.

2 VAT excluded from prices for automotive diesel and heavy fuel oil when refunded to industry.

3 Kerosene for Japan.

* Prices for France, Germany, Italy and Spain are in Euro; UK in British Pounds, Japan in Yen, Canada in Canadian Dollars.

Table 10
Regional OECD Crude Imports by Source
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Aug 03	Sep 03	Oct 03	Year Earlier	
											Oct 02	change
OECD North America												
Venezuela	1.67	1.58		1.55	0.93	1.81	1.74	1.90	1.70	1.88	1.89	-0.01
Other Central & South America	0.54	0.61		0.65	0.52	0.56	0.65	0.67	0.62	0.65	0.69	-0.04
North Sea	1.07	1.25		1.34	1.07	1.03	1.12	0.94	1.28	0.96	1.34	-0.38
Other OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Non-OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Former Soviet Union	-	0.09		0.13	0.11	0.20	0.31	0.29	0.14	0.03	0.19	-0.16
Saudi Arabia	1.70	1.60		1.72	1.79	2.16	1.74	1.57	1.72	1.48	1.73	-0.25
Kuwait	0.24	0.22		0.22	0.20	0.25	0.20	0.19	0.25	0.17	0.19	-0.01
Iran	-	-		-	-	-	-	-	-	-	-	-
Iraq	0.94	0.58		0.45	0.84	0.34	0.22	0.17	0.42	0.87	0.39	0.49
Oman	0.02	0.02		0.02	-	0.04	0.06	0.11	0.07	0.06	-	-
United Arab Emirates	0.02	0.01		0.01	0.01	0.01	0.01	-	0.03	-	-	-
Other Middle East	0.02	0.04		0.03	0.02	0.02	-	-	-	-	0.03	-
West Africa ²	1.48	1.19		1.15	1.37	1.51	1.68	1.83	1.57	1.69	1.07	0.63
Other Africa	0.13	0.18		0.16	0.15	0.33	0.44	0.52	0.48	0.35	0.18	0.17
Asia	0.15	0.16		0.15	0.12	0.10	0.19	0.23	0.16	0.22	0.21	0.01
Other	0.03	0.06		0.06	0.04	0.08	0.12	0.10	0.11	0.05	0.02	0.03
Total	7.99	7.52		7.63	7.17	8.44	8.48	8.52	8.54	8.42	7.92	0.49
of which Non-OECD	6.92	6.28		6.23	6.08	7.39	7.31	7.54	7.21	7.42	6.53	0.89
OECD Europe												
Canada	-	-		-	-	-	-	-	-	-	-	-
Mexico + USA	0.18	0.19		0.22	0.17	0.18	0.23	0.21	0.22	0.13	0.28	-0.14
Venezuela	0.18	0.18		0.12	0.04	0.13	0.12	0.08	0.11	0.13	0.18	-0.05
Other Central & South America	0.04	0.05		0.06	0.02	0.04	0.11	0.07	0.17	0.07	0.03	0.04
Non-OECD Europe	0.00	0.01		0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.02	-0.02
Former Soviet Union	2.68	3.12		3.03	3.16	3.43	3.67	3.66	3.61	3.13	2.91	0.22
Saudi Arabia	1.25	1.16		1.09	1.14	1.54	1.28	1.39	1.02	1.18	1.30	-0.12
Kuwait	0.16	0.12		0.10	0.07	0.17	0.12	0.19	0.10	0.09	0.07	0.02
Iran	0.74	0.62		0.72	0.69	0.90	0.91	0.93	0.84	0.67	0.64	0.02
Iraq	0.40	0.31		0.62	0.44	0.07	0.10	0.13	0.08	0.14	0.48	-0.34
Oman	-	0.00		-	-	-	-	-	-	-	-	-
United Arab Emirates	0.01	-		-	-	-	-	-	-	-	-	-
Other Middle East	0.43	0.46		0.46	0.36	0.26	0.22	0.22	0.20	0.36	0.44	-0.08
West Africa ²	0.81	0.68		0.62	0.74	0.57	0.60	0.56	0.71	0.61	0.66	-0.05
Other Africa	1.50	1.39		1.45	1.60	1.60	1.53	1.42	1.59	1.52	1.62	-0.10
Asia	-	-		-	-	-	-	-	-	0.01	-	-
Other	0.22	0.36		0.15	0.23	0.09	0.31	0.37	0.50	1.36	0.11	1.25
Total	8.59	8.66		8.65	8.68	8.97	9.20	9.25	9.15	9.40	8.74	0.66
of which Non-OECD	8.41	8.47		8.43	8.51	8.79	8.97	9.04	8.93	9.27	8.46	0.81
OECD Pacific												
Canada	0.00	0.00		0.01	-	0.01	0.00	-	0.01	-	0.01	-
Mexico + USA	0.02	0.01		0.02	-	-	0.02	-	-	-	-	-
Venezuela	0.00	0.00		0.00	0.00	-	-	-	-	-	-	-
Other Central & South America	0.07	0.08		0.09	0.10	0.08	0.05	0.04	0.09	0.08	0.09	-0.01
North Sea	0.01	0.03		-	0.04	-	0.01	-	-	-	-	-
Other OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Non-OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Former Soviet Union	0.05	0.07		0.10	0.04	0.03	0.09	0.03	0.17	0.06	0.08	-0.02
Saudi Arabia	1.84	1.72		1.82	1.97	1.90	1.59	1.43	1.71	1.55	1.63	-0.08
Kuwait	0.64	0.57		0.56	0.60	0.54	0.58	0.50	0.63	0.51	0.50	0.01
Iran	0.75	0.64		0.69	0.89	0.80	0.76	0.66	0.73	0.82	0.58	0.24
Iraq	0.01	0.02		0.01	-	-	-	-	-	-	-	-
Oman	0.41	0.37		0.35	0.42	0.36	0.23	0.27	0.20	0.32	0.39	-0.07
United Arab Emirates	1.42	1.28		1.35	1.47	1.50	1.47	1.47	1.37	1.41	1.33	0.08
Other Middle East	0.60	0.52		0.50	0.56	0.57	0.45	0.40	0.55	0.55	0.48	0.07
West Africa ²	0.11	0.21		0.25	0.28	0.11	0.14	0.16	-	-	0.18	-
Other Africa	0.04	0.05		0.08	0.09	0.07	0.04	0.04	-	-	0.06	-
Non-OECD Asia	0.89	0.86		0.89	0.89	0.85	0.70	0.74	0.76	0.67	0.86	-0.19
Other	0.00	-		-	-	-0.09	-0.03	-0.10	0.04	0.02	-	-
Total	6.89	6.42		6.71	7.36	6.81	6.13	5.74	6.23	5.98	6.22	-0.24
of which Non-OECD	6.86	6.38		6.68	7.32	6.71	6.06	5.64	6.26	6.00	6.20	-0.20
Total OECD Trade	23.47	22.61		22.99	23.21	24.23	23.81	23.52	23.92	23.79	22.88	0.91
of which Non-OECD	22.19	21.14		21.34	21.90	22.90	22.34	22.22	22.39	22.68	21.19	1.49

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes, and converted to barrels at 7.37 barrels per tonne. Data will differ from Table 11 which is based on submissions in barrels.

2. West Africa includes Angola, Nigeria, Gabon, Congo and Democratic Republic of Congo.

Table 11
IEA Member Country Destinations of Selected Crude Streams¹
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Aug 03	Sep 03	Oct 03	Year Earlier Oct 02	change
Saudi Light & Extra Light												
North America	0.69	0.70		0.89	0.52	0.75	0.63	0.74	0.62	0.82	1.39	-0.57
Europe	0.92	0.92		0.86	0.94	1.14	0.95	1.06	0.77	0.95	0.98	-0.02
Pacific	1.22	1.22		1.24	1.39	1.16	1.04	0.93	1.10	0.99	1.02	-0.03
Saudi Medium												
North America	0.73	0.86		1.46	0.88	0.94	0.79	0.74	0.82	0.75	2.64	-1.89
Europe	0.15	0.11		0.11	0.10	0.13	0.14	0.18	0.09	0.09	0.16	-0.08
Pacific	0.17	0.16		0.14	0.21	0.26	0.20	0.20	0.23	0.28	0.19	0.09
Saudi Heavy												
North America	0.21	0.20		0.23	0.28	0.48	0.25	0.25	0.24	0.17	0.22	-0.05
Europe	0.14	0.09		0.09	0.11	0.26	0.21	0.17	0.17	0.19	0.11	0.08
Pacific	0.15	0.12		0.13	0.14	0.21	0.15	0.18	0.13	0.12	0.09	0.03
Iraqi Basrah Light²												
North America	0.65	0.35		0.22	0.50	0.24	0.20	0.17	0.43	0.97	0.09	0.88
Europe	0.15	0.08		0.21	0.10	0.05	0.04	0.10	0.03	0.09	0.17	-0.07
Pacific	0.01	0.02		..	..	..	..	..	..	..	..	..
Iraqi Kirkuk												
North America	0.09	0.14		0.11	0.22	0.02	..	..	..	..	0.17	..
Europe	0.31	0.32		0.53	0.42	0.04	0.04	0.00	..	..	0.42	..
Pacific	0.01	0.00		..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..		..	..	..	..	..	..	..	..	..
Europe	0.16	0.17		0.19	0.18	0.24	0.17	0.17	0.16	0.12	0.17	-0.04
Pacific	0.13	0.12		0.14	0.18	0.16	0.16	0.14	0.18	0.16	0.11	0.05
Iranian Heavy³												
North America	..	..		..	..	..	..	..	..	..	..	..
Europe	0.53	0.44		0.50	0.52	0.57	0.70	0.77	0.56	0.55	0.44	0.10
Pacific	0.63	0.54		0.61	0.75	0.67	0.58	0.57	0.55	0.75	0.55	0.20
Venezuelan Light & Medium												
North America	0.61	0.68		0.57	0.35	0.83	0.75	0.70	0.88	0.85	0.77	0.07
Europe	0.07	0.08		0.07	0.02	0.04	0.01	0.01	..	0.02	0.06	-0.05
Pacific	0.00	0.00		0.00	0.00	..	0.00	..	0.00	0.00	..	..
Venezuelan 22 API and heavier												
North America	0.65	0.55		0.56	0.17	0.66	0.83	0.81	0.83	0.64	0.70	-0.06
Europe	0.07	0.05		0.04	0.02	0.05	0.07	0.05	0.06	0.07	0.05	0.01
Pacific	..	..		..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92		0.96	1.12	1.31	1.46	1.47	1.56	1.29	1.04	0.25
Europe	0.14	0.17		0.19	0.14	0.17	0.21	0.17	0.22	0.14	0.25	-0.11
Pacific	0.01	0.00		0.01	..	..	0.01	..	..	..	..	..
Mexican Isthmus												
North America	0.04	0.01		0.01	0.01	0.00	..	..	..	..	0.01	..
Europe	0.03	0.01		0.02	0.00	0.00	..	..	..	0.00	0.01	0.00
Pacific	0.01	0.01		0.01	..	..	0.01	..	..	..	..	..
Russian Urals												
North America	..	0.03		0.05	..	0.23	0.33	0.28	0.22	..	0.08	..
Europe	1.10	1.32		1.34	1.51	1.50	1.65	1.82	1.55	1.38	1.43	-0.05
Pacific	0.01	0.01		..	..	..	..	..	..	..	..	..
Nigerian Light⁴												
North America	0.50	0.39		0.38	0.47	0.59	0.78	0.75	0.77	0.73	0.38	0.35
Europe	0.38	0.32		0.35	0.42	0.38	0.44	0.48	0.43	0.38	0.39	-0.01
Pacific	0.02	0.06		0.08	0.13	0.03	0.05	0.07	..	..	..	..
Nigerian Medium												
North America	0.31	0.16		0.14	0.17	0.21	0.10	0.19	0.12	0.21	0.10	0.11
Europe	0.10	0.06		0.07	0.07	0.04	0.04	0.06	0.07	0.10	0.06	0.04
Pacific	0.00	0.01		..	0.04	..	..	..	..	..	..	..

¹ Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 21 of the Report.

IEA North America includes United States and Canada.

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

IEA Pacific data through 2000 includes Australia, New Zealand and Japan.

² Iraqi Total minus Kirkuk.

³ Iranian Total minus Iranian Light.

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

Table 12a
Regional OECD Gasoline Imports by Source¹
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Aug 03	Sep 03	Oct 03	Year Earlier	
											Oct 02	change
OECD North America												
Venezuela	0.11	0.08		0.08	0.00	0.10	0.07	0.09	0.10	0.11	0.09	0.03
Other Central & South America	0.11	0.10		0.11	0.10	0.10	0.12	0.14	0.11	0.09	0.13	-0.03
ARA (Belgium Germany Netherlands)	0.08	0.09		0.07	0.11	0.11	0.11	0.11	0.09	0.15	0.07	0.09
Other Europe	0.19	0.20		0.17	0.20	0.30	0.16	0.15	0.16	0.12	0.18	-0.06
FSU	0.04	0.06		0.03	0.09	0.06	0.05	0.05	0.04	0.03	0.01	0.02
Saudi Arabia	0.06	0.06		0.07	0.06	0.08	0.08	0.09	0.09	0.10	0.09	0.01
Algeria	0.00	0.00		-	-	0.01	0.00	-	-	-	-	-
Other Middle East & Africa	0.04	0.04		0.03	0.03	0.03	0.03	0.01	0.02	0.01	0.03	-0.02
Singapore	0.01	0.01		0.00	0.00	0.02	0.00	-	0.00	-	-	-
OECD Pacific	0.02	0.01		0.01	0.01	0.01	0.01	0.01	0.01	-	0.01	-
Non-OECD Asia (excl. Singapore)	0.03	0.03		0.02	0.02	0.05	0.03	0.03	0.02	-	0.03	-
Other	0.00	-		-	0.00	0.00	-	-	-	-	-	-
Total²	0.67	0.68		0.58	0.62	0.89	0.68	0.67	0.64	0.62	0.63	-0.01
of which Non-OECD	0.40	0.39		0.35	0.31	0.49	0.40	0.41	0.38	0.36	0.38	-0.03
OECD Europe												
OECD North America	0.00	0.00		0.00	0.00	-	0.00	-	-	0.00	-	-
Venezuela	-	-		-	-	0.00	0.00	-	-	-	-	-
Other Central & South America	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-OECD Europe	0.03	0.04		0.04	0.04	0.04	0.04	0.04	0.04	0.03	0.04	-0.01
FSU	0.02	0.03		0.02	0.02	0.03	0.03	0.02	0.04	0.03	0.01	0.02
Saudi Arabia	0.00	0.00		0.00	0.00	0.01	0.00	-	-	0.00	0.00	0.00
Algeria	0.00	0.01		0.02	0.00	0.02	0.01	-	0.02	0.01	0.01	0.00
Other Middle East & Africa	0.01	0.02		0.03	0.01	0.03	0.03	0.01	0.05	0.02	0.05	-0.02
Singapore	-	0.00		0.00	0.00	-	0.00	-	-	0.01	-	-
OECD Pacific	-	-		-	-	0.00	0.00	0.00	0.00	-	-	-
Non-OECD Asia (excl. Singapore)	0.00	-		-	-	0.00	-	-	-	-	-	-
Other	0.09	0.07		0.07	0.10	0.05	0.03	0.11	0.03	0.08	0.09	-0.01
Total²	0.15	0.18		0.18	0.18	0.17	0.15	0.18	0.19	0.19	0.20	-0.01
of which Non-OECD	0.15	0.18		0.18	0.18	0.17	0.15	0.17	0.19	0.19	0.20	-0.01
OECD Pacific												
OECD North America	0.00	0.00		-	-	-	-	-	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	-	-	-	-
FSU	0.00	0.00		-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.00		-	-	-	-	-	-	-	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	-	-		-	-	-	-	-	-	-	-	-
Singapore	0.02	0.03		0.04	0.03	0.03	0.05	0.05	0.05	0.04	0.03	0.00
Non-OECD Asia (excl. Singapore)	0.00	0.02		0.03	0.03	0.04	0.03	0.03	0.02	0.02	0.03	-0.02
Other	-	0.00		-	-	-	-	-	-	-	-	-
Total²	0.04	0.06		0.07	0.06	0.07	0.08	0.08	0.08	0.06	0.07	-0.01
of which Non-OECD	0.03	0.06		0.07	0.06	0.07	0.08	0.08	0.08	0.06	0.07	-0.01
Total OECD Trade²	0.86	0.92		0.83	0.86	1.13	0.91	0.92	0.91	0.87	0.90	-0.03
of which Non-OECD	0.58	0.62		0.60	0.55	0.73	0.63	0.66	0.65	0.61	0.65	-0.05

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12b
Regional OECD Gasoil/Diesel Imports by Source¹
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Aug 03	Sep 03	Oct 03	Year Earlier Oct 02	change
OECD North America												
Venezuela	0.06	0.03		0.02	0.01	0.02	0.03	0.03	0.06	0.06	0.02	0.03
Other Central & South America	0.03	0.02		0.03	0.01	0.02	0.01	0.00	0.01	0.03	0.04	-0.01
ARA (Belgium Germany Netherlands)	0.01	0.00		0.01	0.03	-	0.00	-	0.00	-	-	-
Other Europe	0.02	0.00		0.01	0.02	0.01	0.00	-	-	-	0.03	-
FSU	0.03	0.02		0.08	0.13	0.02	0.02	0.03	0.03	0.02	0.04	-0.02
Saudi Arabia	0.00	0.00		-	-	0.00	0.00	-	-	-	-	-
Algeria	0.00	0.00		0.00	0.00	-	0.00	0.01	-	-	-	-
Other Middle East & Africa	0.01	0.00		0.01	0.00	0.00	-	-	-	-	-	-
Singapore	0.00	0.00		-	0.00	0.01	0.01	0.01	0.00	-	-	-
OECD Pacific	0.01	0.01		0.01	0.00	0.00	0.02	0.04	0.01	-	0.00	-
Non-OECD Asia (excl. Singapore)	0.01	0.00		0.02	0.00	0.02	0.03	0.06	-	-	0.03	-
Other	-	-		-	-	-	-	-	-	-	-	-
Total²	0.19	0.10		0.20	0.21	0.09	0.12	0.17	0.11	0.10	0.16	-0.06
of which Non-OECD	0.15	0.09		0.16	0.16	0.08	0.10	0.14	0.10	0.10	0.14	-0.04
OECD Europe												
OECD North America	0.02	0.03		0.01	0.00	0.01	0.01	0.00	0.02	0.03	0.01	0.03
Venezuela	0.00	0.00		-	-	-	-	-	-	-	-	-
Other Central & South America	0.00	0.01		0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-OECD Europe	0.05	0.07		0.06	0.06	0.06	0.07	0.05	0.07	0.06	0.06	-0.01
FSU	0.36	0.42		0.43	0.43	0.57	0.49	0.39	0.40	0.40	0.47	-0.07
Saudi Arabia	0.01	0.01		0.01	0.01	0.00	-	-	-	-	0.01	-
Algeria	0.04	0.02		0.02	0.02	0.02	0.03	0.04	0.01	0.00	0.01	-0.01
Other Middle East & Africa	0.02	0.02		0.01	0.02	0.01	0.01	0.00	0.01	0.00	0.01	-0.01
Singapore	0.00	0.02		0.03	0.00	-	0.00	-	-	0.01	0.07	-0.06
OECD Pacific	0.00	0.00		0.01	-	0.01	0.01	0.03	0.01	0.00	-	-
Non-OECD Asia (excl. Singapore)	0.01	0.01		0.01	0.02	0.00	0.01	0.01	0.03	0.01	0.01	0.00
Other	0.10	0.10		0.14	0.10	0.10	0.01	0.06	0.09	0.19	0.18	0.02
Total²	0.61	0.70		0.73	0.67	0.79	0.65	0.59	0.65	0.71	0.83	-0.12
of which Non-OECD	0.59	0.67		0.72	0.67	0.77	0.63	0.55	0.62	0.68	0.83	-0.15
OECD Pacific												
OECD North America	-	0.00		-	-	-	-	-	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	0.00	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	0.00	0.00		0.00	-	-	-	-	-	0.00	-	-
Other Europe	-	0.00		-	-	-	0.00	-	0.00	-	-	-
FSU	0.00	0.01		0.01	0.01	0.01	0.00	0.01	0.00	0.01	0.01	0.00
Saudi Arabia	0.00	0.00		-	-	-	-	-	-	-	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	-	0.00		0.00	-	-	-	-	-	-	-	-
Singapore	0.02	0.02		0.03	0.02	0.04	0.04	0.05	0.04	0.04	0.03	0.01
Non-OECD Asia (excl. Singapore)	0.01	0.02		0.03	0.05	0.04	0.02	0.01	0.03	0.02	0.02	0.00
Other	0.00	0.00		0.00	-	0.00	-	-	-	-	0.00	-
Total²	0.03	0.05		0.07	0.07	0.08	0.07	0.06	0.08	0.07	0.05	0.02
of which Non-OECD	0.03	0.05		0.07	0.07	0.08	0.07	0.06	0.08	0.07	0.05	0.02
Total OECD Trade²	0.83	0.85		1.00	0.96	0.96	0.84	0.82	0.84	0.88	1.05	-0.16
of which Non-OECD	0.77	0.81		0.95	0.90	0.93	0.80	0.75	0.80	0.85	1.02	-0.17

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12c
Regional OECD Jet and Kerosene Imports by Source¹
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Aug 03	Sep 03	Oct 03	Year Earlier	
											Oct 02	change
OECD North America												
Venezuela	0.03	0.02		0.02	0.02	0.04	0.03	0.03	0.02	0.05	0.03	0.02
Other Central & South America	0.02	0.01		0.01	0.01	0.03	0.02	0.01	0.02	0.01	0.01	0.00
ARA (Belgium Germany Netherlands)	0.00	-		-	0.00	0.00	-	-	-	-	-	-
Other Europe	0.00	0.00		-	-	0.00	-	-	-	-	-	-
FSU	0.00	-		-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.00		-	0.00	-	-	-	-	0.01	-	-
Algeria	0.00	0.00		0.01	0.00	0.00	-	-	-	-	0.01	-
Other Middle East & Africa	0.02	0.01		0.02	0.04	0.01	0.01	-	0.02	-	0.01	-
Singapore	0.01	0.00		0.00	0.00	0.00	0.00	0.01	-	0.01	0.00	0.01
OECD Pacific	0.05	0.04		0.05	0.01	0.02	0.05	0.04	0.05	0.02	0.08	-0.05
Non-OECD Asia (excl. Singapore)	0.01	0.01		0.00	0.01	-	0.00	-	0.01	-	-	-
Other	0.00	-		-	-	-	-	-	-	-	-	-
Total²	0.14	0.10		0.12	0.10	0.11	0.11	0.10	0.13	0.10	0.13	-0.04
of which Non-OECD	0.09	0.06		0.07	0.09	0.08	0.06	0.06	0.08	0.07	0.06	0.02
OECD Europe												
OECD North America	0.00	0.01		0.00	0.00	0.00	0.00	0.00	0.00	-	0.01	-
Venezuela	0.01	0.02		0.01	0.00	0.01	0.01	0.01	0.01	0.02	0.02	0.00
Other Central & South America	0.01	0.00		0.00	0.00	0.01	0.00	0.00	0.01	0.01	0.01	0.00
Non-OECD Europe	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FSU	0.02	0.03		0.03	0.02	0.02	0.02	0.02	0.02	0.01	0.02	-0.01
Saudi Arabia	0.03	0.02		0.01	0.01	0.03	0.01	0.01	0.01	0.00	0.01	-0.01
Algeria	0.01	0.01		0.02	0.01	0.01	0.02	0.02	0.00	0.00	0.01	0.00
Other Middle East & Africa	0.13	0.10		0.09	0.11	0.11	0.15	0.14	0.19	0.11	0.09	0.02
Singapore	-	0.01		0.00	0.00	-	0.00	-	-	0.00	-	-
OECD Pacific	-	-		-	-	0.00	0.00	0.00	0.00	-	-	-
Non-OECD Asia (excl. Singapore)	-	0.00		-	-	-	0.00	0.00	-	-	-	-
Other	0.04	0.02		0.00	0.01	0.02	0.02	0.01	0.04	0.06	0.01	0.04
Total²	0.25	0.22		0.16	0.17	0.20	0.25	0.23	0.28	0.21	0.18	0.03
of which Non-OECD	0.25	0.21		0.16	0.17	0.20	0.24	0.22	0.28	0.21	0.17	0.04
OECD Pacific												
OECD North America	-	-		-	0.01	-	-	-	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	-	-	-	-
FSU	-	-		-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.00		0.01	0.02	-	-	-	-	-	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	0.01	0.01		0.01	0.03	-	-	-	-	0.00	-	-
Singapore	0.01	0.01		0.02	0.02	0.01	0.01	0.01	0.01	0.02	0.01	0.01
Non-OECD Asia (excl. Singapore)	0.02	0.02		0.05	0.04	0.00	0.01	0.01	0.02	0.01	0.00	0.01
Other	0.04	0.05		0.07	0.07	0.04	0.03	0.03	0.04	0.08	0.04	0.04
Total²	0.07	0.10		0.16	0.18	0.05	0.05	0.05	0.07	0.11	0.06	0.06
of which Non-OECD	0.07	0.10		0.16	0.18	0.05	0.05	0.05	0.07	0.11	0.06	0.06
Total OECD Trade²	0.46	0.41		0.43	0.45	0.36	0.41	0.38	0.48	0.42	0.37	0.05
of which Non-OECD	0.41	0.37		0.38	0.44	0.33	0.35	0.33	0.42	0.40	0.29	0.11

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12d
Regional OECD Residual Fuel Oil Imports by Source¹
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Aug 03	Sep 03	Oct 03	Year Earlier	
											Oct 02	change
OECD North America												
Venezuela	0.07	0.04		0.01	0.03	0.06	0.04	0.05	0.03	0.05	0.02	0.03
Other Central & South America	0.12	0.14		0.16	0.18	0.14	0.14	0.17	0.12	0.17	0.17	-0.01
ARA (Belgium Germany Netherlands)	0.02	0.01		0.01	0.02	0.02	0.01	0.01	-	0.02	0.02	0.00
Other Europe	0.03	0.01		0.01	0.03	0.02	0.02	0.01	0.02	0.02	0.00	0.01
FSU	0.00	0.01		0.02	0.03	0.03	0.03	0.04	0.03	0.03	0.01	0.02
Saudi Arabia	0.00	-		-	-	0.00	0.00	-	-	-	-	-
Algeria	0.00	0.00		0.01	0.01	0.01	0.01	0.01	0.00	-	-	-
Other Middle East & Africa	0.04	0.02		0.02	0.05	0.03	0.02	0.02	0.02	0.03	0.03	0.01
Singapore	0.00	0.00		0.00	0.01	0.00	0.01	0.01	0.01	-	0.00	-
OECD Pacific	0.00	-		-	-	-	-	-	-	-	-	-
Non-OECD Asia (excl. Singapore)	0.01	0.00		-	-	0.00	0.01	-	0.02	0.01	-	-
Other	0.00	0.00		0.00	0.00	0.01	0.02	0.03	0.01	0.00	-	-
Total²	0.31	0.24		0.26	0.35	0.32	0.30	0.35	0.26	0.33	0.25	0.08
of which Non-OECD	0.26	0.21		0.24	0.30	0.28	0.27	0.32	0.24	0.30	0.23	0.06
OECD Europe												
OECD North America	0.02	0.02		0.02	0.00	-	-	-	-	0.02	0.01	0.01
Venezuela	0.01	0.00		-	0.00	-	-	-	-	-	-	-
Other Central & South America	0.01	0.02		0.00	0.01	0.01	0.01	0.01	0.02	0.01	0.00	0.00
Non-OECD Europe	0.01	0.01		0.02	0.01	0.01	0.01	0.01	0.02	0.01	0.02	-0.02
FSU	0.23	0.27		0.23	0.17	0.20	0.24	0.21	0.26	0.10	0.33	-0.23
Saudi Arabia	0.00	-		-	-	-	-	-	-	-	-	-
Algeria	0.00	0.01		0.01	0.00	0.01	0.02	0.02	0.02	0.02	0.01	0.00
Other Middle East & Africa	0.06	0.06		0.06	0.04	0.06	0.06	0.04	0.09	0.06	0.07	-0.01
Singapore	0.00	0.00		-	-	-	-	-	-	0.00	-	-
OECD Pacific	-	0.00		-	-	-	-	-	-	0.00	-	-
Non-OECD Asia (excl. Singapore)	-	0.01		0.01	0.01	0.01	0.02	0.02	0.02	0.00	0.02	-0.02
Other	0.06	0.07		0.09	0.06	0.08	0.09	0.13	0.07	0.28	0.08	0.20
Total²	0.40	0.47		0.43	0.31	0.38	0.45	0.42	0.49	0.50	0.55	-0.05
of which Non-OECD	0.38	0.45		0.42	0.31	0.38	0.45	0.43	0.49	0.48	0.55	-0.06
OECD Pacific												
OECD North America	0.00	0.00		0.01	-	0.00	-	-	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	0.00	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	0.00	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	-	-	-	-
FSU	-	0.00		-	-	0.00	0.00	0.00	0.00	-	-	-
Saudi Arabia	-	0.00		-	-	-	-	-	-	-	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	-	0.00		0.00	-	-	-	-	-	-	-	-
Singapore	0.01	0.01		0.01	0.01	-	-	-	-	-	0.02	-
Non-OECD Asia (excl. Singapore)	0.05	0.06		0.06	0.07	0.07	0.05	0.03	0.05	0.04	0.06	-0.02
Other	0.02	0.02		0.02	0.01	0.03	0.02	0.01	0.02	0.04	0.03	0.01
Total²	0.08	0.09		0.10	0.10	0.10	0.07	0.04	0.08	0.08	0.11	-0.03
of which Non-OECD	0.08	0.09		0.10	0.10	0.10	0.07	0.04	0.08	0.08	0.11	-0.03
Total OECD Trade²	0.80	0.80		0.79	0.76	0.80	0.82	0.81	0.83	0.91	0.91	-0.01
of which Non-OECD	0.72	0.75		0.76	0.71	0.76	0.79	0.79	0.81	0.86	0.89	-0.03

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12e
Regional OECD Trade Balances¹
(million barrels per day)

OECD North America

Net Imports/(Exports) of										Latest month vs.	
	2001	2002	4Q02	1Q03	2Q03	3Q03	Aug-03	Sep-03	Oct-03	Sep-03	Oct-02
Crude Oil	7.59	7.20	7.24	6.71	8.06	8.08	8.08	8.21	8.09	-0.12	0.61
Products & Feedstocks	1.48	1.18	1.11	1.17	1.51	1.39	1.47	1.27	1.14	-0.13	-0.16
Gasoil/Diesel	0.09	0.00	0.09	0.08	-0.02	0.06	0.11	0.09	0.05	-0.04	-0.05
Gasoline	0.55	0.56	0.45	0.48	0.74	0.55	0.55	0.46	0.46	0.00	-0.03
Heavy Fuel Oil	0.18	0.08	0.10	0.22	0.13	0.16	0.25	0.11	0.22	0.11	0.11
LPG	0.02	0.04	0.07	0.04	0.02	0.02	0.02	0.02	0.03	0.02	-0.05
Naphtha	0.06	0.04	0.03	0.03	0.09	0.09	0.07	0.06	0.07	0.01	0.03
Jet & Kerosene	0.12	0.09	0.10	0.08	0.09	0.11	0.10	0.11	0.09	-0.02	-0.02
Other	0.45	0.37	0.26	0.24	0.45	0.41	0.36	0.42	0.22	-0.20	-0.16
Total²	9.07	8.38	8.35	7.88	9.57	9.47	9.55	9.48	9.23	-0.25	0.45

OECD Europe

Net Imports/(Exports) of										Latest month vs.	
	2001	2002	4Q02	1Q03	2Q03	3Q03	Aug-03	Sep-03	Oct-03	Sep-03	Oct-02
Crude Oil	7.37	7.17	7.18	7.61	7.69	7.90	8.04	7.72	8.35	0.64	1.08
Products & Feedstocks	1.48	1.44	1.25	1.13	1.05	1.37	1.20	1.49	0.99	-0.50	-0.44
Gasoil/Diesel	0.42	0.42	0.38	0.36	0.54	0.45	0.35	0.45	0.18	-0.28	-0.26
Gasoline	-0.25	-0.34	-0.25	-0.40	-0.43	-0.36	-0.39	-0.31	-0.37	-0.06	-0.13
Heavy Fuel Oil	0.13	0.23	0.13	0.08	0.09	0.23	0.20	0.24	0.19	-0.05	-0.04
LPG	0.17	0.14	0.16	0.11	0.02	0.07	0.07	0.04	0.03	0.00	-0.12
Naphtha	0.24	0.24	0.24	0.27	0.23	0.19	0.18	0.24	0.29	0.05	0.06
Jet & Kerosene	0.21	0.20	0.17	0.11	0.15	0.22	0.19	0.26	0.16	-0.10	0.00
Other	0.55	0.56	0.43	0.60	0.45	0.58	0.60	0.57	0.51	-0.06	0.05
Total²	8.84	8.62	8.43	8.74	8.74	9.27	9.24	9.21	9.34	0.13	0.65

OECD Pacific

Net Imports/(Exports) of										Latest month vs.	
	2001	2002	4Q02	1Q03	2Q03	3Q03	Aug-03	Sep-03	Oct-03	Sep-03	Oct-02
Crude Oil	6.65	6.20	6.51	7.17	6.51	5.85	5.39	6.01	5.85	-0.16	-0.15
Products & Feedstocks	1.00	1.31	1.63	1.56	1.37	1.37	1.44	1.48	1.35	-0.13	-0.03
Gasoil/Diesel	-0.18	-0.14	-0.07	-0.08	-0.06	-0.11	-0.08	-0.08	-0.11	-0.03	0.03
Gasoline	-0.01	0.02	0.04	0.02	0.04	0.05	0.04	0.07	0.04	-0.02	0.00
Heavy Fuel Oil	-0.12	-0.02	0.02	-0.04	0.00	-0.07	-0.12	-0.06	-0.09	-0.03	-0.10
LPG	0.52	0.54	0.59	0.55	0.52	0.53	0.65	0.48	0.42	-0.06	-0.15
Naphtha	0.64	0.70	0.72	0.77	0.71	0.84	0.84	0.83	0.82	-0.01	0.10
Jet & Kerosene	-0.03	0.00	0.08	0.14	-0.02	-0.02	-0.01	0.02	0.11	0.08	0.16
Other	0.18	0.20	0.26	0.21	0.18	0.16	0.13	0.23	0.17	-0.06	-0.06
Total²	7.65	7.51	8.14	8.73	7.88	7.22	6.83	7.50	7.20	-0.29	-0.17

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halff (+33) 0*1 40 57 65 93 e-mail: antoine.halff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org
	Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France
Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 69
E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

Readers are referred to the Users' Guide, published in conjunction with the Annual Statistical Supplement (current issue dated 11 August 2003), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to US\$ per barrel according to the Platt's specification of products (©2004 Platt's - a division of McGraw-Hill Inc.).

The monthly Oil Market Report is published on the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member Governments, largely on the basis of information received from oil companies, neither governments nor companies necessarily share the Secretariat's views or conclusions as expressed therein. ©OECD/IEA2004

11 February 2004

HIGHLIGHTS

- World oil supply held level in January at 82.1 mb/d. Non-OPEC production rose 130 kb/d while OPEC crude supply fell by 145 kb/d. The rise in non-OPEC production came from strong Russian growth and a recovery in both North Sea and deepwater Brazilian output.
- OPEC-10 crude production was 25.8 mb/d in January or 1.3 mb/d above the November target. Production in Iran, Saudi Arabia, Kuwait, UAE and Algeria eased. Iraq's output rose to 2.0 mb/d in January, up 70 kb/d. Effective OPEC spare capacity is assessed at 1.5 mb/d.
- Global oil demand growth for 2004 has been raised by 220 kb/d to 1.4 mb/d. Growth is surging in some developing economies, led in part by Chinese economic expansion, but temporarily slowing in the OECD, where the reversal of one-off factors that lifted demand last winter is dampening the economic recovery's impact on oil demand.
- OECD industry oil stocks fell 1.26 mb/d in December and 0.46 mb/d in 4Q 2003, closing 56 mb above last year. Forward demand cover remained at historical lows of 51 days. Crude stocks were tight in the US but returned to more comfortable levels in Europe and the Pacific.
- Benchmark WTI and Brent averaged above \$34 and \$31 per barrel respectively in January, supported by low US crude stocks, colder weather and strong East Asian demand. Asia Pacific refinery margins remained firm drawing arbitrated crude and product into the region.

Next Issue: 11 March 2004

CONTENTS

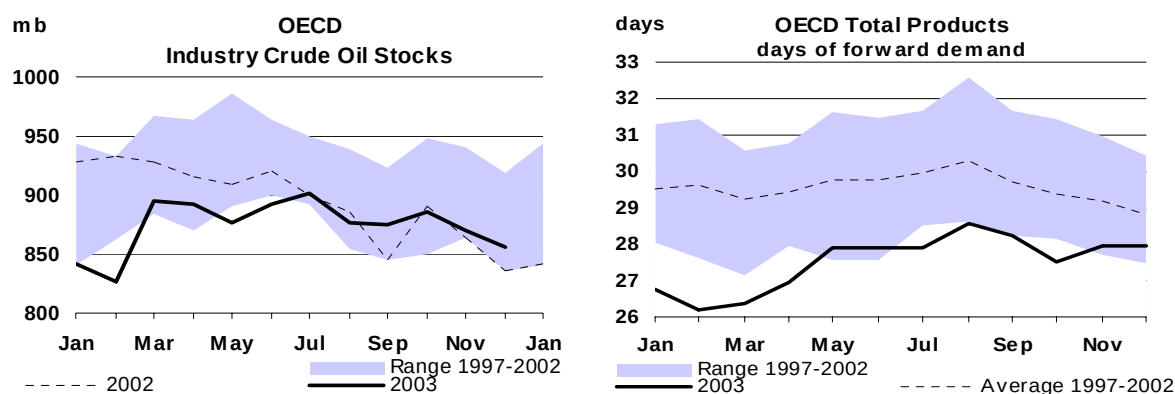
HIGHLIGHTS.....	1
A MATTER OF BALANCE.....	3
DEMAND	4
Summary	4
OECD.....	5
Early Indications of Current Demand	5
North America	8
Pacific.....	8
Europe	9
Non-OECD.....	10
China	10
Other non-OECD	11
SUPPLY.....	14
Summary	14
OPEC	15
Iraq – Supply Levelling Off?.....	17
OECD.....	18
North America	18
US Gulf of Mexico Growth Trend Set to Resume.....	19
North Sea.....	20
Asia Pacific.....	21
Former Soviet Union (FSU)	21
Other Non-OPEC.....	23
OECD STOCKS.....	24
Summary	24
OECD Industry Stock Changes in December 2003.....	25
Revisions to Preliminary OECD Stocks and Inventory Position at End-December	25
OECD Regional Stock Developments	26
North America	26
Europe	27
Pacific.....	27
Singapore Stock Developments in January	28
PRICES AND REFINERY ACTIVITY	30
Summary	30
January Overview	31
Crude Oil Prices.....	32
Spot Crude Prices and Differentials in January	32
Crude Futures in January.....	34
Delivered Crude Prices in November	35
Product Prices.....	35
Spot Product Prices in January	35
Product Futures in January	37
End-User Product Prices in January.....	38
Freight.....	40
Refining Margins in January	40
OECD Refinery Throughput in December.....	42
TABLES	44
OIL MARKET REPORT CONTACTS	

A MATTER OF BALANCE

OECD industry oil stocks have been tight throughout much of 2003 in response to supply disruptions out of Venezuela, Nigeria and Iraq, the global economic recovery, surging Chinese demand, producer supply management policies and more. More recently, oil stocks have edged back within their five-year range, albeit from depressed levels. Seasonal factors suggest that this trend is likely to continue.

Preliminary data indicate that observed OECD industry oil stocks drew 1.3 mb/d in December and 0.5 mb/d over the fourth quarter, but not enough to offset an annual build of around 0.2 mb/d. This contrasts with a 0.4 mb/d draw over 2002. The December draw follows a 32 mb, or 1.0 mb/d, upward revision to November preliminary estimates. Total OECD industry stocks closed year-end 2003 at 2521 mb or 56 mb above opening January levels.

Crude oil prices remain strong, supported by a combination of factors including low stocks, low spare production capacity, geopolitical uncertainties, Iraq's production profile, weather, fuel substitution into oil and the pace of the global economic recovery to mention a few. Prices are also supported by structural factors. Tight stocks in the major pricing centres, notably the US mid-continent for crude oil and the US east coast for gasoline and heating oil products are driving international pricing relationships. US regional markets have undue influence over global price developments given a lack of weekly reporting, physical benchmarks and available futures contracts in other areas.



Every data collection system lacks complete statistical capture. The OECD reporting system is no exception. Statistical error creeps into our balances due to inherent time lags, commercial sensitivities, reporting errors, conversion factors, reporting coverage and industry restructuring etc. The situation is even more tenuous with respect to non-OECD data. Many countries around the world simply have no data collection system whatsoever, and most report on a quasi annual basis. Commercial sensitivities limit access to accurate supply and stock data. Demand, even in some major economies such as China and Russia, can only be inferred.

Contrasting one reporting agency's position with that of others requires careful regard to differences in methodologies and procedures. The IEA reports observed OECD industry stocks submitted by Member governments and industry associations. Some analysts persist in equating the IEA's "miscellaneous to balance" item with non-OECD industry stock changes. This is incorrect as we should all remember. Miscellaneous to balance is a statistical balancing item of non-observed demand and supply and unreported OECD and non-OECD stocks. The IEA does not force a supply-demand balance because to do so requires unsubstantiated speculation.

The IEA has in the past sought to model non-OECD stock movements. We have engaged industry groups and consultants, but as yet there is no model that would allow us to predict non-OECD stocks with any confidence. One can impute and force a balance, but the results are uncertain.

Global stocks have a potential for growth in the next few months subject to the pace of the economic recovery and producer supply policies. More trapped oil should soon find its way out of the Turkish Straits. Refinery maintenance in North America should support a build in US crude oil stocks, albeit from extremely depressed levels, while significantly higher volumes of oil on the water heading east should help to replenish a thirsty Asian market. A return to more normal inventory conditions should ease price and market volatility.

DEMAND

Summary

- The assessment of global oil demand growth for 2004 has been revised upwards by 220 kb/d, to 1.44 mb/d, while that for 2003 has been raised to 1.5 mb/d, a 50 kb/d increase. Global oil demand is now forecast to climb to 79.9 mb/d in 2004, from 78.46 mb/d in 2003.
- Oil demand growth is surging in some developing economies - led in part by strong economic growth in China and the region – but appears to be temporarily slowing in the OECD, due to the reversal of one-off factors that boosted growth last winter. Non-OECD demand growth is forecast to accelerate to 1.10 mb/d or 3.7% – the fastest since 1997 - in 2004, from an estimated 800 kb/d in 2003. OECD demand is expected to slow to 340 kb/d from 700 kb/d in 2003, though growth appears set to regain momentum in the second half of the year.

Global Oil Demand from 2002 to 2004

	Demand (mb/d)	Annual Change* (%)	Annual Change* (mb/d)	Changes from last month's Report (mb/d)
1Q02	76.9	-1.0	-0.8	-
2Q02	75.2	-0.5	-0.4	-
3Q02	76.7	0.7	0.5	-
4Q02	79.1	1.5	1.2	-
1Q03	79.1	2.8	2.1	-
2Q03	76.1	1.2	0.9	0.1
3Q03	78.2	2.1	1.6	0.2
4Q03	80.4	1.7	1.4	-0.1
1Q04	80.4	1.6	1.3	0.4
2Q04	77.7	2.1	1.6	0.3
3Q04	79.6	1.8	1.4	0.4
4Q04	81.9	1.8	1.5	-
2002	77.0	0.2	0.2	-
2003	78.5	2.0	1.5	-
2004	79.9	1.8	1.4	0.3

* year-on-year change

- The assessment of demand growth for the developing economies has been raised by 270 kb/d for 2004 and 80 kb/d for 2003. This reflects primarily the strong pull of Chinese economic expansion on neighbouring economies, upward adjustments to Middle East demand in line with the region's economic and demographic growth, signs of economic and oil demand recovery in Latin America and minor upward adjustments in China.

Estimated Annual World Oil Demand Growth 1999-2004

	(million barrels per day)					
	99-98	00-99	01-00	02-01	03-02	04-03
North America	0.71	0.26	-0.06	0.16	0.38	0.28
Latin America	0.02	-0.01	0.02	-0.11	-0.13	0.07
FSU	-0.15	0.09	-0.01	-0.20	0.08	0.03
Europe	-0.15	-0.11	0.20	-0.18	0.18	0.18
OECD Pacific	0.28	-0.08	-0.08	-0.04	0.15	-0.11
China	0.21	0.26	0.12	0.27	0.54	0.34
Other Asia	0.41	0.09	0.16	0.11	0.12	0.34
Subtotal, Asia	0.90	0.28	0.20	0.34	0.81	0.57
Middle East	0.04	0.18	0.19	0.13	0.14	0.26
Africa	0.11	0.05	0.09	0.01	0.04	0.04
World	1.48	0.73	0.62	0.15	1.50	1.44

- Chinese apparent demand appears to have reached a plateau near historic highs of 5.75 mb/d-5.8 mb/d. The seasonal dip in manufacturing activity of the Lunar New Year holiday did little to dent refinery utilisation rates, which held at record levels. After peaking at around 16% in the third quarter, year-on-year apparent demand growth has eased somewhat to a still steep 12% in the fourth quarter and 10% in early 2004, as capacity constraints cap consumption increases.
- In contrast with the developing economies, the assessment of OECD demand growth for 2003 has been trimmed by 30 kb/d, as a 200 kb/d downward adjustment in the fourth-quarter was only partly offset by increases of 10 kb/d and 70 kb/d in the second and third quarters. A third-quarter contraction in OECD Asian demand deepened in the fourth quarter, with Japanese consumption contracting sharply in November and December. This stemmed from a reversal of one-off factors that fuelled demand a year earlier, including colder-than-normal winter weather and nuclear plant problems. At the same time, North American demand expanded more slowly than expected, as the pull of robust economic growth was dampened by reduced fuel-switching into oil by electric utilities and industrial users and milder fourth-quarter temperatures than a year earlier.
- OECD demand recovered in December after slipping into contraction across all main regions in November, when a 560 kb/d drop in Japan led aggregate decline of 840 kb/d. Preliminary data for eight of the largest OECD economies suggest that OECD demand expanded by 530 kb/d in December, as gains in Europe and North America more than offset continued decline in Asia.

Global Oil Demand by Region

(million barrels per day)

	Demand	Annual Change			Annual Change (%)		
	2003	2002	2003	2004	2002	2003	2004
North America	24.55	0.16	0.38	0.28	0.7	1.6	1.1
Europe	16.01	-0.18	0.18	0.18	-1.1	1.2	1.1
OECD Pacific	8.64	-0.04	0.15	-0.11	-0.5	1.7	-1.3
China	5.49	0.27	0.54	0.34	5.9	10.9	6.2
Other Asia	7.80	0.11	0.12	0.34	1.4	1.6	4.4
Subtotal Asia	21.93	0.34	0.81	0.57	1.6	3.8	2.6
FSU	3.53	-0.20	0.08	0.03	-5.5	2.2	0.9
Middle East	5.20	0.13	0.14	0.26	2.6	2.8	4.9
Africa	2.60	0.01	0.04	0.04	0.5	1.5	1.7
Latin America	4.65	-0.11	-0.13	0.07	-2.3	-2.6	1.5
World	78.46	0.15	1.50	1.44	0.2	2.0	1.8

OECD

Early Indications of Current Demand

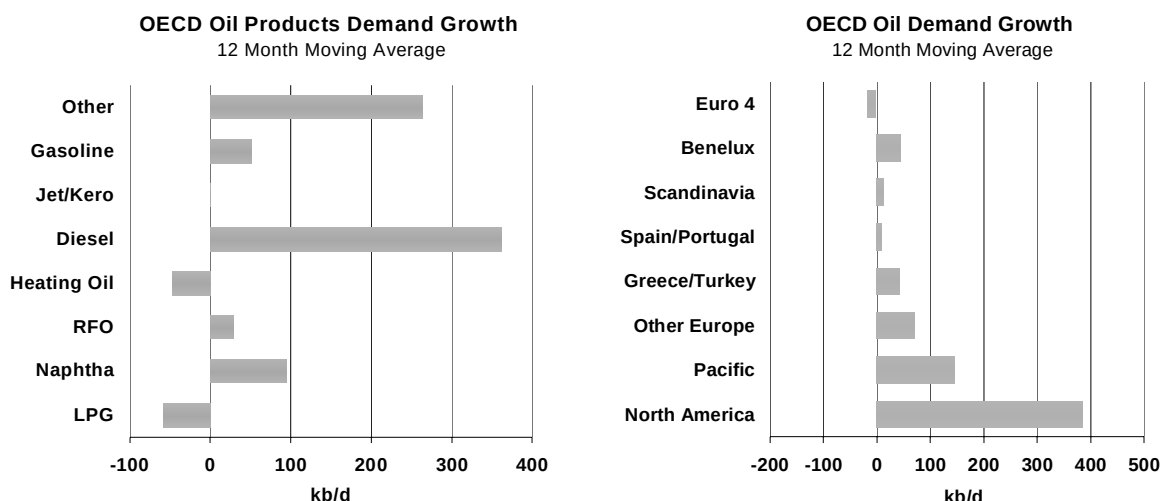
One-off factors – such as unusually cold weather and problems affecting nuclear power output in Japan, natural gas supply and prices in the US and hydroelectricity generation in Europe – had played a key role in boosting oil demand last winter despite still sluggish economic growth. So it was expected that the reversal of those factors would undermine oil demand growth this year, partly offsetting the impact of much stronger economic recovery in Asia and North America. However, preliminary data for December and revisions to November and October data suggest that the reestablishment of more “normal” conditions put more of a break on OECD demand growth in the fourth quarter than expected. OECD demand growth appears to have slowed substantially from the third to the fourth quarter, with the year-on-year increment narrowing to an estimated 210 kb/d from 470 kb/d in the third quarter. While the reversal of the one-off factors that boosted demand last year will likely continue to dampen OECD demand growth through the first half of 2004, its impact will possibly fade with the end of winter, setting the stage for more robust growth in the second half of the year.

The revised fourth-quarter demand estimate represents a downwards adjustment of 200 kb/d from last month’s Report, reflecting both faster-than-expected contraction in OECD Asia and slower-than-forecast growth in North America. In both instances, the reduction reflects below-expectation heating demand and fuel switching into oil.

In contrast with prior months, preliminary oil delivery data for December for eight of the largest OECD economies came in slightly above forecasts, as stronger-than-expected demand in France and Italy offset weak deliveries in Japan and Korea. On aggregate, the assessment of OECD demand

growth for the month has been raised by 60 kb/d, to 530 kb/d. But preliminary estimates for November were revised sharply lower, including reductions of 275 kb/d in the assessment of North American demand and 240 kb/d for OECD Europe. Preliminary estimates of a steep contraction in OECD Asia-Pacific demand were left roughly unchanged, with the drop now assessed at 560 kb/d, slightly wider than last month.

That contraction in Asian demand now appears compounded by an aggregate 250 kb/d reduction in Europe and a 30 kb/d contraction in North America, leaving overall OECD November demand 840 kb/d below last year. In addition, delayed Monthly Oil Statistics (MOS) submissions for several OECD countries came in below forecasts, cutting the October demand estimate by an aggregate 180 kb/d.



One should bear in mind that MOS data remain subject to revisions for months after their initial submission and that fourth-quarter demand estimates thus may still be adjusted upwards. A 140 kb/d upward revision in US deliveries of middle distillates (diesel and “other gasoil”, predominantly heating oil) and a 110 kb/d increase in Canada for September thus hike third-quarter OECD demand estimates by 70 kb/d, partly offsetting the fourth-quarter cut. US resubmissions of delivery data for June also have raised the second-quarter estimate by 10 kb/d.

Reduced fuel switching into oil compared to the previous year was the main drag on demand growth in the fourth quarter, reflecting improved nuclear power generation availability in Japan, more ample natural gas supplies and efficiency gains at power generators in the US, higher hydropower output in Europe and milder winter temperatures across the OECD. Improved availability of non-oil energy sources will likely continue to undermine oil demand going forward. However, fuel-switching patterns are also predicated on the weather, that proverbial wildcard. While the peak winter heating season is soon coming to an end, any switch to colder temperatures, such as the arctic snap that swept through parts of the US in January, can thus cause oil demand to spike. Indeed, weekly US demand estimates point to a rebound in residual fuel oil demand in January, while low-sulphur, 55-grade kerosene, a jet fuel feedstock, may also have been used as boiler fuel in combined-cycle gas turbines.

In contrast with heating and industrial fuels, transportation-fuel and petrochemical feedstock demand proved more resilient, in line with the global economic recovery. OECD diesel demand soared by nearly 300 kb/d in the fourth quarter, bringing average growth for 2003 to 350 kb/d. Fourth-quarter gasoline demand increased by 90 kb/d, despite contracting by the same amount in OECD Europe, where motorists have been switching out of gasoline in favour of more efficient diesel engines.

Demand for jet fuel-kerosene bucked the trend, contracting by 100 kb/d in the fourth quarter, compared to a 50 kb/d drop in both the second and third quarter. But the fourth-quarter dip was exaggerated by weak heating demand in Northeast Asia, where kerosene is used as a winter fuel, and exceptionally high US demand a year earlier, when jet fuel was used for blending into the heating oil pool in the US Northeast and stockpiled for civilian and military use ahead of the Iraq war. More recently, North American jet fuel deliveries might have been higher if low-sulphur kerosene burning at power plants had not curtailed jet fuel supplies at several Atlantic Coast airports. Once these are stripped out, demand from the airline industry appears on the mend.

Unadjusted preliminary oil delivery data for December for eight of the largest OECD economies, shown in the table above, suggest a marked recovery from the demand contraction of November. Demand for diesel and “other products” led the growth, but the trend was largely offset by steep contraction in “other gasoil” (heating oil) and residual fuel oil, reflecting weaker heating and utility demand. Demand for jet fuel-kerosene continued to decline but further narrowed the deficit to the previous year despite steep contraction in Japan, where warmer-than-normal weather in November and December dented consumption.

Preliminary Inland Deliveries – December 2003¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	8.87	-0.3	1.67	-7.1	2.691	5.9	1.194	-14.3	0.61	-26.3	5.01	11.8	20.05	0.6
Canada	0.69	3.8	0.10	1.0	0.40	13.5	0.14	-2.9	0.18	27.1	0.23	7.6	1.73	7.7
Mexico	0.67	7.9	0.06	13.7	0.31	10.4	0.00	Na	0.31	-19.3	0.44	8.1	1.79	2.5
Japan	1.12	2.6	1.00	-7.1	0.69	-2.8	0.61	-5.0	0.52	-18.0	1.81	-1.8	5.76	-4.1
Korea	0.16	-11.5	0.06	16.4	0.43	-5.9	0.25	-25.5	0.37	2.2	1.14	5.2	2.42	-2.5
France	0.27	6.2	0.13	1.6	0.62	12.6	0.39	18.9	0.07	25.8	0.50	10.6	1.98	12.0
Germany	0.56	-6.6	0.14	5.8	0.53	-3.4	0.59	-5.8	0.12	-2.7	0.41	-4.0	2.34	-4.4
Italy	0.35	-5.2	0.07	3.0	0.47	6.0	0.17	-3.2	0.25	10.1	0.45	5.1	1.75	2.8
Total	12.70	-0.3	3.23	-2.3	6.14	4.4	3.34	-8.3	2.43	-10.9	9.99	7.0	37.82	0.3

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

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

1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

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

Broken down by countries, the preliminary data confirm a deepening divergence in demand patterns in North America, where deliveries increased by an aggregate 1.2%, and in Japan and Korea, where combined oil deliveries retreated by 3.4% year-on-year. Weaker utility and heating demand in Japan made up the bulk of the decline. Reduced Japanese fuel-switching into oil for power generation, reflecting in part higher nuclear power output, should continue to depress first-quarter OECD Asian demand, despite a turn to more normal winter weather and further signs of an economic upturn in Japan.

Europe was a mixed bag, with soaring demand in France offsetting further decline in Germany. In both countries, however, December data may not be indicative of a trend. The French demand spike was likely a one-off event, offsetting weak deliveries a month earlier and reflecting price-driven buying ahead of an oil tax increase in January. In Germany, weak heating oil deliveries combined with brief cold spikes in January appeared to set the stage for a recovery in distillate demand.

Moving Annual Average Change in Oil Demand* – December 2003

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	-4.4%	6.7%	0.8%	-2.8%	5.3%	0.2%	8.4%	4.3%	1.3%	247
Canada**	2.3%	-4.0%	1.6%	5.4%	-4.6%	4.9%	14.2%	-0.5%	3.0%	62
Mexico	-1.5%	-4.7%	6.2%	0.2%	8.9%	8.9%	-10.8%	43.0%	3.4%	67
Japan	-2.7%	1.5%	0.9%	-0.6%	-3.8%	1.0%	16.2%	11.8%	2.2%	118
Korea	-4.2%	2.9%	-5.4%	-1.1%	5.0%	-0.5%	-0.1%	-46.3%	1.0%	21
France	2.2%	22.0%	-6.7%	10.6%	0.6%	5.3%	-2.6%	15.3%	3.9%	78
Germany	0.3%	-4.1%	-5.2%	2.7%	9.4%	-10.9%	-0.4%	-17.1%	-3.1%	-85
Italy	6.4%	27.6%	0.8%	35.8%	11.5%	-19.2%	-14.3%	-5.0%	0.1%	1
UK	-1.3%	51.2%	-4.6%	0.1%	1.9%	1.9%	2.4%	-9.6%	-0.7%	-12
Total	-2.6%	4.0%	0.3%	-0.1%	4.2%	-1.6%	1.7%	5.7%	1.3%	499
kb/d	-111	104	41	-5	248	-55	54	208	499	

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

** near-month data are estimated

North America

US demand growth slowed from 400 kb/d in the third quarter to 150 kb/d in the fourth quarter, as strong growth in gasoline and diesel demand was partly offset by contraction in residual fuel oil and “other gasoil”. Demand growth is expected to remain below 150 kb/d in the first quarter of 2004, subsequently ramping up through the rest of the year as the economic recovery continues to take hold.

The slowdown in demand growth reflects a reversal from last winter’s pattern, when cold temperatures followed by a spike in natural gas prices triggered a surge in oil demand for space heating and power generation. Heating and power generation demand for oil weakened markedly in the fourth quarter on a year-on-year basis in line with milder temperatures and more abundant natural gas supplies. Deliveries of residual fuel oil - under normal circumstances the most competitive fuel relative to natural gas - contracted in the fourth quarter for the first time in more than a year. Meanwhile, a downturn in heating oil demand continued for the third consecutive quarter, with the deficit to the previous year deepening from 20 kb/d in the second quarter to 70 kb/d in the third quarter and 130 kb/d in the last three months of 2003.

Weather partly accounts for the reversal, but so do technological and environmental factors. Temperatures were milder in the fourth quarter than they were a year earlier, undermining heating demand. A frigid wave of arctic weather gave heating demand a boost in January, allowing residual fuel demand to bounce back to year-earlier levels or perhaps even higher. Yet gasoil demand remained below last year’s level. And natural gas is increasingly becoming the fuel of choice for dual-fuel power generators, even when cold weather pushes natural gas prices higher. Efficiency gains at power plants have increased utilities’ tolerance for high natural gas prices, with availability and deliverability issues - rather than high price - providing the main break on consumption. And although natural gas prices have been relatively hefty this winter, reserves have remained well above last year and are still comparatively plentiful after last month’s steep, weather-related withdrawals from storage, easing earlier concerns about potential supply constraints. Power generators are even less likely to switch into oil once environmental factors and emission requirements are taken into account. With the end of winter in sight and weather forecasts calling for milder temperatures, the upside potential for further gains in heating and power generation demand thus appears limited.

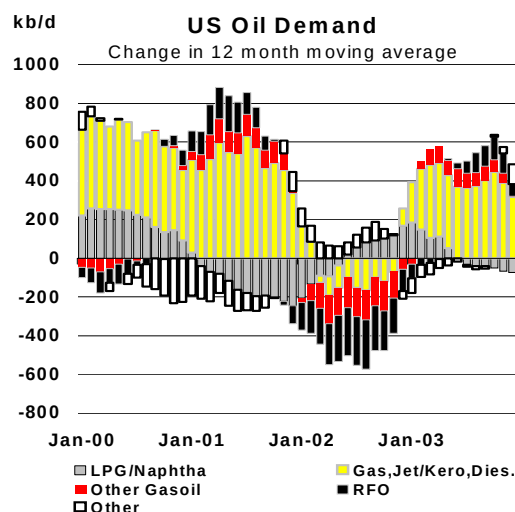
While technological changes appear to have reduced the potential for fuel switching into oil by power generators and industrial users, it also seems to have altered the mix of oil products used as substitute for natural gas. Anecdotal evidence suggests fuel switching into oil in the US last month was thus at least in part targeted at low-sulphur kerosene rather than residual fuel oil, which the new combined cycle gas turbines - in effect modified jet engines - cannot burn. Increased utility demand for low-sulphur kerosene, counted under “other products” in weekly US oil delivery statistics, explains spot jet fuel shortages at some East Coast airports last month and may partly account for part of a surge in “other products” demand in preliminary US delivery surveys.

Pacific

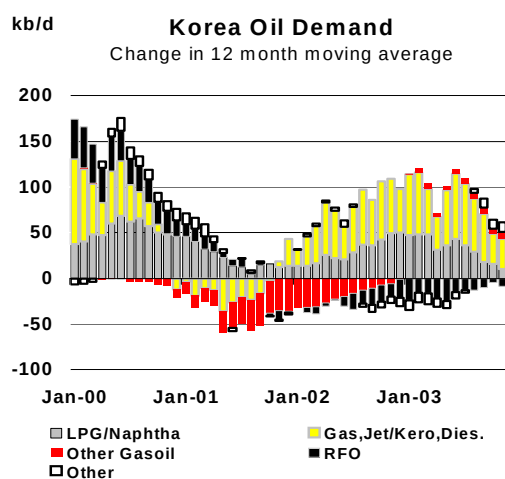
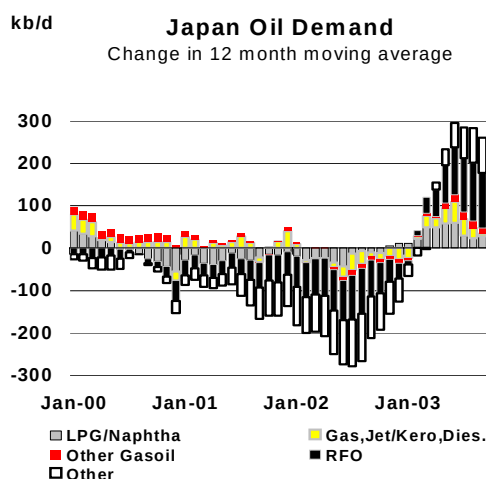
A contraction in OECD Asian demand deepened in the fourth quarter to a year-on-year dip of 210 kb/d, following a 150 kb/d retreat in the third quarter. Weakening OECD Asian demand primarily reflected the reversal of one-off factors that fuelled unusually high consumption in the previous year, with mild winter weather and reduced utility fuel-switching into oil from nuclear succeeding last winter’s cold temperatures and nuclear power plant problems.

Jet fuel-kerosene led the fourth-quarter decline with a 100 kb/d dip, as normal, or warmer-than-normal, winter weather in Japan and Korea replaced last winter’s unusually cold temperatures. Reduced requirements from the Japanese power generation sector also accounted for the drop.

After surging early last year, OECD Asian demand for residual fuel oil and “other products” (including heavy, sweet crude used for direct burn at Japanese thermal power plants) slowed to a crawl in the third quarter and swung into contraction in the fourth quarter. A controversy over safety



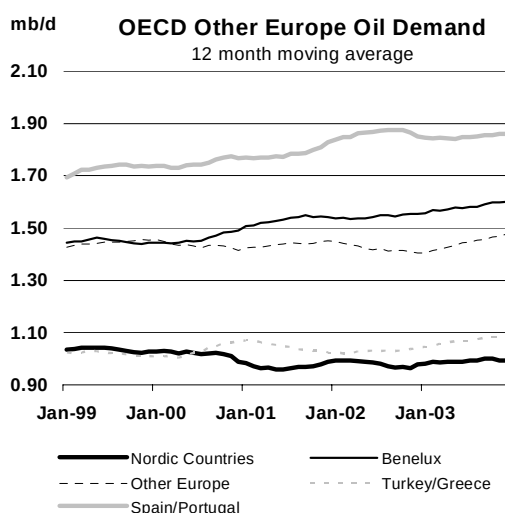
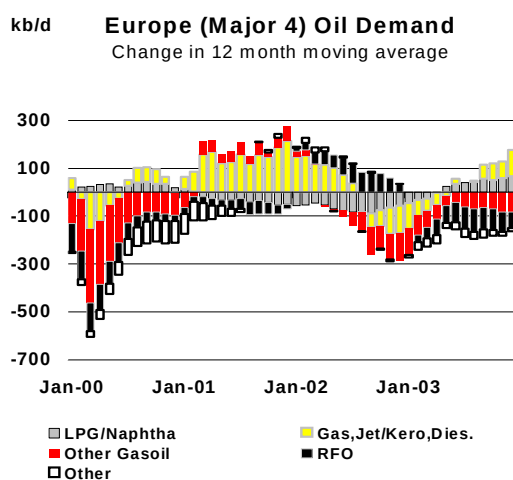
inspection records in September 2002 had forced Tokyo Electric Power Co. (Tepco) gradually to take down its boiling-water (BWR) nuclear power plants, until all 17 units were shuttered last April. Additional plants closed by other utilities. Although Tepco is making slow progress in restarting its plants, nuclear power generation is on an upswing. Tepco restarted a sixth plant last month, and output at other units, including pressurised water reactors, appears to be maximised. Reduced electricity demand and greater availability of other boiler fuels such as coal and LNG also is undermining oil demand.



In Korea, reduced transportation fuel demand may be partly misleading. Korean gasoline demand contracted in the fourth quarter, by 10 kb/d, its fourth consecutive quarterly decline. In contrast with previous quarters, the decline was not compensated by an increase in diesel. Rather, diesel deliveries contracted for the first time in five years, albeit marginally. However, anecdotal evidence suggests that motorists have been increasingly using diluents - sold unofficially at city crossroads - as transportation fuel, following changes in taxation that make the product attractively priced. Although the use of diluents as fuel is damaging to automobile engines, this may not be a major concern given the high turnover of the Korean vehicle fleet. Indeed, Korean delivery data seem to suggest a slight increase in "other product" demand in recent months.

Europe

European demand bucked the OECD trend, with deliveries picking up momentum from 90 kb/d growth in the third quarter to a 190 kb/d advance in the fourth quarter. The assessment of November demand was revised downwards by 240 kb/d, to show contraction of 250 kb/d, led by a 220 kb/d decline in the four largest European economies. But the drop was offset by a steep rebound in December, when estimated European demand surged by 510 kb/d, of which 310 kb/d were in the four largest economies.



Not too much should be read into that roller coaster. A 210 kb/d contraction in German heating oil demand accounted for the bulk of the November dip. German heating oil demand contracted again in December, for the seventh consecutive month, albeit by a smaller amount, and appeared set for a first-quarter rebound, prodded by intermittently cold weather in January and early February. Meanwhile, a 270 kb/d, or 14%, surge in French oil deliveries single-handedly accounted for more than half of the December jump - a clearly unsustainable rate that reflected both an offset from poor deliveries in November and “borrowed” first-quarter demand ahead of an oil tax increase in January.

Beneath the statistical noise of one-month booms and busts, demand for transportation fuels is continuing apace. OECD European diesel demand expanded by an estimated 290 kb/d in December, bringing third-quarter average growth to 220 kb/d, and more than offsetting a 90 kb/d third-quarter decline for gasoline. However steep the growth in OECD European diesel demand indicated by MOS data may appear, consumption increases may not be fully captured in the statistics. In the case of Spain, for instance, diesel demand averaging 350 kb/d for 2003 likely understates actual consumption, with additional volumes likely bundled with other middle-distillate products in the 270 kb/d of “other gasoil” demand. Although that heading is often assumed to cover mostly heating oil, in the case of Spain identified heating-oil demand comes only to about 50 kb/d, or less than 20% of “other gasoil”. The remainder, roughly 220 kb/d, consists of agricultural diesel, middle distillates used as marine bunkers, and unspecified middle distillates, of which diesel may well account for a large portion. Not insignificantly, the trend if Spanish “other gasoil” deliveries has been closely tracking the increase in diesel demand, while the trend in identified heating oil consumption has been edging lower over the years.

Non-OECD

China

Chinese apparent demand – the sum of domestic product output and net product imports – appears to have reached a plateau near the record 5.8 mb/d around which it has been hovering since August. While infrastructure constraints, including refining capacity limitations, appear to be putting a break on further growth in the short-term, the potential for a downturn in demand seems equally limited. While refinery and distributor gasoline and gasoil inventories have been allowed to rebuild since the shortages of the third and fourth quarters, stocks are not high enough to warrant reductions in refinery throughputs or a marked pickup in exports. While the Lunar New Year holiday typically marks a slowdown in Chinese manufacturing activity, refineries kept humming through the seasonal lull. Although detailed statistics for January and December are still unavailable, with the release of several December data sets delayed by the New Year celebrations, preliminary indications suggest that refining throughput reached a new record high in December, and anecdotal reports indicate that most refiners had planned for minor throughput increases in January and February.

China Crude & Product Trade

(thousand barrels per day)

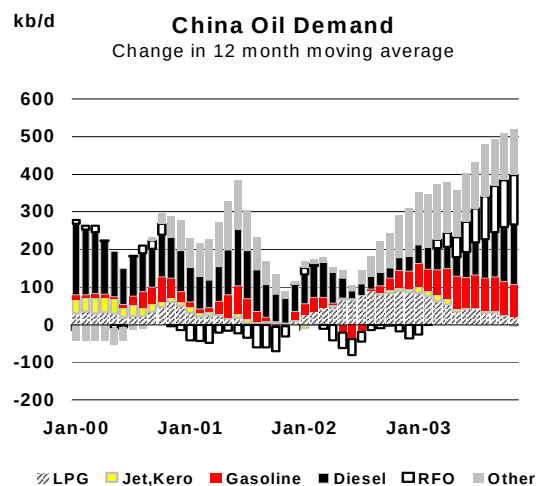
	2001	2002	4Q02	1Q03	2Q03	3Q03	Sep 03	Oct 03	Nov 03	Latest month vs. Oct 03 Nov 02	
Net Imports/(Exports) of:											
Crude Oil	1044	1247	1192	1652	1556	1731	2211	1537	1654	117	149
Products & Feedstocks	329	361	373	320	415	586	568	505	414	-92	-6
Gasoil/Diesel	0	-16	-41	-31	-32	-42	-53	1	-14	-14	17
Gasoline	-134	-142	-152	-173	-191	-184	-214	-144	-129	15	2
Heavy Fuel Oil	313	281	336	334	401	531	547	338	365	27	19
LPG	155	197	189	184	209	211	210	200	168	-33	-4
Naphtha	-19	-16	-15	-16	-25	-22	-29	-22	-24	-2	-20
Jet & Kerosene	8	9	23	-11	4	15	35	25	-1	-26	-32
Other	5	48	32	32	50	77	72	106	49	-58	13
Total	1372	1609	1565	1972	1972	2317	2778	2042	2068	26	143

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

Looking forward, further expansion in apparent demand appears likely, as Chinese oil companies scramble to avoid future shortages. Several previously unannounced refining capacity increases and debottlenecks have appeared on the planning board, including a 140 kb/d crude distillation capacity expansion at Sinopec’s Shanghai Petrochemical plant and a combined increase of roughly 70 kb/d at its Tahe plant in Xinjiang and its Xi’an refinery in Shaanxi. The WEPEC refinery in Dalian is also

due for a 40 kb/d capacity hike by end-2004. While these projects will allow Chinese oil companies to boost product output, each new or expanded facility will also call for an increase in minimum operating levels, thus briefly boosting demand. This also applies to the many storage facilities currently under construction in China, as well as to Sinopec's new 400-kb/d, 670 km Ningbo-Shanghai-Nanjing crude oil pipeline set to start up this month.

Strong demand for products has added a measure of uncertainty to Chinese oil demand estimates by boosting activity at small independent refineries along China's eastern seaboard, most of which escape the scope of official statistics. There have been a growing number of reports on those "unofficial" facilities in recent weeks, in both privately-run Chinese and industry trade publications and state-controlled newsletters. Chinese government media have also openly commented on the increase in unreported oil product trade, noting that product barrels produced above refineries' output targets often found their way into the "unofficial" market. This might go some way towards explaining a recent reduction in refinery yields implied in official statistics. There has also been talk of an increase in pilfering by residents along product pipelines. By and large, increases in such activities, although by definition difficult to quantify, suggest that official statistics would tend to understate product demand. Increased activity at small refineries also points to potential distortions in the product breakdown of Chinese demand. Because many small refineries run on straight-run fuel oil to make off-spec or "substandard" diesel, demand statistics might be overstating residual fuel oil demand at the expense of diesel.



Other Non-OECD

The estimate of demand growth in other non-OECD Asian countries has been raised by 100 kb/d for 2004, reflecting an expected pick-up in economic growth as well as evidence of stronger demand growth in India and Thailand and higher product imports in Vietnam. China's economic expansion is pulling regional economies along, in turn stimulating product demand. In India, abundant rainfall has cleared the path to a recovery in agricultural demand for oil, reversing the effect of last year's drought-stricken harvest.

India Crude & Product Trade

(thousand barrels per day)

	2001	2002	4Q02	1Q03	2Q03	3Q03	Sep 03	Oct 03	Nov 03	Latest month vs.	
										Oct 03	Nov 02
Net Imports/(Exports) of:											
Crude Oil	1604	na	1643	1752	1957	1801	1975	2029	1900	-129	310
(by Public Oil Cos)	934	1088	1108	1137	1317	1137	1179	1299	1366	67	218
Products & Feedstocks	-28	-83	4	-125	-185	-205	-269	-85	-178	-93	-177
Gasoil/Diesel	-54	-53	-35	-113	-120	-144	-213	-110	-127	-17	-112
Gasoline	-20	-48	-45	-66	-71	-88	-88	-70	-46	24	7
Heavy Fuel Oil	22	6	2	-10	24	13	-4	14	-24	-38	-5
LPG	20	22	52	75	28	38	59	56	63	7	13
Naphtha	9	4	24	13	-43	-3	7	51	-8	-59	-29
Jet & Kerosene	29	10	8	-14	-3	-28	-37	-30	-50	-20	-63
Other	-34	-23	-2	-11	-1	7	8	5	13	8	13
Total	1576	1005	1647	1627	1771	1596	1706	1944	1722	-222	133

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

Yearly data for net imports of crude oil for 2002 are not available. For 2002, "Total" indicates the sum of net crude oil imports by public oil companies and net products & feedstock by public, private and joint venture companies.

Many Asian economies lack reliable or timely statistics on oil product demand, so in many cases oil demand trends have to be inferred from general economic conditions and changes in infrastructure, such as developments in the power generation and transportation networks. Further indications are

provided by crude oil trade flows. Eastern Asia has become the primary destination of a large proportion of the crude oil trade in recent months, providing additional evidence of an increase in regional demand.

Middle Eastern demand growth has been raised by 60 kb/d for both 2003 and 2004, reflecting the impact of sustained high oil revenues and rapid economic and demographic growth. Automobile sales have been booming across the Middle East, thanks to the coming of age of new generations of drivers, oil profits and low gasoline prices. A pick-up in regional tourism and an influx of capital, partly as a ripple effect of the international tensions brought by the terrorist attacks of 11 September 2001 and their consequences, is also contributing to the increase, as is the continued presence of coalition troops in and around Iraq. Oil product imports into the region have soared in recent months, with some Iraq imports reportedly moving on to neighbouring economies.

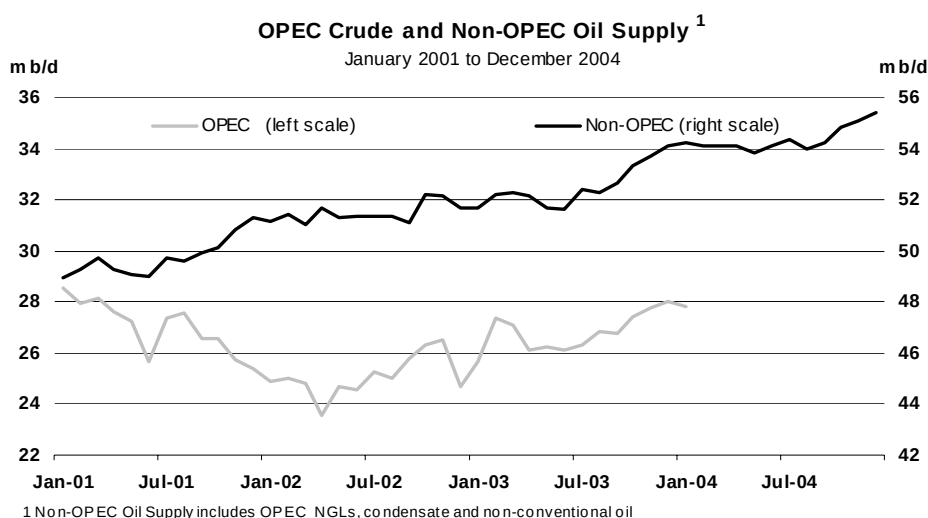
Summary of Global Oil Demand

	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
Demand (mb/d)																
North America	24.00	23.93	24.02	24.34	24.35	24.16	24.56	24.16	24.88	24.58	24.55	24.65	24.34	25.26	25.05	24.83
Europe	15.26	15.15	14.63	15.18	15.35	15.08	15.19	14.99	15.26	15.53	15.25	15.31	15.15	15.42	15.77	15.41
Pacific	8.54	9.06	7.64	8.03	9.26	8.50	9.60	8.04	7.88	9.05	8.64	9.41	7.85	7.93	8.92	8.53
Total OECD	47.80	48.14	46.29	47.55	48.95	47.73	49.36	47.19	48.02	49.16	48.43	49.37	47.34	48.61	49.74	48.77
FSU	3.65	3.48	3.10	3.38	3.84	3.45	3.71	3.10	3.45	3.86	3.53	3.82	3.07	3.46	3.89	3.56
Europe	0.75	0.81	0.75	0.70	0.76	0.75	0.82	0.76	0.71	0.77	0.77	0.84	0.78	0.73	0.79	0.78
China	4.67	4.64	5.02	4.94	5.20	4.95	5.21	5.18	5.73	5.83	5.49	5.73	5.75	5.79	6.05	5.83
Other Asia	7.57	7.53	7.69	7.61	7.86	7.68	7.69	7.67	7.70	8.13	7.80	7.99	8.03	8.05	8.48	8.14
Latin America	4.89	4.72	4.81	4.86	4.72	4.78	4.46	4.64	4.78	4.72	4.65	4.55	4.72	4.84	4.78	4.72
Middle East	4.93	5.02	4.94	5.15	5.13	5.06	5.18	4.96	5.34	5.33	5.20	5.38	5.36	5.61	5.48	5.46
Africa	2.55	2.58	2.59	2.48	2.59	2.56	2.63	2.62	2.51	2.63	2.60	2.67	2.66	2.56	2.68	2.64
Total Non-OECD	29.00	28.77	28.90	29.11	30.11	29.23	29.69	28.93	30.22	31.26	30.03	30.98	30.35	31.03	32.15	31.13
World	76.81	76.91	75.19	76.66	79.07	76.96	79.05	76.12	78.24	80.43	78.46	80.35	77.70	79.64	81.89	79.90
Of which:																
US	19.65	19.53	19.72	19.92	19.87	19.76	20.01	19.67	20.32	20.02	20.01	20.15	19.90	20.64	20.45	20.28
Euro 4	8.43	8.35	7.99	8.38	8.27	8.25	8.21	8.17	8.23	8.32	8.23	8.29	8.21	8.29	8.41	8.30
Japan	5.39	5.68	4.62	5.03	5.87	5.30	6.19	4.99	4.87	5.63	5.42	6.01	4.76	4.84	5.50	5.28
Korea	2.13	2.35	1.99	2.01	2.37	2.18	2.41	2.03	1.98	2.38	2.20	2.36	2.05	2.04	2.36	2.20
Mexico	1.99	1.99	1.98	1.97	1.98	1.98	2.02	2.07	2.06	2.04	2.05	2.02	2.04	2.06	2.08	2.05
Canada	2.04	2.07	2.02	2.13	2.16	2.09	2.17	2.10	2.17	2.18	2.15	2.12	2.09	2.22	2.11	2.14
Brazil	2.20	2.15	2.16	2.22	2.19	2.18	2.00	2.07	2.15	2.15	2.09	2.04	2.09	2.17	2.17	2.12
India	2.27	2.30	2.30	2.20	2.32	2.28	2.33	2.25	2.19	2.40	2.29	2.43	2.36	2.31	2.55	2.41
Annual Change (% per annum)																
North America	-0.2	-1.7	0.7	1.1	2.5	0.7	2.6	0.6	2.2	0.9	1.6	0.4	0.7	1.5	1.9	1.1
Europe	1.0	-0.3	-0.9	-2.1	-1.5	-1.2	0.3	2.5	0.6	1.2	1.1	0.8	1.1	1.0	1.5	1.1
Pacific	-0.9	-3.6	-4.2	0.0	5.4	-0.5	6.0	5.3	-1.9	-2.3	1.7	-2.0	-2.4	0.7	-1.4	-1.3
Total OECD	0.0	-1.6	-0.6	-0.1	1.7	-0.1	2.5	2.0	1.0	0.4	1.5	0.0	0.3	1.2	1.1	0.7
FSU	-0.3	-6.4	-7.2	-1.6	-6.6	-5.5	6.4	-0.1	2.1	0.4	2.2	3.0	-1.0	0.3	0.8	0.9
Europe	6.0	0.8	1.1	1.4	1.5	1.2	1.8	1.5	1.6	1.7	1.6	1.8	1.9	2.0	2.2	2.0
China	2.5	3.9	1.1	9.7	9.0	5.9	12.3	3.3	16.1	12.1	10.9	10.0	10.9	1.1	3.8	6.2
Other Asia	2.1	0.3	1.6	1.8	2.0	1.4	2.0	-0.3	1.3	3.3	1.6	4.0	4.7	4.5	4.3	4.4
Latin America	0.4	-1.2	-2.8	-1.9	-3.1	-2.3	-5.4	-3.6	-1.7	0.0	-2.6	1.8	1.7	1.3	1.3	1.5
Middle East	4.0	2.6	2.4	2.7	2.7	2.6	3.2	0.3	3.7	3.7	2.8	3.9	8.1	5.1	2.8	4.9
Africa	3.5	0.0	0.3	1.1	0.6	0.5	2.2	1.1	1.2	1.5	1.5	1.7	1.7	1.8	1.8	1.7
Total Non-OECD	2.1	0.1	-0.2	2.1	1.1	0.8	3.2	0.1	3.8	3.8	2.7	4.3	4.9	2.7	2.8	3.7
World	0.8	-1.0	-0.5	0.7	1.5	0.2	2.8	1.2	2.1	1.7	2.0	1.6	2.1	1.8	1.8	1.8
Annual Change (mb/d)																
North America	-0.06	-0.40	0.18	0.27	0.59	0.16	0.63	0.14	0.54	0.23	0.38	0.09	0.18	0.38	0.47	0.28
Europe	0.15	-0.05	-0.14	-0.33	-0.23	-0.19	0.05	0.36	0.09	0.19	0.17	0.12	0.16	0.16	0.24	0.17
Pacific	-0.08	-0.34	-0.33	0.00	0.48	-0.04	0.55	0.41	-0.15	-0.21	0.15	-0.19	-0.19	0.05	-0.13	-0.11
Total OECD	0.02	-0.79	-0.29	-0.05	0.84	-0.07	1.22	0.91	0.47	0.21	0.70	0.01	0.15	0.59	0.58	0.34
FSU	-0.01	-0.24	-0.24	-0.05	-0.27	-0.20	0.22	0.00	0.07	0.02	0.08	0.11	-0.03	0.01	0.03	0.03
Europe	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02
China	0.12	0.17	0.05	0.44	0.43	0.27	0.57	0.17	0.79	0.63	0.54	0.52	0.56	0.06	0.22	0.34
Other Asia	0.16	0.02	0.12	0.13	0.15	0.11	0.15	-0.02	0.10	0.26	0.12	0.31	0.36	0.35	0.35	0.34
Latin America	0.02	-0.06	-0.14	-0.09	-0.15	-0.11	-0.25	-0.17	-0.08	0.00	-0.13	0.08	0.08	0.06	0.06	0.07
Middle East	0.19	0.13	0.12	0.13	0.14	0.13	0.16	0.01	0.19	0.19	0.14	0.20	0.40	0.27	0.15	0.26
Africa	0.09	0.00	0.01	0.03	0.02	0.01	0.06	0.03	0.03	0.04	0.04	0.04	0.04	0.04	0.05	0.04
Total Non-OECD	0.60	0.03	-0.07	0.60	0.33	0.22	0.92	0.03	1.11	1.15	0.80	1.28	1.43	0.81	0.89	1.10
World	0.62	-0.76	-0.36	0.54	1.16	0.15	2.15	0.93	1.58	1.36	1.50	1.30	1.58	1.39	1.47	1.44
Changes from Last Month's Report																
North America	-	-	-	-	-	-	-	0.01	0.08	-0.09	-	0.04	0.03	0.08	-0.09	0.02
Europe	-	-	-	-	-	-	-	-	-0.02	-0.04	-0.01	0.01	0.01	-0.01	-0.03	-0.01
Pacific	-	-	-	-	-	-	-	-	-0.07	-0.02	-0.02	-	-	-	-0.04	-0.01
Total OECD	-	-	-	-	-	-	-	0.01	0.07	-0.20	-0.03	0.04	0.04	0.07	-0.16	-
FSU	-	-	-	-	-	-	-	-	-	-0.08	-0.02	0.01	-	-	-0.08	-0.02
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	0.08	0.04	0.03	0.14	-	0.02	-	0.04
Other Asia	-	-	-	-	-	-	-	-	0.01	0.03	0.01	0.10	0.11	0.12	0.12	0.11
Latin America	-	-	-	-	-	-	-	-	-	0.01	-	0.01	0.02	-	0.01	0.01
Middle East	-	-	-	-	-	-	0.04	0.04	0.08	0.05	0.06	0.06	0.09	0.22	0.11	0.12
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	0.04	0.04	0.18	0.06	0.08	0.32	0.22	0.36	0.16	0.27
World	-	-	-	-	-	-	0.04	0.05	0.24	-0.14	0.05	0.37	0.26	0.43	-	0.26

SUPPLY

Summary

- **World oil supply** levelled off in January at around 82.1 mb/d. Non-OPEC production increased by 130 kb/d, but this was countered by a 145 kb/d decline in total OPEC crude supply.
- World supply in January again showed healthy year-on-year growth, averaging nearly 4.8 mb/d higher than in January 2003. OPEC crude output stood 2.2 mb/d above last year, although the impact of disrupted Venezuelan supply last year distorts the picture. Non-OPEC production growth remains robust, estimated January production being 1.6 mb/d higher than in 2003, with FSU supply accounting for 1.0 mb/d and Africa nearly 400 kb/d. OECD production however remains close to year-ago, North American growth counterbalanced by decline from the North Sea and Australia.
- In January **non-OPEC supply** was 132 kb/d higher than in December. Continued strong Russian production growth, allied to a modest rebound in North Sea supply and an assumed recovery in deepwater Brazil output accounted for the increase. However, forecast non-OPEC supply for 2004 has been revised down by 90 kb/d, with Brazil, Yemen, Kazakhstan, US Gulf of Mexico and Australia all now showing a lower output profile.
- Total **OPEC crude supply** was revised up by 45 kb/d for December, with indications of higher than previously estimated supply from UAE, Iraq and Venezuela. December supply estimates for Iran and Indonesia have been lowered. In January, total OPEC output is thought to have averaged 27.9 mb/d. This was 145 kb/d lower than December, as a modest easing in supplies from Iran, Saudi Arabia, Kuwait, UAE and Algeria offset rising production from Iraq, Nigeria and Libya.
- **OPEC-10** supply averaged 1.3 mb/d above target in January, at 25.8 mb/d. Venezuela and Indonesia continued to undershoot versus target production levels, but amidst reports of continually tight US industry crude stocks and buoyant Far Eastern demand, other OPEC producers have sustained the Organisation's output at its highest levels since March 2001.
- Higher non-OECD demand, centred on non-OECD Asia and the Middle East, has led to an upward adjustment for the **"call on OPEC crude plus stock change"** for both 2003 and 2004, amounting to 100 kb/d and 400 kb/d respectively. A 100 kb/d reduction in non-OECD supply growth in 2004 also contributes to the adjusted call for this year. Nonetheless, the call still declines sharply in 2Q 2004 to 23.7 mb/d from an estimated 26.2 mb/d in 1Q. For 2004 as a whole, the call is expected to fall by 500 kb/d from 2003's 26.0 mb/d.



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

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

OPEC

January OPEC crude supply is estimated to have eased modestly, falling by 145 kb/d from an upward-revised December estimate of 28.0 mb/d. Total OPEC production is therefore assessed at 27.9 mb/d for January. A sharp fall in tanker loadings in the Gulf in the early part of January signalled the first let-up in rising OPEC production since September 2003. However, it is worth noting that tanker loadings were on the rise once again towards end January and into early-February. Nonetheless, January supply from Iran fell by around 100 kb/d, with Saudi Arabia, Kuwait and UAE all lowering supply by around 50 kb/d each. Oil export disruptions following the explosion at Algeria's Skikdda LNG facility also saw a 20 kb/d decline in crude supply there. In contrast, Iraq increased net production by 70 kb/d, while Nigeria (35 kb/d) and Libya (10 kb/d) also saw production increases. Spare capacity outside of Iraq reached 1.9 mb/d, although excluding Venezuela, Nigeria and Indonesia, each of which faces some constraint on production, the level is closer to 1.5 mb/d.

OPEC Crude Production

(million barrels per day)

	1 Nov 2003 Target	Jan 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs Jan 2004 Production	Production vs. Target
Algeria	0.78	1.13	1.20	0.07	0.35
Indonesia	1.27	0.98	1.10	0.12	-0.29
Iran	3.60	3.85	4.00	0.15	0.25
Kuwait ²	1.97	2.25	2.30	0.05	0.28
Libya	1.31	1.48	1.50	0.03	0.16
Nigeria	2.02	2.35	2.50	0.16	0.33
Qatar	0.64	0.75	0.85	0.10	0.12
Saudi Arabia ^{2, 3}	7.96	8.50	9.50	1.00	0.54
UAE	2.14	2.31	2.45	0.14	0.17
Venezuela ⁴	2.82	2.22	2.35	0.13	-0.60
Subtotal	24.50	25.81	27.75	1.94	1.31
<i>excl. Venezuela, Nigeria, Indonesia</i>				<i>1.54</i>	
Iraq ⁵		2.04	2.80	0.76	
Total		27.85	30.55	2.70	

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

2. Includes half of Neutral Zone production

3. Saudi Arabia's capacity can reach 10.5 mb/d within 90 days

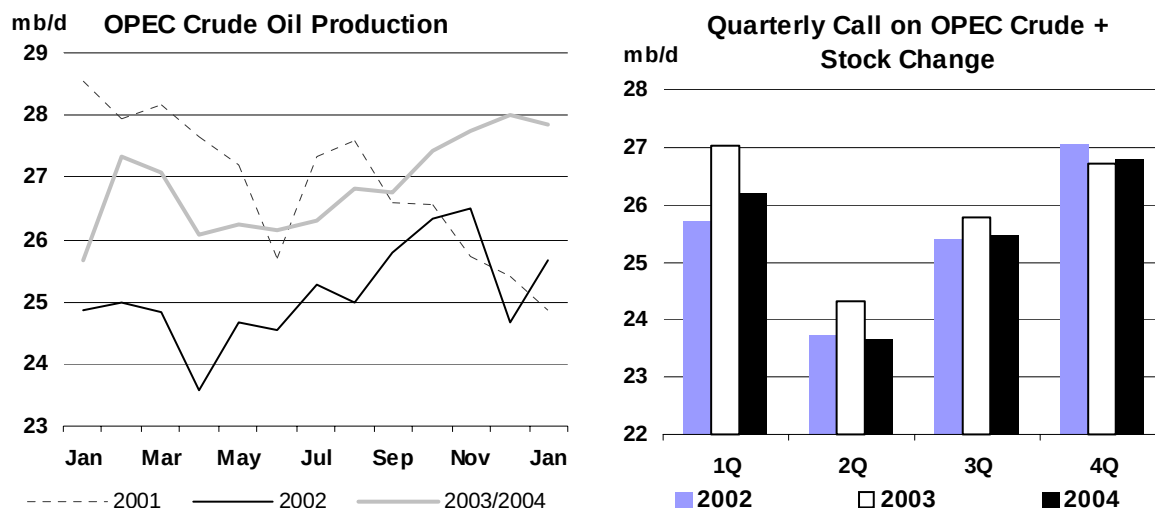
4. Excludes upgraded Orinoco extra-heavy oil, which averaged 378 kb/d in January

5. Iraqi capacity represents pre-war estimate

Production from the OPEC-10 (excluding Iraq) in January averaged 25.8 mb/d. Despite the easing in OPEC production from December levels, this was still 1.3 mb/d above the target in place since November. Saudi Arabia, Algeria and Nigeria each produced more than 300 kb/d above quota, although this was counterbalanced by Venezuela and Indonesia who collectively produced 900 kb/d below their target level. At the time of writing prior to OPEC's meeting held on 10 February, target production levels themselves appear to have lost much meaning, and there is an implicit sanctioning of production leakage. However, the importance of individual target levels will re-emerge as and when OPEC decides to rein-in production once again. The effective apportionment of any future production cuts will be complicated by prevailing production capabilities at that time and their relationship to the existing target allocation.

Barring an unforeseen surge in demand or disruption to supply, OPEC may need to revisit their production target for the second quarter, unless they are content to see stocks build markedly. This Report has upgraded global demand for both 2Q04 and the year by 300 kb/d and downgraded non-OPEC supply by nearly 100 kb/d. But at the same time the Report highlights a build-up of oil in

transit and the fact that OECD stocks are already trending towards more comfortable levels. Table 1 shows the call on OPEC crude plus stock change falling to 23.7 mb/d in 2Q 2004. Even adding in a “normal” 2Q stock build of 1 mb/d, allowing for a possible repeat of last spring’s non-OPEC supply disruptions (for illustration, 500 kb/d off non-OPEC supply) and no further rise in Iraqi output, OPEC’s room to manoeuvre may be limited.



Aside from Iraq, where production rose by 70 kb/d, and Iran where production is thought to have fallen by 100 kb/d as previously high export liftings eased, January changes in production from individual OPEC members were less than 50 kb/d. **Saudi Arabia** cut back slightly but production remains at 8.5 mb/d and liftings picked up again after mid-January. Shipping arm Vela booked seven spot VLCCs for second half February loading, destined mainly for the US. However, it is unclear whether this represents incremental oil or merely a logistical shift, with its own vessels en route to or returning from eastern destinations. Supply out of the **UAE** also fell back by 40 kb/d, from an upward revised December base. Production now looks to have surged more markedly than originally thought in December, after the end of maintenance at offshore fields running through November. As in the case of Saudi Arabia, January’s drop may have been short lived and Asian buyers will reportedly see full-term liftings in February. Production in **Kuwait** is assessed down by 50 kb/d in January, with no sign that refinery outages resulted in incremental export volumes for the month as a whole.

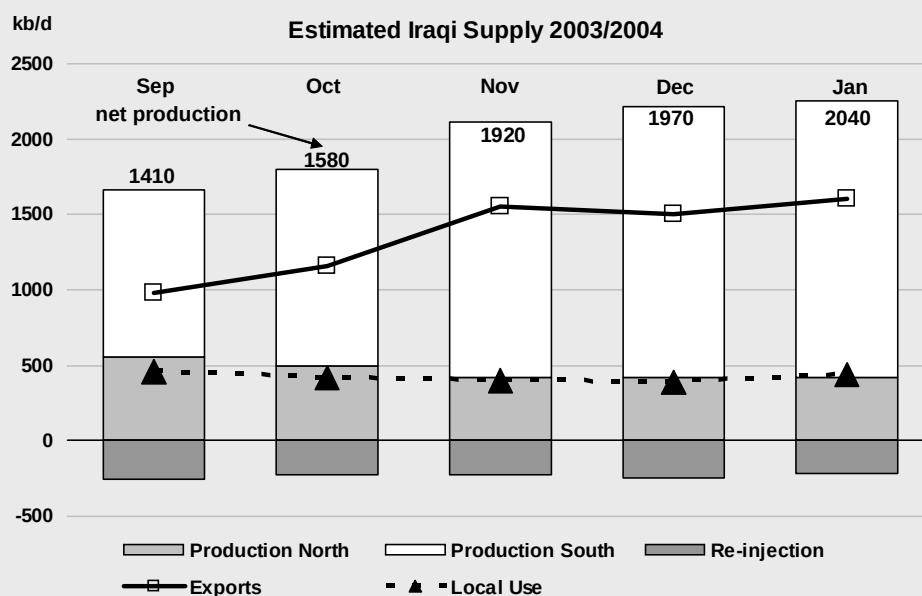
Algerian supply is estimated off by 20 kb/d in January, partly as a result of a prolonged outage at the Skikda export terminal. This followed a 19 January explosion at the Skikda LNG facility that led to the closure of both the adjacent refinery and the export terminal. Both were back in action by early-February. The export terminal had also been hit by loading delays prior to the accident. However, the overall impact on crude exports was limited as supplies were believed diverted to alternative export outlets.

In contrast to the situation in the Arab Gulf, west African crude liftings increased and **Nigerian** production is estimated to have risen by 35 kb/d. Increased security in the Warri area of the Niger Delta has encouraged Shell and ChevronTexaco to begin work on re-opening flow stations shut-in nearly a year ago following ethnic unrest. However, the two companies reportedly have nearly 150 kb/d of production still shut in. For its part, ChevronTexaco announced that some 12-18 months would be required to reactivate certain facilities due to vandalism and looting. While this is a slower resumption than assumed in previous issues of this Report, Nigerian production capacity is left unchanged as production build-up from offshore areas seems to have been more rapid than expected. A national strike over fuel tax increases was suspended on the day it began, 21 January, after government agreed to stop collecting the tax. Threats of further industrial action and ethnic unrest in Nigeria persist, although no imminent impact upon crude production is anticipated.

Iraq – Supply Levelling Off?

Iraq has pushed net production from a monthly low of less than 200 kb/d last April to just over 2.0 mb/d in January. Progress in the seven months to November was rapid, production increasing by on average 250 kb/d each month. However, supply is now levelling off, as domestic and export outlets for crude hit bottlenecks. Crude is still being re-injected at the northern fields as local refinery operations remain disrupted and pipeline routes to the north and south remain prone to security breaches. Southern production rose to an estimated 1.84 mb/d in January, but its sustainability will depend on successful reactivation of water injection facilities. Thereafter, any substantial increase in southern production awaits an expansion of (or diversification from) what is currently the sole operating export terminal, at Basrah.

The January target of 1.8 mb/d for exports was missed by 200 kb/d because of weather-related loading delays. Sustainable capacity of Basrah export facilities was thought to be 1.6 mb/d but these may have been de-bottlenecked to around 1.8 mb/d. Loadings temporarily increased to, or slightly above, this level late in 2003. Oil Minister Ibrahim Bahr al-Uloum has said that efforts are underway to boost February exports to 1.7 mb/d, although this contradicts earlier Coalition Provisional Authority (CPA) claims suggesting exports flat at 1.6 mb/d until March. Either way, short term upside for southern supply appears limited. A second tanker terminal on the Gulf at Khor al-Amaya has an operable capacity of around 400 kb/d but the CPA suggests that no decision on its reactivation is likely until April, over-turning earlier reports of its imminent re-instatement.



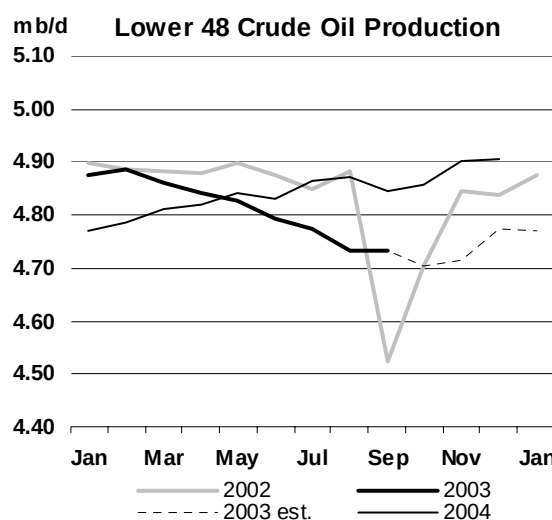
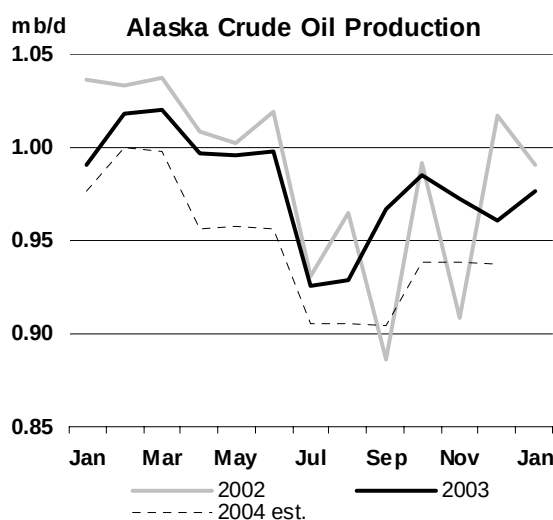
On-off speculation surrounding a re-start to Iraq's northern export pipeline to Ceyhan persisted in January, culminating in reports that this was possible within days. The pipeline is thought likely to operate at initial levels of around 400-500 kb/d, rising later to 800 kb/d. Repairs after earlier sabotage attacks are believed completed but the CPA reported in early February that continuing attacks on the line will preclude its reactivation for at least another month. Oil industry officials were more pessimistic, reporting a more likely late-summer restart. Sending Kirkuk crude south for export via the strategic line (now operable at half its 700-800 kb/d capacity) faces similar security obstacles and requires pumping and storage enhancement at the southern export facilities.

Earlier plans to hit 2.8 mb/d of production by April, including 700 kb/d of northern Kirkuk crude, now look overly ambitious. An end-2003 production target of 3 mb/d could in theory result from the activation of 400 kb/d of incremental export capacity at both the Ceyhan line and one or other of the southern terminals, plus 100-200 kb/d of incremental offtake by Iraq's refineries. But with the potential for an escalation in violence ahead of the transfer of power to a transitional government on 30 June, forecasting likely short term Iraqi supply remains a highly uncertain occupation.

OECD

North America

US – January Alaska actual, others estimated: January US crude production ran marginally higher than December as Alaskan and Gulf of Mexico (GOM) output added over 40 kb/d to counteract decline elsewhere. In Alaska, the Alpine and North Star fields recovered after December disruptions, although renewed maintenance work at Alpine in late-January and a turbine problem at the Milne Point field did hold total Alaskan output some 30 kb/d below our January estimates. Latest weekly data also suggest a rebound in NGL production after a dip in December. Further growth in US supply is expected over the next few months with a rise in production following new field starts in the GOM (*see item below*). However US oil supply has been revised down overall by 30 kb/d for 2003 and 85 kb/d for 2004, largely due to faster decline rates at established fields in the Gulf of Mexico.



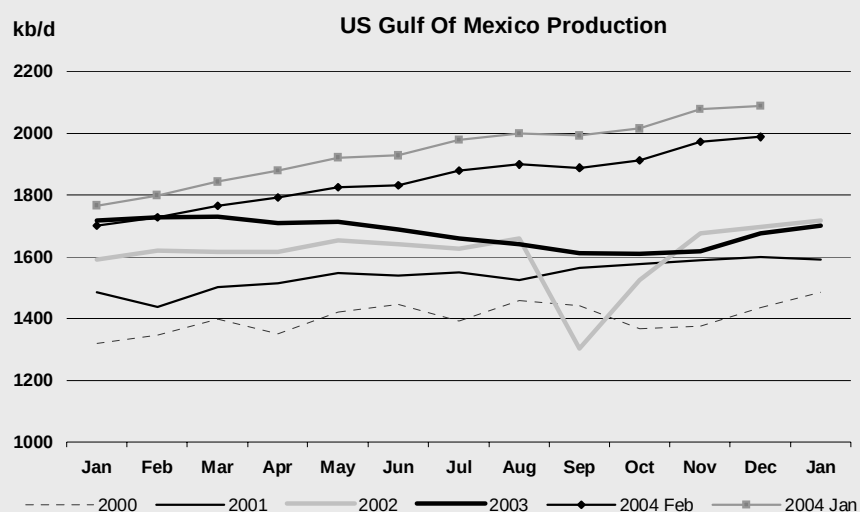
Canada – December Newfoundland and syncrude actual, others November actual: Latest indications point to conventional crude output in December having fallen by some 20 kb/d versus November, largely on the basis of reduced supply from the Hibernia and Terra Nova fields offshore Newfoundland. However, a sharp surge in synthetic crude production as the Syncrude unit returned from a 30-day outage is likely to have pushed total Canadian oil supply up by some 90 kb/d in December. January oil output is thought to have levelled off at 3.16 mb/d, with higher assumed supply from offshore Newfoundland countering lower synthetic production.

Overall, the forecast for Canadian supply in 2004 is unchanged from last month, with growth of 100 kb/d centred on rising syncrude and bitumen output. However, recent revisions to Canadian data through November point to slightly lower bitumen output but higher NGL supply. These revisions have been carried through 2004. Longer-term supply growth potential from the Alberta oil sands resources is seen as dependent to a large extent upon adequate pipeline access to (US) export markets and to the economics of gas supply/demand in Canada, since oil sands exploitation is relatively energy intensive.

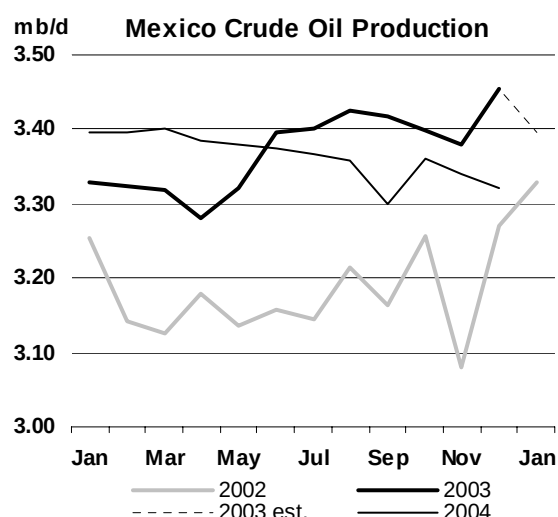
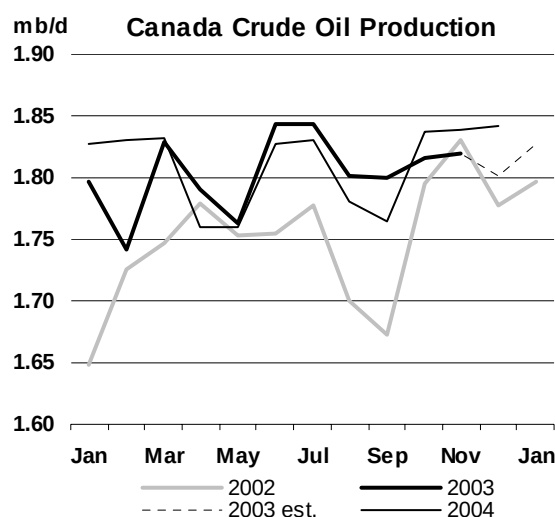
US Gulf of Mexico Growth Trend Set to Resume

US Gulf of Mexico (GOM) production in 2003 followed a generally downward trend after hitting a high of 1.7 mb/d in the first quarter. The trend is surprising at first glance, given the absence of the storm-related outages so prominent in autumn 2002 and the fact that 2003 saw seven significant new field start-ups. Hurricane Claudette in July 2003 signalled an earlier-than-usual start to the storm season but amounted to a monthly average loss of only some 60 kb/d. Subsequent autumn outages however were limited and GOM output was therefore spared the 400 kb/d and 150 kb/d storm-related losses seen in September and October 2002 respectively.

Two factors underpin the weaker performance seen since early in 2003. Firstly, underlying decline rates from established, shallower water fields in the area appear to have been running higher than anticipated. The production profile for 2004 has been adjusted downwards accordingly from last month's Report (*see chart, below*). Secondly, the timing of 2003's new field start-ups was overwhelmingly skewed to the fourth quarter. Firm data for the GOM is only available through September, when production had fallen to 1.6 mb/d, but output should have picked up again in 4Q with the start up of the Gunnison, Habanero, Matterhorn, Medusa, NaKika and Princess fields. Collectively, these fields may have added some 20 kb/d to 4Q 2003 production, but they should be contributing around 300 kb/d by the second half of this year as peak production levels are reached.



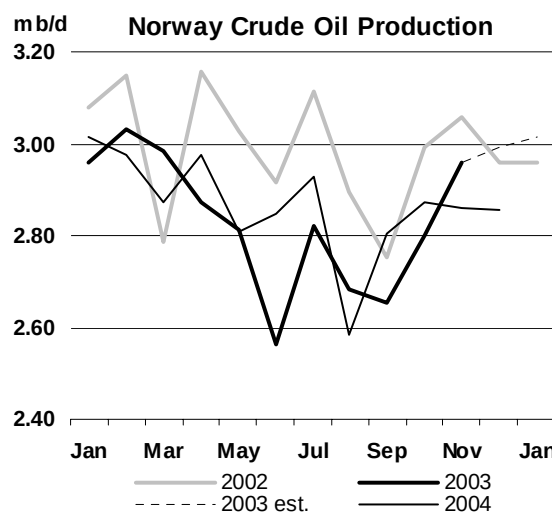
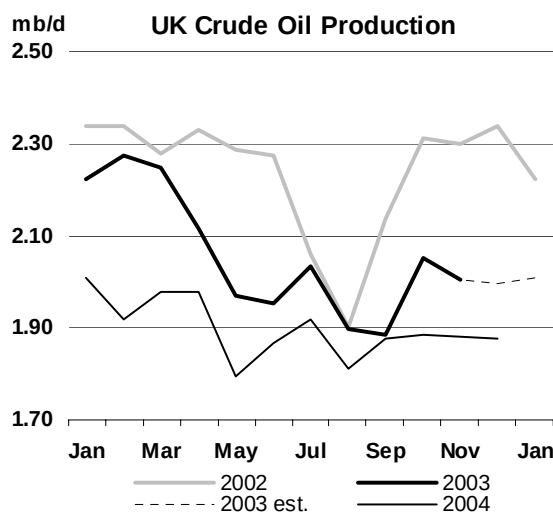
A further six new fields starting up over the course of 2004 (Devil's Tower, Front Runner, Llano, Mad Dog, Magnolia and Marco Polo) generate a further 110 kb/d of growth, albeit offset by decline elsewhere in the Gulf. Even allowing for steeper decline rates from older fields therefore, US GOM production growth looks set to reclaim the 100-150 kb/d annual growth seen during 1997-1999 and again in 2001. Production should average 1.85 mb/d in 2004. The growth trend has been spurred by royalty relief for new deepwater developments introduced in 1996. A new generation of independent operators has joined the established majors, frequently focussing attention on blocks close to existing infrastructure and tying-back new discoveries to those facilities. Many of their fields are relatively small, in a sub-50 mb range. However, a limited number of giant fields with 500 mb-plus, such as BP's Thunder Horse and Atlantis and Shell's Great White will also contribute to production growth in the second half of the decade. Estimates by US government agencies have variously placed GOM production hitting 2.5 mb/d sometime in the 2006-2009 period, helping offset a static-to-declining trend for production elsewhere in the US.



Mexico – December actual: December production of crude from Mexico reached 3.45 mb/d, marginally below targeted end-year production of 3.5 mb/d. Heavy crude production was up by 70 kb/d versus November while crude exports were flat at 1.86 mb/d, a level sustained since May 2003. However December saw a shift in exports away from the Atlantic Basin and towards Asia. 2003 saw the strongest production growth (+204 kb/d) since 1996. Rising supplies of heavy crude from the Cantarell field accounted for the bulk of the rise as a secondary recovery project using nitrogen injection reached fruition. Concerns remain over the sustainability of higher output from Cantarell, with renewed decline as early as late-2004 having been suggested. However, the sharp rise seen in total 2003 Mexican production suggests that our earlier forecast of a 50 kb/d decline for 2004 may have been overly pessimistic. This has been revised, with production now held flat around 3.4 mb/d through mid-year, declining to 3.35 mb/d by end year. Overall this suggests average Mexican production remaining at 3.37 mb/d for 2004, slightly lower than Pemex's latest forecast of 3.45 mb/d.

North Sea

UK – December estimate: November UK offshore production remained at around 2.0 mb/d, with production since 2Q 2003 having averaged well below the 2.3 mb/d of last winter. There is widespread consensus that 2004 will see continued UK oil production decline, although estimates vary within a range of 100-200 kb/d for the extent of the decline. This Report sees total liquids declining by 120 kb/d in 2004 compared with an estimated 225 kb/d drop in 2003. The slowing decline pre-supposes that the extended outages, scheduled and un-scheduled, seen through much of 2003 represented exceptional down-time rather than a new, more disruption-prone trend for North Sea operations. For now we have assumed that a combination of new field start-ups and expansions in late-2003 and 2004 (which should add a combined 125 kb/d to 2004 production) plus a lower level of field outages will be sufficient to lessen decline in 2004. There could however be downside risk for the existing forecast, becoming more evident as maintenance schedules become clearer.

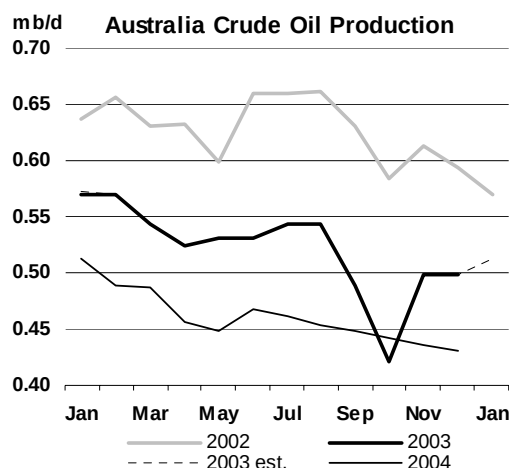


The UK Offshore Operators Association has recently suggested that 2005 and 2010 production targets agreed with government under 1999's "pilot" report could be missed despite recent levels of capital expenditure in excess of a targeted GBP 3 billion per year. Drilling activity on the UKCS reportedly dropped to a total of 240 wells in 2003 from 293 in 2002 and 342 in 2001. The Association has called for increased exploration effort, greater sharing of existing production infrastructure, the application of best practice by new independent operators picking up assets from established major companies and a lightening of the regulatory and fiscal regime. In this context, the UK Government announced in January a proposal for enhanced exploration write-offs for new operators once production begins and has introduced more flexible licenses for frontier areas.

Norway – November actual, December provisional: Final data for November crude production came in around 15 kb/d below earlier estimates, but provisional indications for both December and January show crude output running 50-75 kb/d higher than the 2.9 mb/d indicated in last month's Report. Total liquids supply for 4Q 2003 has been revised up by some 40 kb/d in light of November/December data and this now-higher output profile is assumed carried through 2004, notably for the Statfjord/Gullfaks system. BP in January announced first oil produced from the Valhall Flank North platform, earlier than the previously estimated March start-up. Higher early-2004 production from these sources offsets a downward adjustment to production from the Ekofisk system for 3Q 2004, with a two week shut-down announced for August/September by operators ConocoPhillips. Total Norwegian oil production is now forecast to show growth of some 45 kb/d in 2004, with new field developments reversing the 75 kb/d decline seen in 2003. As in the case of the UK however, there is downside risk to this forecast if the field outages and heavier than usual maintenance programmes seen in 2003 are repeated.

Asia Pacific

Australia – December Actual: Data through 4Q 2003 confirm a generally lower than expected trend in Australian liquids production. NGL production for the quarter is revised down 11 kb/d as a result, and crude by 29 kb/d. The forecast for total oil production for 2004 has been adjusted down by 15 kb/d. Cooper Basin crude and NGL supply in January and February was also adversely affected by a fire at Santos Ltd's Moomba gas processing plant which broke out on 1 January. It is assumed however that overall production decline slows in 2004 in the absence of a repeat of the extended maintenance, unscheduled outages and new field start-up problems that afflicted production from the Carnarvon Basin in particular during 2003. Australian liquids production is now forecast to decline by 45 kb/d in 2004 versus a 100 kb/d decline in 2003.



Former Soviet Union (FSU)

Russia – December actual, January provisional: This Report's retains the earlier forecast that oil production growth from Russia will slow modestly to 600 kb/d in 2004 from 825 kb/d in 2003. In fact, year-on-year growth in December and January averaged 870 kb/d and 890 kb/d respectively, the latter despite a drop in crude export levels. The projection for output in 2004 takes account of export capacity expansion projects (concentrated at Baltic Ports and other northern routes) and the producer companies' own plans for production in 2004. We have generally applied a conservative "filter" as regards the latter, setting growth for 2004 at or below the companies' target levels. It is worth noting however that both Lukoil and BP-TNK have recently announced upgraded expansion plans for 2004, while Yukos has reiterated existing production growth targets despite ongoing government investigation and the apparent unravelling of the Yukos-Sibneft merger. Concerns were raised that government moves to clamp down on oil sector fiscal and operational loopholes, together with plans for higher oil taxation, might have a significant impact upon production and exports in the short term. Although future investment in new producing areas could be adversely affected, the potential for rapid short-term production growth from existing areas, employing improved reservoir management techniques, remains. Changes in the tax regime are unlikely to come into force until 2005 and recent comments from the President and the Economics Ministry suggest any increase in the overall tax burden for oil companies may be capped around \$3 billion.

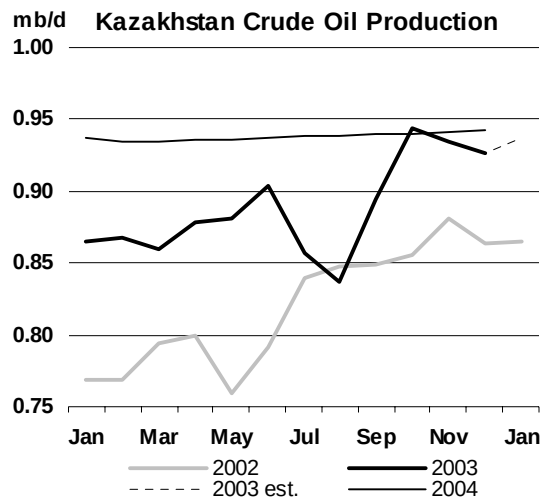
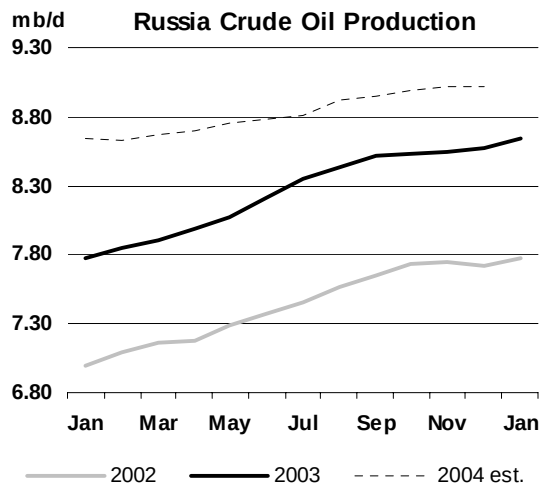
FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2002	2003	1Q03	2Q03	3Q03	4Q03	Revised Nov 03	Prelim. Dec 03	Prelim. Jan 04	Latest month vs. Dec 02	Jan 03
Black Sea Exports	2.52	2.81	2.61	3.00	2.96	2.69	2.62	2.79	2.46	-0.33	-0.01
Baltic Exports	2.02	2.49	2.17	2.61	2.57	2.60	2.75	2.59	2.96	0.37	1.00
Total Seaborne	4.54	5.30	4.78	5.61	5.52	5.29	5.36	5.38	5.42	0.04	0.99
Druzhba Pipeline	1.04	1.03	1.03	1.01	1.02	1.08	1.08	1.08	1.08	0.00	-0.01
Other	0.35	0.47	0.39	0.46	0.51	0.50	0.33	0.53	0.48	-0.05	-0.10
Total Exports	5.93	6.80	6.21	7.08	7.05	6.87	6.77	6.99	6.98	-0.01	0.88
Imports	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.00
Total Net Exports	5.92	6.79	6.19	7.06	7.04	6.86	6.76	6.98	6.97	-0.02	0.88
Crude	4.04	4.68	4.27	4.76	4.85	4.82	4.68	4.95	4.66	-0.29	0.42
of which: Russian Crude	3.02	3.24	2.99	3.21	3.36	3.38	3.36	3.50	3.30	-0.21	0.37
Products	1.89	2.13	1.94	2.32	2.20	2.05	2.09	2.04	2.32	0.28	0.46

Sources: Petro-Logistics, IEA estimates

Total net exports of crude and products from the FSU are estimated to have levelled off in January, with declines in crude shipments being offset by higher products exports. Black Sea exports fell by around 350 kb/d, with bad weather closing several ports for nearly a week, but Baltic shipments rose by an equivalent amount. Although there was a sharp recovery in Black Sea sailings late in January, exports there could remain constrained in February, not least due to continued bottlenecks facing vessels transiting the Turkish Straits. The overall trend of Russian exports away from the Black Sea and towards northern outlets was again emphasised in the past month. Reporting that it expected its own pipeline system to expand by 600 kb/d in 2004, Transneft also indicated that expansion of the Baltic Pipeline System to 840 kb/d would be completed by end-February, earlier than previously suggested. Russian plans to reverse the flow of crude south via Ukraine from Brody to Odessa on the Black Sea were thwarted with an early-February announcement by Ukraine that it will use the pipeline instead to move Caspian crude northwards into central Europe.

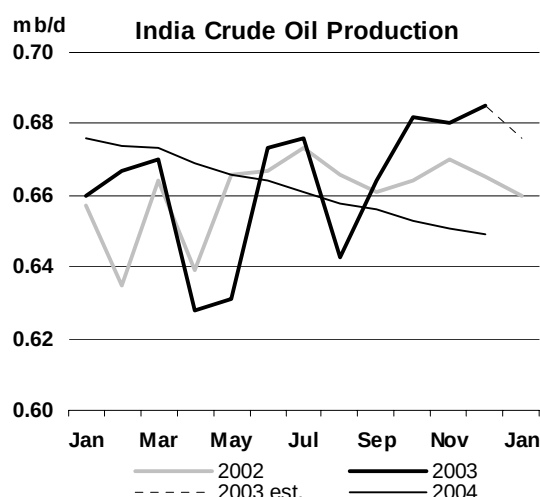
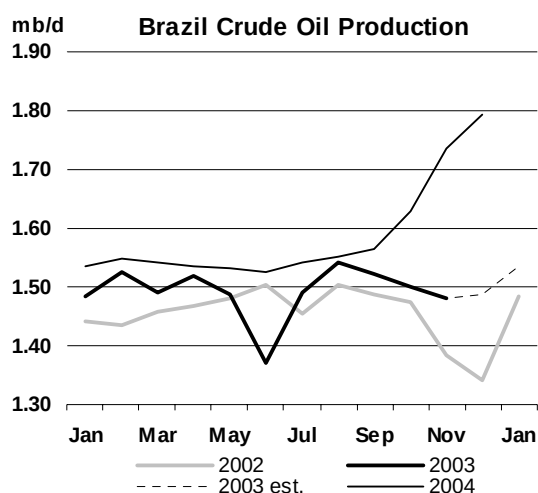


Kazakhstan – December actual: Total liquids production for Kazakhstan levelled off in December, with crude from the Tengiz field and condensate from Karachaganak a combined 35 kb/d lower than estimated in last month's Report. A slower build in Karachaganak production is now expected until CPC pipeline exports begin at end-1Q. A downward revision has also been made to forecast Tengiz production in line with operator Tengizchevroil's own estimate of 266 kb/d for 2004. Total Kazakh production is now projected at 1.14 b/d this year, a rise of 113 kb/d from 2003 but 17 kb/d less than forecast last month.

The preferred export route for Kazakh oil in the longer term remains open to question. Russian moves to increase tax off-take for shipments via the Russian section of the Caspian Pipeline Consortium (CPC) pipeline to Novorossiysk appear at odds with a desire to divert Kazakh production away from the more southerly, rival BTC project. The Baku-Tbilisi-Ceyhan pipeline project now appears on course for completion in early-2005 following agreement on loan finance in early February.

Other Non-OPEC

Brazil – November actual, December provisional: Final November data showed output 20 kb/d lower than estimated last month. Provisional data for December from Petrobras also indicate lower supply, due to maintenance at the offshore Campos Basin Jubarte field. Other offshore production outside the Campos Basin is also running 10 kb/d below earlier estimates for 4Q. Total Brazilian crude production for 2003 has been revised down by 7 kb/d and by 19 kb/d for 2004. However, output should rise sharply after mid-year, with start-up of new Campos Basin facilities at the Marlim Sul, Albacore Leste, Barracuda and Caratinga fields. To accommodate rising Campos supply, Petrobras unveiled plans for a pipeline to Sao Paulo. However, in an attempt to force Petrobras to build a refinery in Rio de Janeiro, state authorities there increased taxation on large scale pipelines.



India – December actual: Production in December held steady at 685 kb/d of crude. This leaves total production for 2003 unchanged from 2002 levels. Modestly rising supply from the Bombay High and other offshore fields compensated for decline onshore. This trend is set to continue, offshore production in 2004 stabilising at end-2003 levels, and offsetting continued decline onshore for the year as a whole. The widely reported discovery by UK independent Cairn Energy of 50-200 million barrels in the western state of Rajasthan is unlikely to add to production until 2006 at the earliest.

Other Countries: Minor revisions have been made to production for 2004 in a number of other non-OPEC producers. **Malaysian** production is revised up by 7 kb/d based on data through December 2003. Production for **Myanmar** in 2003 is revised up to 20 kb/d based on government reports, but has been held flat at these levels in the absence of details behind plans for a 50% increase in 2004. A 7 kb/d downward revision to **Argentine** production in 4Q 2003, based on data to November, has also been applied to 2004 output. Downward revisions are applied to **Yemen** (9 kb/d in 2003, 31 kb/d in 2004), reflecting faster implied decline at Masila and East Shabwa. Production in **Equatorial Guinea** is revised down 6 kb/d for 2004, with a slower build in condensate from Marathon's Alba field.

Revisions to Non-OPEC Oil Supply

	(million barrels per day)								
	Last month's OMR			This month's OMR			This month v last month		
	2003	2004	04 vs. 03	2003	2004	04 vs. 03	2003	2004	04 vs. 03
North America	14.71	14.95	0.24	14.70	14.92	0.22	-0.01	-0.03	-0.02
Europe	6.32	6.27	-0.05	6.32	6.29	-0.03	0.00	0.02	0.01
Pacific	0.66	0.62	-0.04	0.65	0.60	-0.05	-0.01	-0.02	-0.01
Total OECD	21.69	21.84	0.15	21.67	21.81	0.14	-0.02	-0.03	-0.01
Former USSR	10.31	11.07	0.75	10.31	11.05	0.74	0.00	-0.02	-0.01
Europe	0.17	0.17	-0.01	0.17	0.17	-0.01	0.00	0.00	0.00
China	3.41	3.39	-0.02	3.41	3.39	-0.01	0.00	0.00	0.00
Other Asia	2.48	2.53	0.05	2.49	2.55	0.06	0.01	0.01	0.01
Latin America	3.93	4.11	0.19	3.92	4.09	0.17	-0.01	-0.02	-0.02
Middle East	2.00	1.94	-0.06	1.99	1.91	-0.08	-0.01	-0.03	-0.02
Africa	3.06	3.47	0.40	3.06	3.46	0.40	0.00	0.00	0.00
Total Non-OECD	25.37	26.69	1.32	25.36	26.63	1.27	-0.01	-0.06	-0.05
Processing Gains	1.80	1.83	0.03	1.80	1.83	0.03	0.00	0.00	0.00
Total Non-OPEC	48.86	50.36	1.50	48.84	50.27	1.44	-0.03	-0.09	-0.06

OMR = Oil Market Report

OECD STOCKS

Summary

- OECD industry total oil stocks closed 1.26 mb/d lower in December and down 0.46 mb/d for the fourth quarter as a whole. At year-end, industry oil stocks in the OECD were estimated at 2521 mb, or 56 mb above last year but down 31 mb from their recent 5-year average. Though the 4Q03 draw was relatively shallow, days of forward demand cover by OECD industry oil stocks, at 51 days, remained at historical lows, with winter deliveries expected to gather pace in 1Q04.

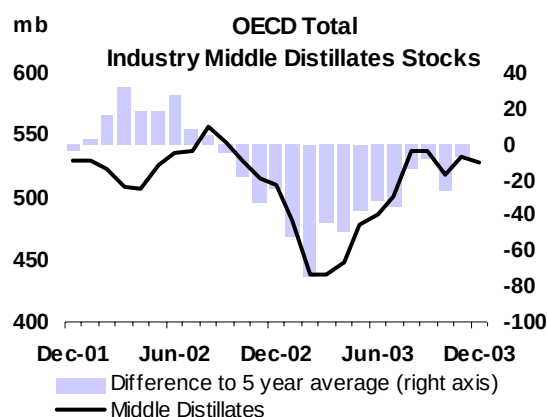
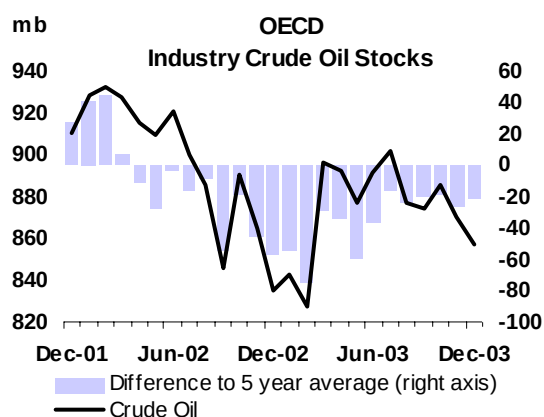
Preliminary Industry Stock Change in December 2003 and Fourth Quarter 2003

(million barrels per day)

	December (preliminary)				Fourth Quarter 2003 (preliminary)			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	-0.71	-0.08	0.36	-0.43	-0.17	0.10	-0.12	-0.19
Gasoline	0.21	0.04	-0.02	0.23	0.15	0.08	-0.02	0.22
Distillates	0.14	-0.03	-0.28	-0.16	0.14	-0.15	-0.11	-0.11
Residual Fuel Oil	0.11	-0.02	-0.02	0.07	0.09	0.03	-0.01	0.11
Other Products	-0.50	-0.01	-0.10	-0.61	-0.25	0.03	-0.09	-0.30
Total Products	-0.04	-0.02	-0.41	-0.47	0.14	0.00	-0.22	-0.08
Other Oils ¹	-0.24	-0.02	-0.09	-0.35	-0.18	-0.01	0.01	-0.18
Total Oil	-0.98	-0.13	-0.15	-1.26	-0.21	0.09	-0.34	-0.46

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- OECD industry crude stocks fell 430 kb/d in December to 857 mb or 21 mb above last year. Draws in Mexico and the US overtook gains in the Pacific area. Though European crude runs were high on a yearly basis, inventories kept at ample levels on availability of North Sea crude and Russian Urals from the Baltics. US-50 crude stocks remained at depressed volumes, falling below the notional 270 mb minimum operating level in December, only to recover by end-January to 272 mb on a late-month surge in imports. A comparatively tighter US situation translated into periods of deeper backwardation in NYMEX WTI futures than in IPE Brent for the recent three nearby contracts.
- OECD industry distillate stocks fell in December, mainly off a decline in the large Japanese kerosene stockpile. Generally milder December temperatures saw stocks respectively flat to rising in Europe and North America. US heating oil stocks fell in December and January, but remained comfortable in the main consuming Northeast area. Gasoil in ARA independent storage held flat at low levels in January - high outright prices and sidelined buyers anticipating lower forward prices left little in terms of returns to storage. As a result, Russian gasoil through Ventspils skipped ARA to head to the US.
- US gasoline stocks rose seasonally in December, but held level in January. Imports fell and production declined with the start of a heavy scheduled maintenance season. Stocks were only marginally higher in Europe in December despite high refinery runs. Though spot arbitrage was closed to the US, product demand was supported by deliveries into Nigeria and the east Mediterranean for orders into Iraq. Stocks in independent storage in ARA rose in January, despite backwardated swap prices and the opening of arbitrage to the US. Prospects for delivery to Asia in January were limited to summer quality material, less available in Northwest Europe; exports had to be sourced from Egypt, Romania and Turkey.



OECD Industry Stock Changes in December 2003

OECD industry oil stocks fell by 1.3 mb/d in December, outpacing the 530 kb/d November build. The 39 mb December draw brought the decline in oil stocks in the fourth quarter of 2003 to 460 kb/d, under half the 1.1 mb/d draw seen in the same period last year. The weaker draw followed from a shallow decline in distillates stocks. In contrast to 2002, end-year temperatures in the Northern Hemisphere were mild, pushing back heating demand into January. Distillates in 4Q03 drew about 110 kb/d compared to 350 kb/d in 4Q02. In addition, the fourth quarter in 2003 saw product inventories lifted by gains in residual fuel oil and gasoline in North America. Yet, with winter deliveries accelerating in January, days of forward demand cover by oil stocks stayed at historical lows, unchanged from November at 51 days.

OECD crude stocks fell 430 kb/d in December and 190 kb/d in 4Q03, settling in the lower half of their recent five-year range. The December decline came in US and Mexican inventories, which outpaced gains in the Pacific. Tightness in crude stocks was confined to the US. Stocks there closed December below the notional 270 mb minimum operating level and, after testing lows of 264 mb, recovered by end-January to 272 mb. With prompt month NYMEX WTI futures trading above forward months for the better part of the previous quarter and a WTI premium against Brent insufficient to outpace rising freight rates, US refiners were dissuaded to replenish crude stocks. The likelihood is that they imported straight run fuel at heavily discounted prices to crude in order to keep secondary refinery units running as they entered maintenance in January. European December crude stocks were ample in comparison. Stocks there held level despite high runs, aided by North Sea supply and heavy exports of Urals from the Baltics.

World balances suggest strong supply growth and a rise in oil-on-water in 4Q03. However, most of the extra available Atlantic Basin oil was headed to the Far East, feeding countries with high oil demand growth such as China, where inventory finance and logistics limit stock builds. West African crude loading October to December to Asia was pegged between 1.1 mb/d and 1.3 mb/d. While some Russian Urals was delivered to the US Gulf Coast last summer, Urals has been confined to Europe, if not heading east, or building as virtual floating storage in the Black Sea with shipping delays across the Turkish Straits. Even Mexican exports to the Far East doubled from their usual volumes in December.

Extra oil from OPEC is more likely to have headed east, keeping stocks from rising in the pricing centres that house the highly visible crude benchmarks and supporting length by non-commercial participants in futures markets. Volumes above term supplies to Asian customers are showing in custom-cleared import figures in OECD Pacific countries, leading to higher crude stocks. While Japan's 11 mb December build is likely overstated, the flat position in Korea could see up to a 6 mb upward revision. Given the direction of oil flows, reflected in high eastbound VLCC rates, US crude stocks have not built in 4Q03. With prompt oil in short supply, backwardation in NYMEX WTI futures persisted and rebuilding inventories was uneconomical. While stocks figures are subject to revision, the strength in paper and cash benchmark crude prices would tend to suggest that stocks remained low around the main pricing centres.

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

Revisions to OECD industry oil stocks adjusted November levels by 32 mb, mostly in products (27 mb) and less in crude (12 mb). As expected in the previous report, Japanese crude stocks were revised upwards by 6 mb. Revisions in North America came on the back of a 7 mb upward adjustment for Mexico, accounting for higher production there. In contrast, US crude stocks were revised lower by 4 mb. In Europe, upward revisions in crude came mainly in the UK (5 mb). Upward revisions to products were centred in Europe and the US, mainly in gasoline and distillates. More ample positions in the US reflected higher yearly runs and weaker demand conditions than initially estimated.

Revisions Versus 16 January 2004 Oil Market Report
(million barrels)

	North America		Europe		Pacific		OECD	
	Oct 03	Nov 03	Oct 03	Nov 03	Oct 03	Nov 03	Oct 03	Nov 03
Crude Oil	-0.7	2.2	0.4	3.4	0.0	6.3	-0.3	11.9
Gasoline	-1.0	4.3	-1.4	3.1	0.0	-0.4	-2.4	7.0
Distillates	-2.6	7.8	-2.6	3.2	0.0	0.7	-5.2	11.7
Residual Fuel Oil	-1.0	-1.7	-0.8	1.7	0.0	0.4	-1.8	0.4
Other Products	-0.6	4.8	0.3	3.4	0.0	-0.3	-0.3	7.9
Total Products	-5.2	15.2	-4.5	11.5	0.0	0.4	-9.6	27.0
Other Oils ¹	0.4	-7.9	0.2	1.5	0.0	-0.3	0.6	-6.7
Total Oil	-5.5	9.5	-3.8	16.4	0.0	6.5	-9.3	32.3

¹ other oils includes NGLs, feedstocks and other hydrocarbons

Year-on-Year Industry Stock Comparisons for December 2003

	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	-13.8	23.9	11.3	21.4	Total Oil	0.0	1.8	2.8	1.1
Total Products	13.2	1.5	6.2	20.9	<i>Versus 2001</i>	-5.1	-0.5	-3.5	-3.4
Other Oils ¹	4.4	8.5	0.5	13.4	<i>Versus 2000</i>	0.6	-1.3	-2.9	-0.7
Total Oil	3.8	33.9	18.0	55.7	Total Products	0.4	-0.2	1.0	0.4
<i>Versus 2001</i>	-87.2	1.8	-15.2	-100.5	<i>Versus 2001</i>	-1.8	-1.0	-1.2	-1.5
<i>Versus 2000</i>	30.1	-13.5	-26.2	-9.6	<i>Versus 2000</i>	1.7	-1.6	-2.0	0.0

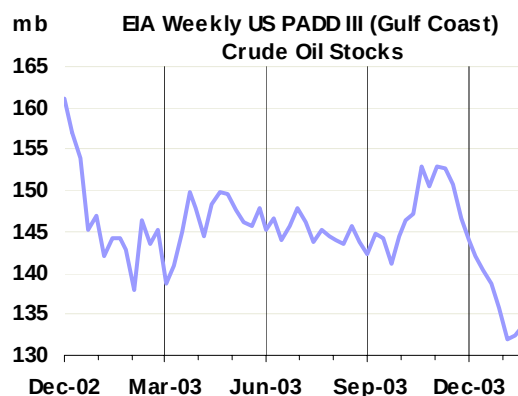
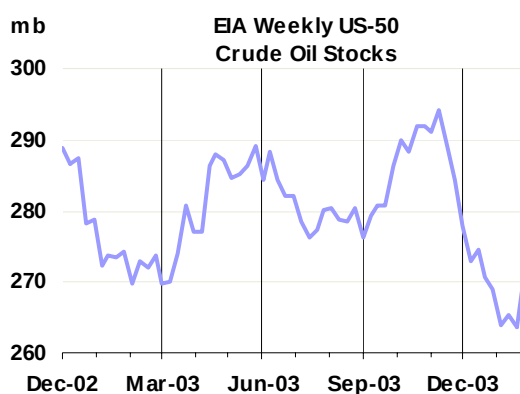
1 other oils includes NGLs, feedstocks and other hydrocarbons

Forward demand cover by OECD total oil stocks in December held flat at 51 days, flirting with the historical lows observed in 2002 and 2000 when stocks were deemed to be tight. Cover in the Pacific held flat from November at 45 days. North America and Europe saw divergent trends. North America slipped a day to 48 days, as low crude inventories kept cover from rising despite gains in products. Europe gained a day, at 60 days, with a higher base level of product inventories offsetting demand growth next quarter.

OECD Regional Stock Developments

North America

US-50 crude stocks fell 11 mb in December off a reduced November base, closing at 269 mb or 9 mb below year-ago levels. Aside from stock minimisation for fiscal reasons, stocks fell amid flat imports while refinery runs kept high on a yearly basis, supported by firm distillate crack spreads. January saw US refineries testing the notional 270 mb minimum operational inventory level. With the beginning of a heavy maintenance season, particularly on the Gulf Coast, crude stocks trended for most part below 270 mb. Stocks bottomed at 264 mb before closing the month at 272 mb on a late surge in imports.



Given the persistent backwardation in NYMEX WTI futures, the economics were against replenishing stocks. It is likely however, that lower crude holdings were compensated in part by running more alternative feedstock, namely straight-run fuel oil. Exports from Europe to the US have been rising since December and running fuel oil to balance secondary units in a period of scheduled maintenance became all the more attractive as the spread between WTI and Brent widened and European fuel oil traded at as much as a \$10 per barrel discount to Brent for most of December-January. Backwardation in the front-month spread in NYMEX crude futures deepened in January, supported by stocks in the Mid-continent holding flat at about 57 mb. Market perceptions for tight prompt supplies in February remained in place in spite of the deepening of maintenance to meet more stringent sulphur specifications this year. But crude inventories are set to rebound. Wide spreads of WTI against Brent will lead to larger February inflows of Atlantic Basin crude and crude demand will fall further. Runs in February are expected to average between 14.3 mb/d to 14.5 mb/d and if imports were to average a conservative 9.3 mb/d, crude stocks may stand to see a significant build by end-month.

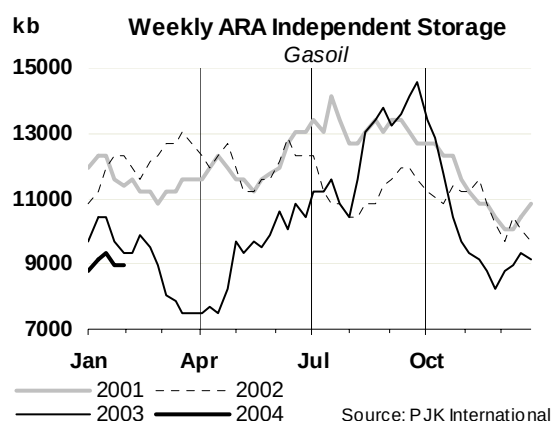
The seasonal pace of draw in distillate inventories (heating oil and diesel) was moderate in December before accelerating in January. December heating oil stocks were buffered by mild weather, rising production and weak end-month demand. Inventories fell in the main Northeast consuming area as demand rebounded on cold January temperatures but they remained at adequate levels, supported by rising gasoil imports from Russia. Additionally, more supply was available on the Gulf Coast where product was backed up into stocks with pro-rated shipments on the Colonial pipeline. Jet/kerosene stocks were depressed in the Northeast. US production fell and incremental demand was supported by deliveries to utilities and blending of low sulphur jet into the imported gasoil pool.

Europe

European industry crude stocks were little changed in December despite firm runs, closing 24 mb above last year and firmly within their recent five-year range. In Northwest Europe, only France posted a gain with a 2 mb build while Germany slipped 0.7 mb and the Netherlands was off by 3 mb. Limited builds seem to run contrary to supply trends. The December overhang in North Sea barrels, regionally confined by high freight rates, was reportedly cleared by European refiners and shipments of Baltic sourced Urals seemed unworkable beyond Rotterdam for late December, early January 100,000 tonne ice-class cargoes. Crude stocks should edge lower in January but remain at comfortable levels - the draw is likely to take place off an upwardly revised December base. Though runs will remain firm on profitable sweet and sour cracking margins, regional supply looks ample, based on a shallow backwardation observed for Brent during December in the near months. Availability of sour barrels, both in Urals (from a heavy loading programme from the Baltics and unwinding of delays in the Turkish straits) and in Iraqi Basrah diverted away from the US, should favour a moderate decline. January light/sweet North Sea barrels were likely absorbed proportionately more in Europe based on strong margins on gasoline and naphtha – tanker fixtures to the US were reportedly higher in February.

Changes in main products stocks were mixed, only gasoline posted a modest rise while distillates and fuel oil slipped. Product stocks are likely to be revised upwards, given strong refinery runs and a weak monthly uptick in demand. Cover, in days of forward demand for the main products was flat to rising in the recent two months.

The gasoline build is likely to be higher, despite deliveries during December/January of low-octane material to Nigeria but also product to Asia and the east Mediterranean. Arbitrage to the US was closed in the second half of December (with scarce clean tankers) and had apparently opened in January. Yet, independent storage of gasoline in ARA nudged higher through January. Industry distillate stocks held about even, heating demand was weak on mild temperatures and sufficient end-user stocks in the main German market were drawn further. Gasoil in independent storage trended sideways from December to January. High outright prices encouraged immediate sales and there was little incentive to store with buyers eyeing the backwardation in IPE's gasoil contract, suggesting lower prices for February-March. Industry distillate stocks are likely to decline in January, with higher demand and Russian exports through Ventspils skipping ARA to head for the US. Residual fuel oil inventories were marginally lower, supported by some arbitrage of material out of the Mediterranean. High sulphur fuel swap prices, unlike those for other products, were in contango. Cracked high-sulphur material from the Baltics kept ARA independent storage high during January with arbitrage opportunities to Asia closed. However, straight run fuel oil shipments to the US gained in momentum.



Pacific

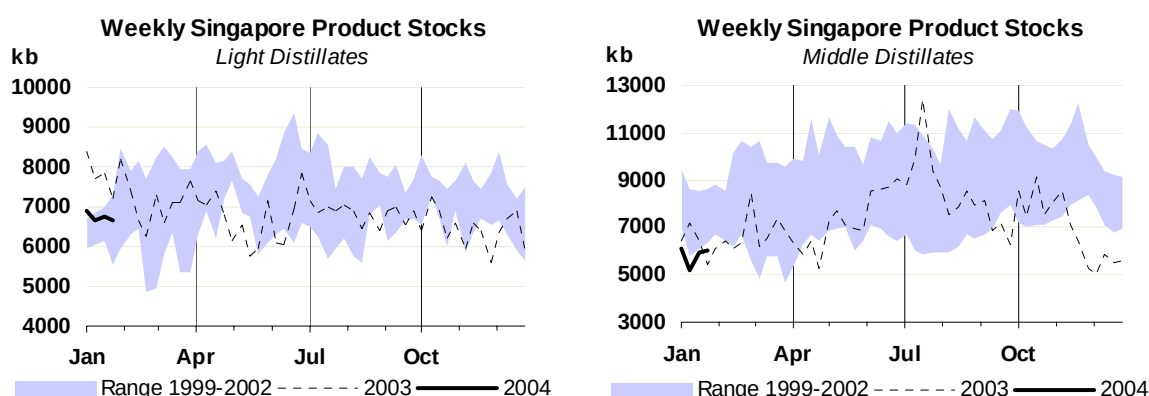
Movements in Japanese inventory dominated stock changes in the Pacific for both crude and product though December Korean crude levels are likely 6 mb higher, once oil in tankers is accounted for. Japanese crude stocks built off an expected upward revised November base, as onshore stocks rose 11 mb in December, putting the crude stock position for the Pacific at 172 mb, or back within the five-year range. Strong imports outpaced a rise in crude runs, with heavy volumes of Iranian and UAE crude expected last month now appearing in December customs-cleared import data. December has not likely seen a material fall in the volume held on tankers at port, but a 2 to 5 mb downward revision to this month's preliminary gain remains possible. January is likely to see crude draw with refinery utilisation still running at 90%, although additional supplies above term volumes offered from Abu Dhabi and possibly Iran alongside incremental Iraqi cargoes may mitigate a significant draw. Also, cuts in Kuwait and Saudi term supplies were reportedly maintained at a modest 8 to 10%.

As heating demand kicked in, draws in Japanese kerosene stocks accounted for the decline in Pacific distillate stocks. Though these fell further in January, they posted a surplus over last year. With ample unfinished inventory available, kerosene looked sufficient to meet winter requirements. Japanese gasoil stocks rose on weak demand into early January, prompting sales of surplus barrels to China. A heavier crude slate to produce fuel oil for utility consumption took its toll on gasoline stocks in Japan. Japanese gasoline demand rose in December and posted growth against last year, leaving stocks to close at the bottom of their 5-year range in December despite rising imports.

Singapore Stock Developments in January

Total product stocks in Singapore, surveyed by International Enterprise, closed lower in January on draws in residual fuel oil while distillates and light end stocks posted marginal gains. Product tightness remained squarely in gasoil and naphtha. Regional demand for these products was strong but supply was lacking due to reduced spot exports from key countries and term delivery delays on account of refinery outages.

Residual fuel stocks fell in January as Chinese demand resumed. Deliveries into the country's main Huangpu terminal rose from December levels. However, prompt supply was relatively ample. The contango for benchmark 180cst fuel oil prices held for the first half of the month. Though Chinese demand is set to rise further in February to fulfil increased use of straight run fuel oil by small refiners, arbitrated supplies from Europe, the Caribbean and the Middle East should mitigate downward pressures on inventories. Stocks are likely to fall over February with China turning to Singapore to source product as Korea cuts back on exports. At the time of writing, swap prices for February delivery held above March, reflecting near-term demand pressures, but the backwardation was relatively shallow.



Distillate stocks edged higher in January but continued to trend at low levels, keeping swap prices in both kerosene and gasoil in backwardation. Market focus remained on gasoil rather than kerosene for which requirements to cover the remainder of winter demand were said to be met. Gasoil supplies from regional exporters were curtailed. China, after forgoing spot gasoil exports in December to meet strong domestic demand, was reported extending this interruption in January. Korea's January exports came off sharply from December as refiners held back product while switching yields to produce kerosene. Available material from Korea as well as Taiwan was said to be delivered mostly into Hong Kong. Gasoil also derived strength from refinery glitches. Taiwan's Formosa delayed term supplies loading in mid-January following the temporary closure of a desulphuriser unit, fuelling additional prompt demand.

Light products stocks (which comprise naphtha and gasoline) ended marginally higher in January, with naphtha inventories likely tightening further on strong petrochemical demand and delayed term supplies due to refinery problems in Middle Eastern exporting countries. A deepening in the backwardation of Singapore naphtha prices suggests that inventories are to remain tight through February before easing with the arrival of arbitrage supplies from Europe in March. Supply prospects for gasoline were up. Higher expected Chinese exports in February alongside arrivals from Europe, outweighed concerns of incremental demand from Indonesia and Australia.

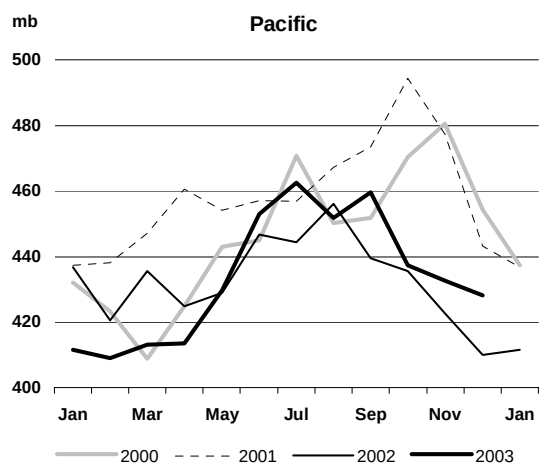
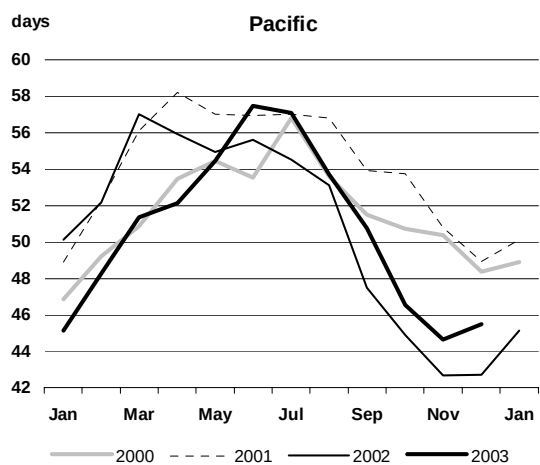
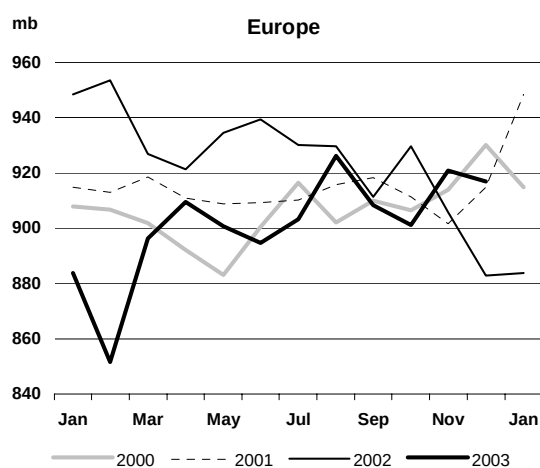
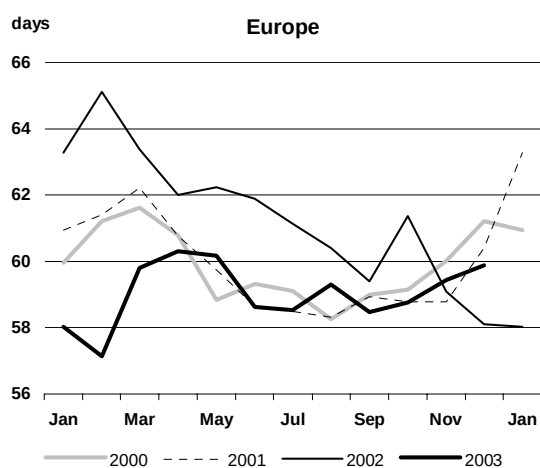
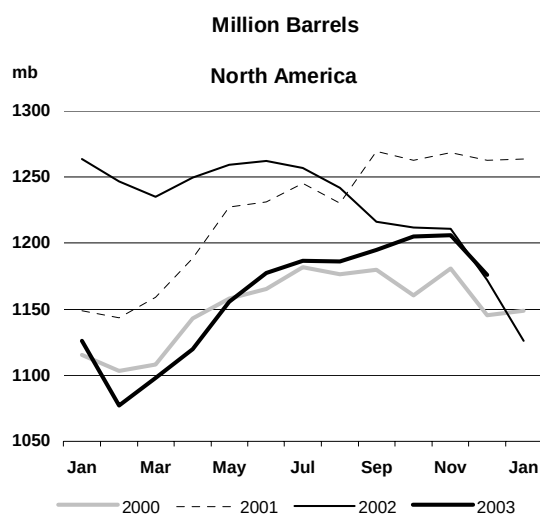
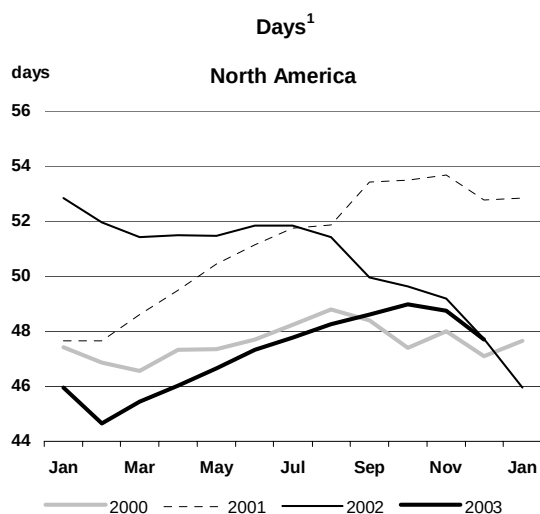
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	1Q03	2Q03	3Q03	4Q03	Oct 03	Nov 03	Dec 03	Latest month vs.	
										Nov 03	Dec 02
Crude Oil	819	755	885	892	593	654	613	546	800	253	-13
Products & Feedstocks	-35	-98	-158	-119	-93	-18	4	-15	-42	-27	-161
Gasoil/Diesel	-154	-170	-175	-171	-174	-161	-125	-110	-248	-138	-55
Gasoline	-81	-83	-76	-95	-67	-96	-87	-85	-114	-29	-28
Heavy Fuel Oil	334	320	314	304	323	341	316	273	433	160	179
LPG	-19	-22	-24	-26	-19	-19	-18	-20	-21	-2	-2
Naphtha	6	13	-22	18	5	49	28	53	65	12	45
Jet & Kerosene	-65	-99	-124	-93	-103	-77	-75	-74	-83	-10	40
Other	-57	-55	-51	-56	-58	-54	-35	-53	-74	-21	-18
Total	784	659	727	774	501	636	617	531	757	226	148

Source: International Enterprise, IEA estimates

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

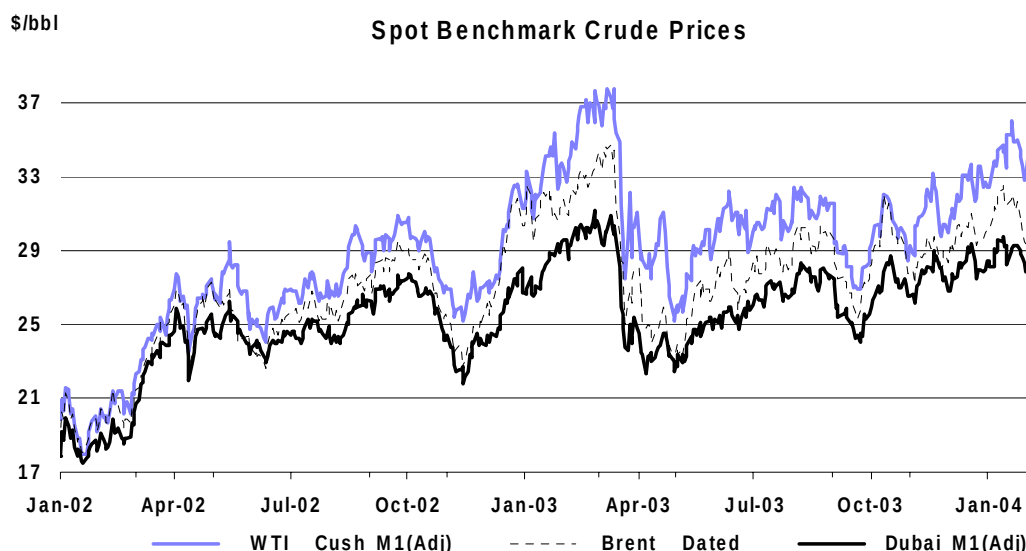


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- Low US crude stocks, cold US weather and Far Eastern demand combined to keep crude prices firm in January. Benchmark physical crudes, WTI and Brent, averaged above \$34 and \$31 respectively. However, an early February build in US crude stocks and expectations of less frigid temperatures contributed to a slight moderation in prices. An easing of the extreme tightness in Far Eastern naphtha and gasoline prices followed an influx of European arbitrage shipments and the return of Middle Eastern and Mediterranean refineries to more normal levels, but prices remain high relative to crude.
- **High freight rates and crude prices** suggest that Far Eastern demand remains strong and together with expectations of a typical seasonal fall in Q2 demand are creating considerable nervousness. However, experience in 2002 shows that if margins remain firm, there would not necessarily be a significant decline in global throughput as maintenance in one region is offset by higher processing rates elsewhere.
- **Speculators** maintained relatively high net-long positions throughout January, although profit-taking in NYMEX Light Crude futures led to an easing of the non-commercial net long position to 53,508 lots from a recent peak of 61,316 lots.
- **Singapore refinery margins** remain firm despite a sharp correction in naphtha and gasoline prices in mid-January from overheated conditions earlier in the month. US margins have been supported by the cold weather, while the Mediterranean has been buoyed by refinery disruptions and the strength of gasoline demand into the Middle East and Nigeria. Northwest Europe has been the weakest region, depressed by an overhang of Russian fuel oil.
- **OECD refinery throughputs** were fractionally higher in December, in line with normal seasonal peaks. US refiners started their maintenance programmes in January, but Far Eastern producers postponed some planned reductions in throughput in January and February because of high margins. Relatively high European maintenance is expected in March, which should coincide with the tail-end of the US refinery programme.
- **VLCC freight rates** eased on average in January from December levels, but largely only due to the sharp decline in rates early in the month ahead of the Lunar New Year holidays. Weather and congestion-related delays in the Turkish straits remain supportive features for the market, as does the considerable increase in the volume of oil-on-water as more long haul crude moves to the Far East.



January Overview

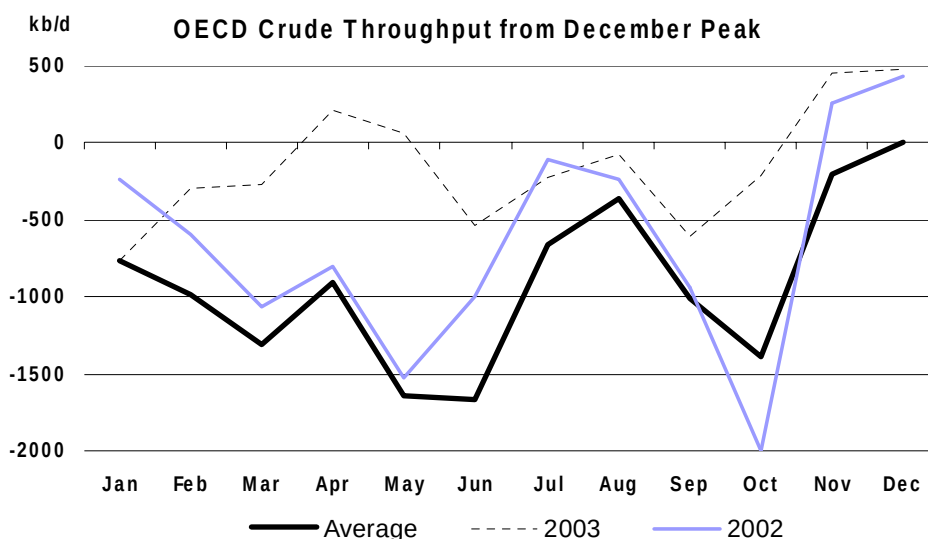
Oil markets remained dominated by the issues of low US crude stocks, weather and Far Eastern demand in January. Benchmark crude prices remained strong for most of the month, with WTI and Brent averaging above \$34 and \$31 respectively. However, a build in US crude stocks reported at the start of February and a forecast of less frigid temperatures through to the middle of February contributed to a slight moderation in prices. Far Eastern markets, although still relatively firm have seen the extreme tightness in naphtha and gasoline prices moderate following an influx of European arbitrage shipments and the return of Middle Eastern and Mediterranean refineries to more normal levels.

Some oil market participants are looking for signs that the current high price regime is coming to an end and a seasonal reduction in demand is beginning to have an impact on the markets. Recent dips in crude, light products and freight rates, from high levels, may represent the start of this trend. Similar signals have been provided over the past few months, but end users and refiners have been swift to re-enter the spot market and prices have recovered.

It has to be recognised that of the myriad factors that can influence the oil market, the highly visible US crudes stocks are the single most important explanatory variable of prevailing crude prices (inventory movements are of course a symptom, not a cause of supply imbalance). With relatively heavy US refinery maintenance indicated for the first quarter of 2004, there would have to be a further sharp decline in US crude imports to prevent a modest improvement in inventories. Products might also decline, creating problems ahead, but higher crudes stocks would provide the greatest comfort for the market at present.

From a crude perspective, the current US refinery maintenance programme releases some pressure from the system. There is therefore around 1.0 mb/d less crude (as opposed to oil product) demand from the US at present. Some of this will be made up through product stock drawdowns and imports, which might also increase crude demand from non-US refiners.

However, the seasonality of refining is such that the US cannot be looked at in isolation. Taking OECD throughput figures since 1995 shows a seasonal tendency for runs to peak in December, with a 1.3mb/d dip in throughput in March (from the December peak) as European and US refiners undertake maintenance, followed by a slight recovery in April before (typically) heavy Asian maintenance takes throughput down by over 1.6 mb/d in May and June.



But banking on throughput seasonality to drag down crude prices might prove misleading. Globally, there is spare capacity in the system, and if prices are high enough then it will be used. Last year, the cold winter coupled with the Venezuelan strike caused product prices to soar, and the ensuing high crack spreads prompted refiners to bolster throughput. There was a contra-seasonal rally through to May and the June dip was relatively mild. The seasonal maintenance impact is not guaranteed. If demand is strong (perhaps through cold weather or a booming global economy) and margins are high the second quarter dip in crude demand can prove ephemeral.

US distillate inventories remain within normal seasonal ranges, though falling as demand surged in January. Normal to slightly-below normal conditions are expected for the coming days, but even if temperatures remain cold through to March there does not seem to be any reason to expect a shortage of heating oil this winter. However, with maintenance high, there could be an impact on diesel supplies during the spring planting season. Concerns over the untested ability of the US refining system to meet summer MTBE gasoline standards this spring are also high and the focus on distillate production has slowed the usual contra-seasonal stock build.

Refinery issues in the Middle East Gulf and Algeria have largely been resolved, which has helped to ease some of the extreme tightness seen in the lighter end of the barrel - particularly in the Far East. Increased arbitrage shipments, coupled with higher local refinery throughput and some regional price sensitivity (and substitution where possible) helped to cool mid-January extremes.

But, despite the retracement in product prices, Singapore refinery margins remain at relatively high levels, as do US and Med sour margins, which implies that demand remains relatively strong.

High freight rates coupled with persistently firm crude prices imply that demand from the Far East remains robust. Sweet crudes, particularly West African have been in strong demand, but heavier sour crudes such as Cabinda have been harder to place. Sour demand has been further reduced by heavy coker maintenance in US PADD 3.

Futures prices provide some indication of market nervousness. The 2nd February one-day rally was predominantly in the front end of WTI, leaving forward contracts and Brent to underperform. This in part reflects both the present tight conditions and increased expectations that the supply tightness will ease. However, the backwardation from the second quarter through to the end of the year is much shallower than was in place at the end of January 2003. This snapshot of current expectations implies that the market does not perceive there will be a collapse in crude prices.

Crude Oil Prices

Spot Crude Prices and Differentials in January

The strength in sweet crude benchmarks (dated Brent, WTI Cushing) over sour crudes such as Urals and Dubai continued in January, driven by the strength of light products markets in the Far East. However, while low US stocks continued to support WTI prices, a combination of high freight rates and reduced US refiner interest kept transatlantic trade at relatively moderate levels.

Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

	Nov 03	Dec 03	Jan 03	Jan-Dec		Week Commencing:				
				Change	%	05 Jan	12 Jan	19 Jan	26 Jan	02 Feb
Crudes										
Brent Dated	28.73	29.87	31.23	1.36	4.6	31.43	31.94	31.71	30.06	31.43
WTI Cushing 1 month (adjusted)	31.06	32.14	34.24	2.10	6.5	33.89	34.47	35.22	33.57	33.89
Urals (Mediterranean)	27.63	28.34	28.88	0.54	1.9	29.51	29.59	29.03	27.49	29.51
Dubai 1 month (adjusted)	27.66	28.10	28.88	0.78	2.8	28.93	29.18	29.14	28.53	28.93
Tapis	30.61	31.34	33.63	2.29	7.3	33.00	33.69	34.32	34.10	33.00
Differential to Dated Brent										
WTI Cushing 1month (adjusted)	2.33	2.27	3.01	0.74		2.47	2.53	3.51	3.51	2.47
Urals (Mediterranean)	-1.09	-1.53	-2.35	-0.82		-1.92	-2.36	-2.68	-2.57	-1.92
Dubai	-1.07	-1.76	-2.35	-0.59		-2.49	-2.76	-2.57	-1.54	-2.49
Tapis	1.89	1.47	2.40	0.93		1.57	1.74	2.60	4.04	1.57
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.25	0.26	0.28	0.03		0.32	0.32	0.21	0.19	0.29
WTI Cushing 1mth-2mth (adjusted)	0.38	0.13	0.57	1.46		0.73	0.41	0.83	1.46	0.27

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

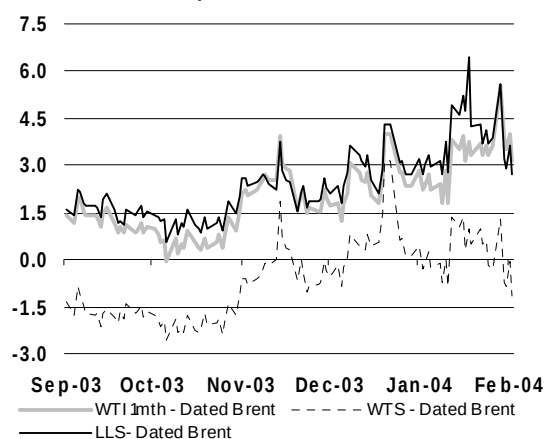
Moving dated Brent crude to the US East Coast appeared relatively unattractive for most of January, although the economics improved for the second half if the comparative cost of shipment from the North Sea to Rotterdam is included. Anecdotal indications would, however, suggest that only Brent moved West in significant volumes. The decrease in the availability of Basrah Light in the US Gulf region is due to a lack of demand for sour crudes due to PADD 3 coker maintenance, but is also a further symptom of high freight rates and strong Far Eastern demand.

Even if spot market arbitrage economics appear unattractive, plenty of crude is still moving to the US (term contracts and equity volumes always ensure this is the case). Despite a weather-related dip towards the end of January, provisional data show average US imports for the month at 9.5 mb/d, in line with December and November 2003 imports.

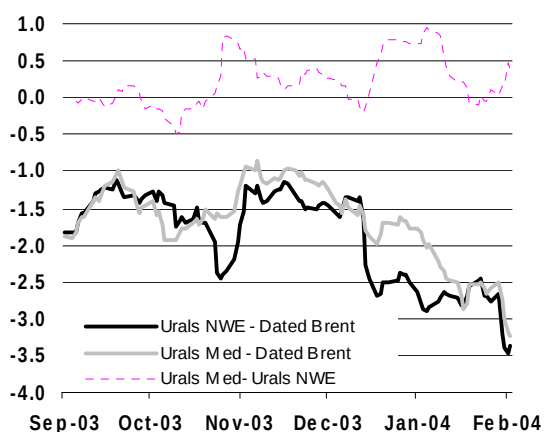
The widening of the sweet-sour spread in Europe also helped to lower the attraction of sweet North Sea crudes to European refiners. The differential of NWE Urals crude to dated Brent fluctuated between -\$2.5 and -\$3.0 for most of January, \$1.50 below November levels. However, the relative strength of gasoline for export, coupled with the depressed fuel oil market meant that premium sweet crude grades remained in demand.

An increase in the availability of Iranian and Iraqi crudes in the Mediterranean and some additional Saharan Blend cargoes due to the Skikda refinery closure in Algeria helped to offset inclement weather-related Black Sea transit delays for Mediterranean supplies of sour crudes. Although Turkish Straits transit issues remain a concern, it was poor weather that appeared to be responsible for a sharp decline in end-January Russian Black Sea shipments. Transit restrictions will become less of an issue as we move towards increased daylight hours in the spring, which should allow congestion to ease.

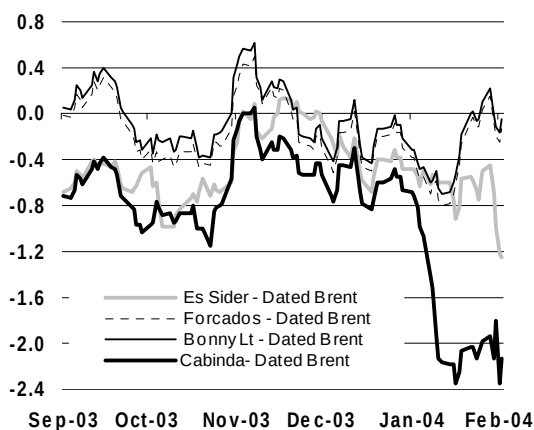
US Spreads to Dated Brent



Urals Spreads to Dated Brent



African & Med Spreads to Dated Brent

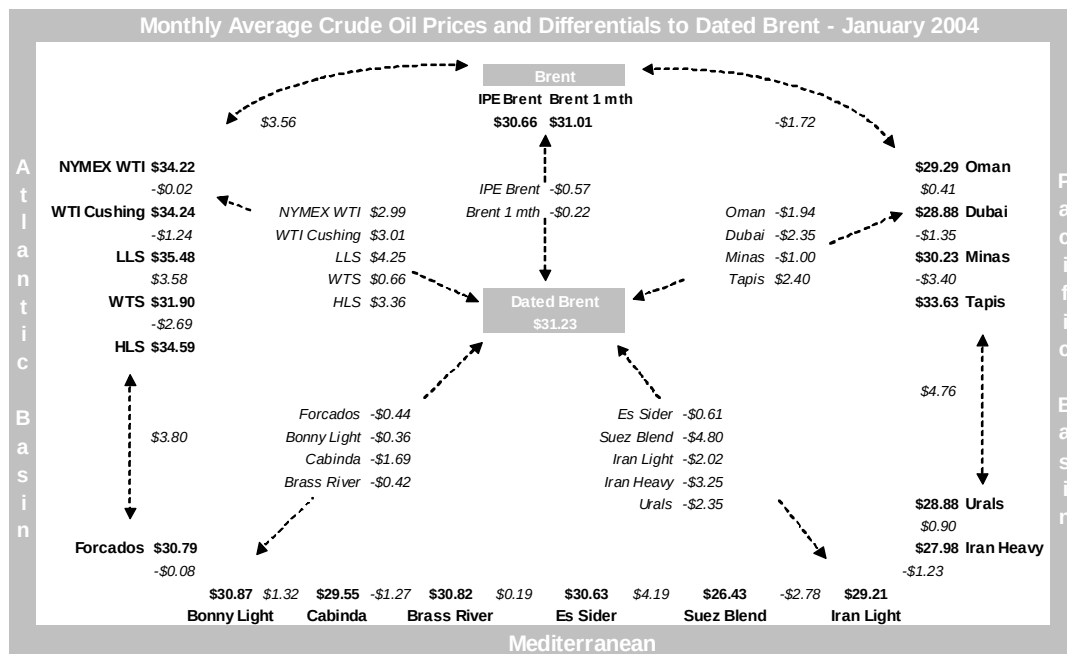


West African light sweet crudes remained in demand from the Far East and US maintenance diminished competition from US refiners. Heavier Angolan grades were harder to place and differentials widened considerably from the middle of the month. The differential for Cabinda to Bonny Light has widened to around \$2.50/barrel, its widest spread in more than three years. There has been only a limited increase in Angolan supplies, suggesting that the differential slippage would appear to be a demand-side response. Medium sweet crudes are often favoured by US Gulf Coast and midcontinent refiners, so it seems likely that the differential widening is due to lower demand ahead of first quarter maintenance coupled with the preference to process high-gasoline yielding sweet crudes.

Far Eastern trading activity in late January was disrupted by the extended Lunar New Year celebrations, but has subsequently picked up. Refining margins remain strong, but the sharp retracement in regional naphtha prices following the resolution of refining problems in the Middle East, the restart of Algeria's Skikda refinery and the arrival of arbitrage cargoes from Europe will imbue caution ahead of weaker demand in the second quarter.

The regional strength of light crudes is reflected by the record premium of Tapis over dated Brent, although this is partly inflated by some minor supply tightness. Minas and Cinta crudes however lost ground in January as lower Japanese demand for direct-burn crudes has dwindled as we approach spring and nuclear plants run at high levels.

High freight rates, combined with robust crude prices have inflated delivered crude prices to the region. Consequently, buying is either made on a hand-to-mouth basis or when there is a significant movement in one of these two variables. This has created erratic demand patterns since the start of the fourth quarter last year. Refiners, cautious about committing to large volumes at high prices, tend to stand back from the market early in the loading cycle which leads to some concern that the regional boom is ending. A fall in crude prices and freight rates is then seen, followed by a rush to book physical material.



Another dimension is the significant increase of oil-on-water in the fourth quarter. This crude is already largely committed and if normal seasonal demand patterns are seen, the overhang would be expected to be wound down at some point ahead of the second quarter slowdown. Similarly, should a sharp fall in prices occur, refiners are likely to stand back from the market until they are convinced a price floor has been found. Such actions have the potential to lead to a rapid and significant fall in values should a supply imbalance occur. But such a pattern is not axiomatic and would be confounded by sustained demand.

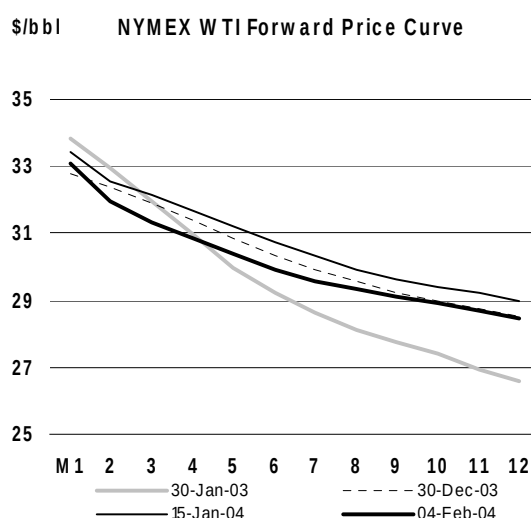
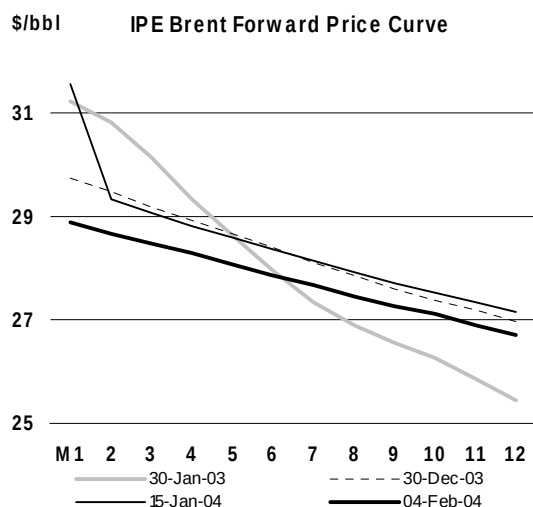
Crude Futures in January

Crude futures prices in January followed broadly the same curve as December, but with a relatively shallow backwardation in place in contrast to year ago levels. In January 2003, the Venezuelan supply loss was regarded as temporary; similarly, the prospect of war in Iraq was regarded as a finite disruption, while OPEC was trying to increase supplies to consuming countries. Further, the US economic recovery was regarded as relatively tepid, providing a sound rationale to expect lower prices in the future.

A year later the contrast is significant. The US economy saw rampant growth in the second half of 2003, dragging the rest of the world with it. Europe and Japan are no longer stagnant, while China is proving to be an independent dynamic to the Asian Pacific region. US crude stocks remain low and there has not been a significant build in OECD crude inventories. These demand-side factors have helped to bid-up futures prices to leave a backwardated, but less extremely forward sloping futures curve.

However, some indications of nervousness over the future have appeared in recent sessions. The sharp increase in NYMEX light crude futures prices on 2 February occurred mainly in the front contract, with the forward months remaining little changed. This steepening backwardation indicates both an increase in nearby tightness and a perception of lower forward prices. IPE Brent forward contracts, in contrast, remain in a virtual straight-line curve, having seen a brief blip towards the expiry of the February contract. Nevertheless, whereas the front two spreads on NYMEX WTI have been in a strong uptrend since December, the same spreads on the IPE Brent contract have moved weaker in a manner not seen since September.

It is difficult to read too much into the current price structure – outright prices are still high and a backwardation is still in place. One perspective is that the IPE futures market is clearly showing signs that crude tightness is lessening, while the converse is taking place in the US. However, a more plausible scenario is simply that the relative prices represent an unusual structure imposed by high freight rates.



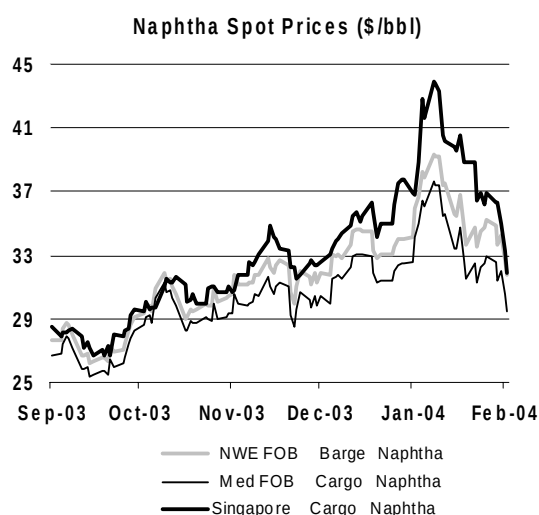
Delivered Crude Prices in November

Delivered prices for crude oil imported into IEA countries rose by \$0.14 in November from October levels, but with a sharp divergence in regional values. IEA Europe and North America both saw strong increases in delivered crude prices in October from September, but with Europe rising by \$1.85 compared with a 77-cent increase in IEA North America. The 37-cent/bbl fall in November import prices in Europe to \$28.63 and the 25 cent increase in North American prices largely offsets this difference. IEA Pacific import price moves generally lag those seen in the other two regions due to the longer voyage times and therefore bucked the trend by falling by 94 cents/bbl in October, and rising by \$1.37 in November.

Product Prices

Spot Product Prices in January

Far East naphtha and gasoline prices fell from their early January spike as refiners increased runs and Middle East supply problems eased. Demand-side constraints also moderated as naphtha crackers substituted gas oil and condensate for naphtha where possible. The arrival of European arbitrage cargoes towards the end of the month added to the supply pool, with preliminary data indicating a doubling of Russian exports. The shipment of European naphtha eastwards tightened the North West European market, but local demand was reduced by the combined loss of several petrochemical processors during the month. Mediterranean supplies remained tight following the loss of Algeria's Skikda refinery in the middle of January. However, Mediterranean prices dipped in February as exports resumed from the restarted Skikda refinery and lower Far Eastern prices took their toll.



Gasoline prices followed a similar pattern in the Far East, with high regional refinery runs, anecdotal evidence of increased supplies in the Chinese domestic market and falling naphtha prices contributing to more moderate prices by the end of January. New York gasoline prices remained strong, helped by the seasonal concentration of refining activity towards maximising distillate yields, a surprise fall in stocks and concern about a lack of summer-grade MTBE material. Despite high freight rates, arbitrage activity from both the Mediterranean and North West Europe was concentrated eastwards in

January, with the window opening sporadically to the US market. The backwardated nearby swaps market highlighted that there was sufficient movement out of the region to keep the market tight, despite high refinery runs. Strong demand from the eastern Mediterranean and Nigeria provided further pull for European material.

Spot Product Prices

(monthly and weekly averages, \$/bbl)

	Nov	Dec	Jan	Jan-Dec Change	%	Week Commencing:					Nov	Dec	Jan
						05 Jan	12 Jan	19 Jan	26 Jan	02 Feb			
Rotterdam, Barges FOB													
Premium Unleaded (Cargo)	34.14	34.45	38.41	3.96	11.5	38.06	39.13	39.01	38.01	38.61	5.42	4.58	7.18
Regular Unleaded	33.66	33.93	37.83	3.90	11.5	37.56	38.54	38.43	37.39	37.98	4.93	4.07	6.60
Naphtha	31.55	33.19	36.18	2.99	9.0	37.62	37.80	35.12	34.59	33.95	2.82	3.33	4.95
Jet/Kerosene	37.67	39.18	40.46	1.28	3.3	41.35	40.35	41.36	38.97	38.99	8.94	9.32	9.23
Gasoil	34.75	35.57	37.15	1.58	4.4	38.52	37.21	37.63	35.40	34.58	6.02	5.71	5.92
Fuel Oil 1.0%S	24.00	21.45	22.93	1.47	6.9	23.63	23.11	22.75	22.64	21.32	-4.73	-8.42	-8.31
Fuel Oil 3.5%	23.52	20.39	21.63	1.24	6.1	23.02	22.70	20.86	20.20	20.35	-5.21	-9.48	-9.60
Mediterranean – Basis Italy, Cargoes FOB													
Premium Leaded (0.15 g/l)	34.10	34.39	38.43	4.04	11.7	38.43	38.72	39.49	37.46	38.38	6.47	6.06	9.55
Premium Unleaded	33.38	33.67	37.71	4.04	12.0	37.71	38.00	38.77	36.74	37.66	5.75	5.34	8.83
Naphtha	30.23	31.68	34.18	2.49	7.9	35.85	35.88	32.98	32.33	31.70	2.59	3.35	5.30
Jet/Kerosene	35.69	37.46	38.63	1.17	3.1	38.92	38.43	39.92	37.60	38.96	8.06	9.13	9.75
Gasoil	34.32	34.40	36.36	1.97	5.7	37.88	36.69	36.92	34.30	33.04	6.69	6.06	7.49
Fuel Oil 1.0%S	24.88	22.46	24.08	1.62	7.2	24.95	24.42	23.45	23.42	23.20	-2.76	-5.88	-4.80
Fuel Oil 3.5%S	21.19	17.39	20.22	2.83	16.3	20.47	20.64	20.31	19.92	20.12	-6.44	-10.95	-8.66
NY Harbour, Barges													
Super Unleaded *	39.69	38.62	43.85	5.23	13.5	43.02	43.47	45.41	43.81	45.13	8.63	6.48	9.61
Regular Unleaded *	36.72	37.18	41.98	4.80	12.9	41.60	41.34	43.62	41.67	42.96	5.66	5.04	7.73
Jet/Kerosene	36.15	38.49	43.10	4.61	12.0	42.32	42.45	45.07	42.96	44.00	5.09	6.35	8.86
No.2 Heating Oil	35.06	37.38	41.19	3.81	10.2	40.81	40.76	43.03	40.52	39.61	4.00	5.24	6.95
Fuel Oil 1.0%S (Cargo)	26.14	25.78	28.16	2.38	9.2	28.13	28.12	28.07	28.31	29.00	-4.92	-6.36	-6.08
Fuel Oil 3.0%S (Cargo)	24.43	22.64	23.61	0.97	4.3	23.14	24.01	23.90	23.46	23.13	-6.63	-9.50	-10.63
Singapore, Cargoes													
Premium Unleaded 95	35.78	39.52	44.25	4.73	12.0	46.04	46.59	43.40	40.98	39.35	8.12	11.42	15.37
Naphtha	32.54	34.67	39.49	4.83	13.9	40.80	41.56	39.63	36.54	35.05	4.88	6.56	10.61
Jet/Kerosene	35.89	37.50	39.60	2.10	5.6	39.44	40.79	40.66	38.23	36.60	8.23	9.40	10.72
Gasoil	33.68	35.10	39.35	4.24	12.1	38.88	40.30	40.48	38.62	36.73	6.02	7.00	10.46
LSWR (0.3%S)	28.73	30.13	27.88	-2.24	-7.4	26.51	28.44	28.73	28.43	28.20	1.07	2.02	-1.00
HSFO (3.5%S 180cst)	25.01	24.85	26.29	1.44	5.8	25.22	26.79	27.32	26.65	27.06	-2.64	-3.25	-2.59
HSFO 4%S	25.17	24.93	26.18	1.25	5.0	25.25	26.77	27.18	26.30	26.87	-2.48	-3.17	-2.70

* From 1 November 2003 assessments for NYH are for Max 0.3% MTBE

Cold US weather finally started to register in provisional US distillate demand figures. Preliminary weekly offtake figures showed that between the end of November and 9th January distillate demand averaged 3.76 mb/d, but this rose to an average of 4.6 mb/d in the following three weeks. This suggests that consumers entered the winter relatively well stocked (following strong second quarter 2003 and October demand), hence the initial tepid response to the cold weather. But the subsequent increase in demand suggests consumers have been burning heavily and have subsequently started to top-up stocks.

Strong demand helped push New York Harbour premiums to North West Europe to over \$5/barrel and to the Mediterranean over \$6 higher. That the US became the primary distillate export market for Europe was highlighted by the increasing premium of New York Harbour material over Singapore. Further indications of the extent of local demand came from the Colonial Pipeline, which has had to pro-rate loadings on its distillate line from PADD 3 to PADD 1 for four out of the first five supply cycles of the year. However, the Far Eastern market still attracted some European material, with higher Russian gas oil shipments noted.

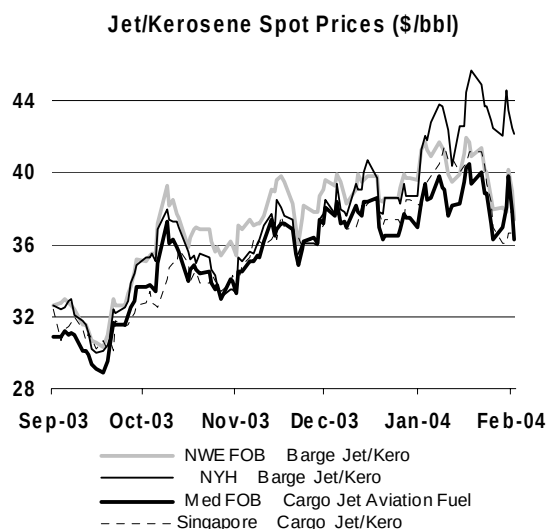
However, the tightness of the US jet/kerosene market has outstripped even gas oil demand. Anecdotal comments from trade sources have suggested that some small and regional airports in the US and the Caribbean have found it hard at times to source fuel.

Kerosene demand typically peaks in the winter months in the US, causing a price spike around the turn of the year, but this year's premium of jet fuel over gas oil has been higher than normal, while the premium of low sulphur to high sulphur jet fuel has soared. Weather-related issues account for most of the incremental demand.

Kerosene is often blended with Russian gas oil (to meet sulphur regulations) and with residual fuel oil and gas oil to improve viscosity during periods of extreme cold weather. New combined cycle power generating plants can also switch easily from burning natural gas to using NGLs, gas oil, low sulphur fuel oil or even 55 grade kerosene. The recent rise in natural gas prices has therefore helped to raise demand for kerosene prices. Maintenance has also had an impact on the supply side, with weekly output falling by an average of 100 kb/d in January from December levels.

Similarly, New York LSFO prices have been strong, reflecting good utility burn during the month and attracting imports from Europe. However, provisional data show US demand for residual fuel oil well below the peaks seen in the first quarter of last year and stocks are above the five-year range.

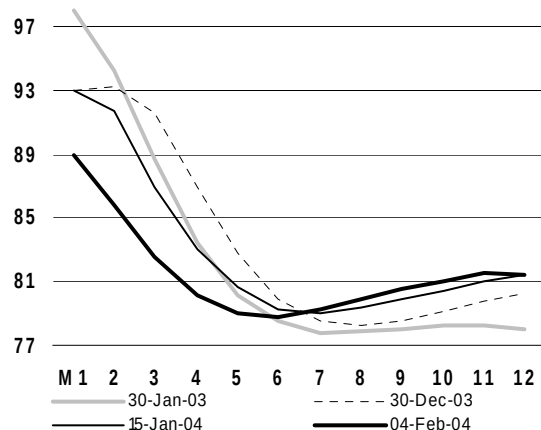
Utilities were indicated to have held sufficient cover ahead of the cold snap, but the lower level of demand also provides further weight for the argument that there has been substitution into distillates (some loss of demand is also related to coker maintenance). In contrast, the glut of high sulphur fuel oil in North West Europe has left it as the only major product in the region in a nearby contango structure. Recently, some of the overhang in Northwest Europe and the Mediterranean has been cleared through arbitrage shipments to the Far East. There have been signs of a return of strong Chinese demand post lunar New Year (although traders are finding it hard to assess the exact level of demand), with many small Chinese refineries apparently using fuel oil as a feed. From a price perspective, the recent heavy discount of straight run fuel oil to sour crude would suggest such moves would be economically justified. Far Eastern demand is also expected to improve in February following the restart of the 85 kb/d Balongan residual cracker in Indonesia which was down for maintenance for most of January.



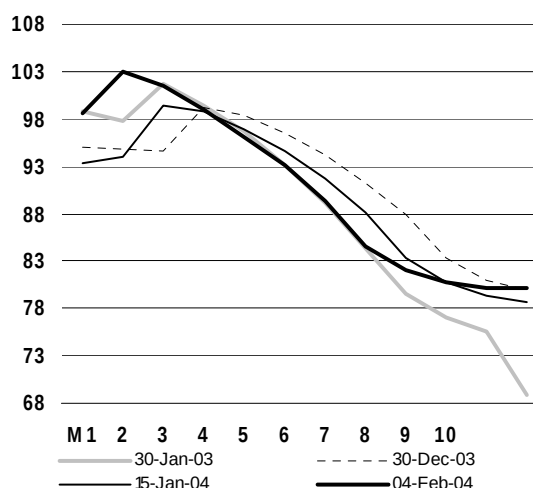
Product Futures in January

Despite continued strong demand for heating oil during the cold snap in the US, it is noticeable that the expiry of the NYMEX February contract has not resulted in a spot month rally. In crude futures it is common after the front month expiry in a backwardated market for the new front month to rally towards the value of the expired contract. In heating oil, however, the first quarter backwardation in the forward curve generally represents the lower demand that is generally seen as the season progresses. Therefore, as one contract expires the new front month merely maintains its pre-expiry valuation. However, if demand is exceptionally strong and stocks are low then a spot rally will be seen, but with the forward curve reluctant to move. This results in a sharp spike in the front-second month backwardation, but generally little shift in the forward curve.

c/gal NYMEX Heating Oil Forward Price Curve



c/gal NYMEX ULG Forward Price Curve



There has, however, been one effect from the cold weather. The recent cold snap in the US has caused a steepening of the first half winter 2004/05 contango (again representing anticipated higher prices rather than an anticipated glut in demand and also encouraging third quarter stock building) as stocks have been drawn down.

The forward structure of the US heating oil market would therefore appear to be indicating that it regards current supplies and inventories as ample to meet current seasonal requirements, but that the drawdown in stocks could leave the market tighter at the start of next winter. Thus, the need to build stocks will be greater, requiring a steeper contango as an incentive.

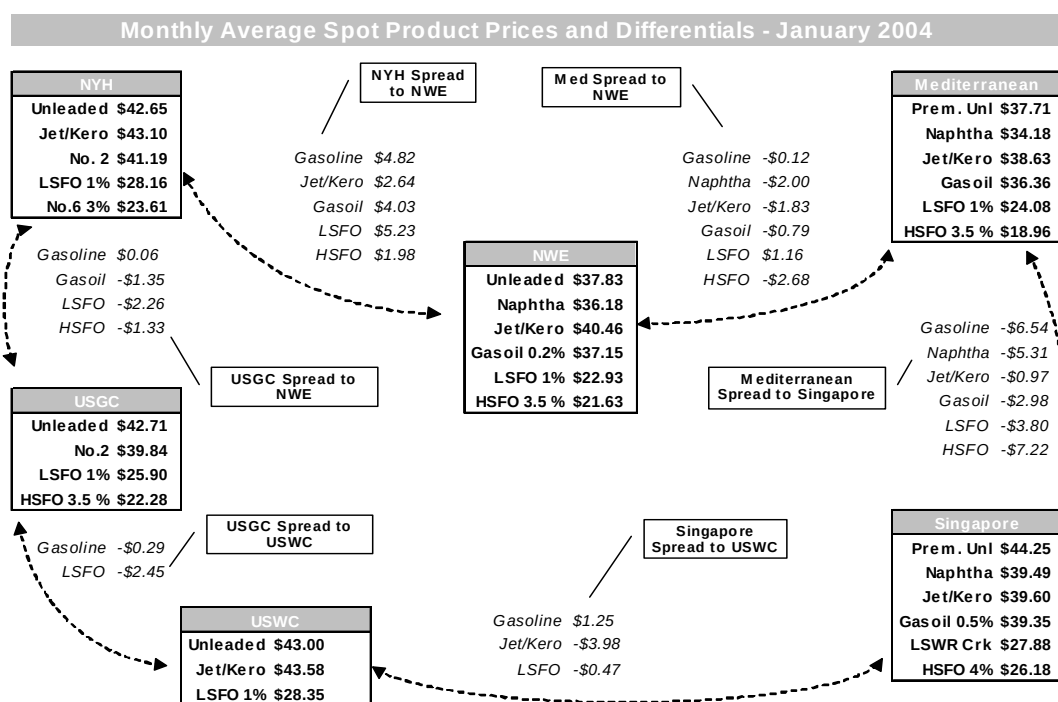
There has been very little movement in the gasoline futures curve and with March taking over as the front month there is only one contango month left in place ahead of the switch to summer grade fuels and the usual seasonal backwardation.

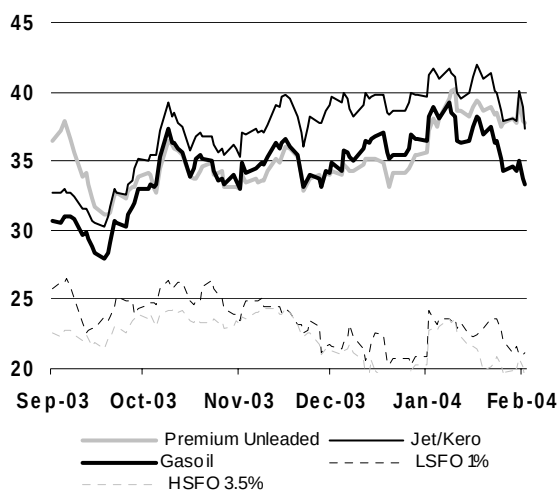
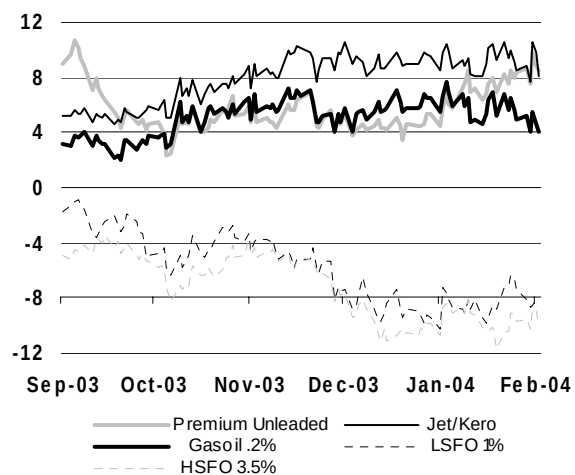
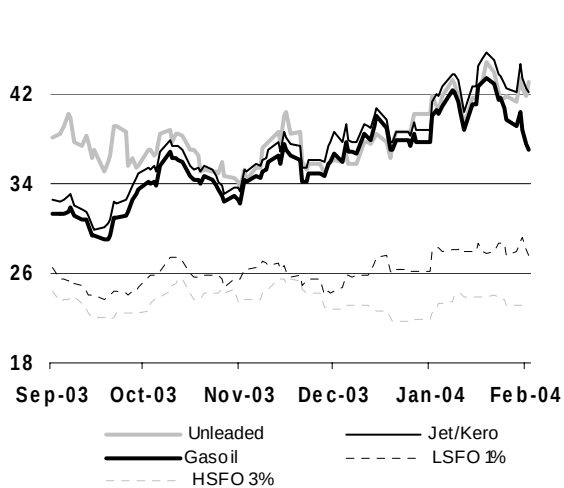
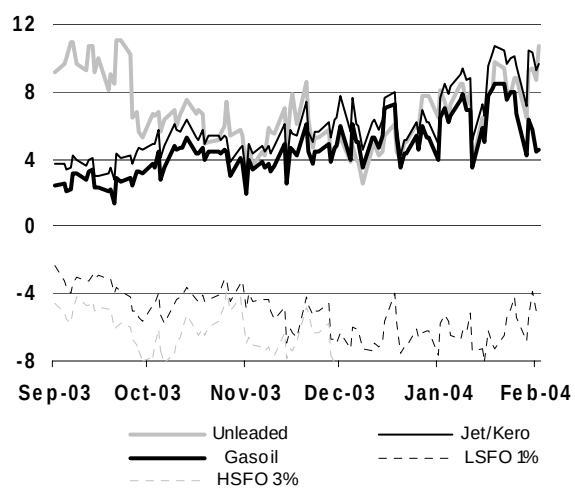
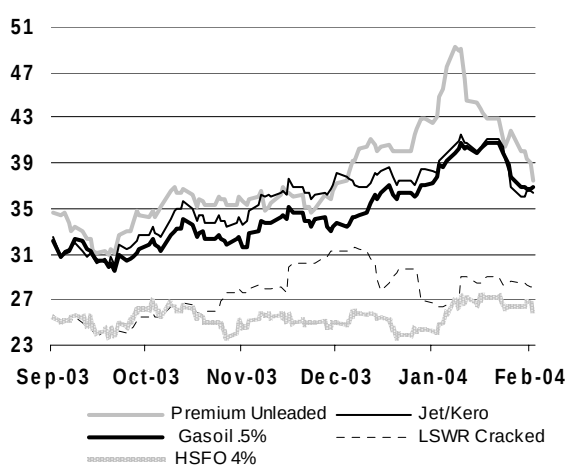
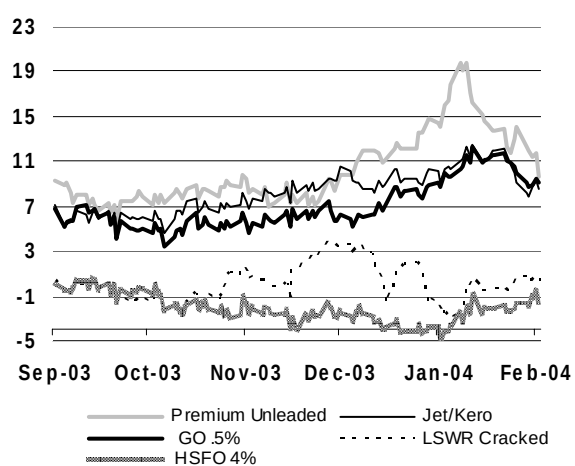
The relative imbalance of the non-commercial position on NYMEX gasoline remains an interesting feature. The net-non-commercial long position remains high at 37,492 lots, but this is much higher as a percentage of open interest (28%) than the 51,042 lots long in the crude futures (7.72% of open interest). It is also comprised of 40,564 lots long and just 3,072 lots short compared with the equivalent crude position of 129,986 long and 78,944 non-commercial lots short.

The relative stability of the gasoline net-non-commercial long, averaging around 35,000 lots since mid-November, highlights that such an imbalance does not necessarily result in instability in the market. Significant volumes in NYMEX products occur through spread trading between heating oil and gasoline and also against crude to generate paper refining margin exposure. This may at certain times act as an offsetting, stabilising factor.

End-User Product Prices in January

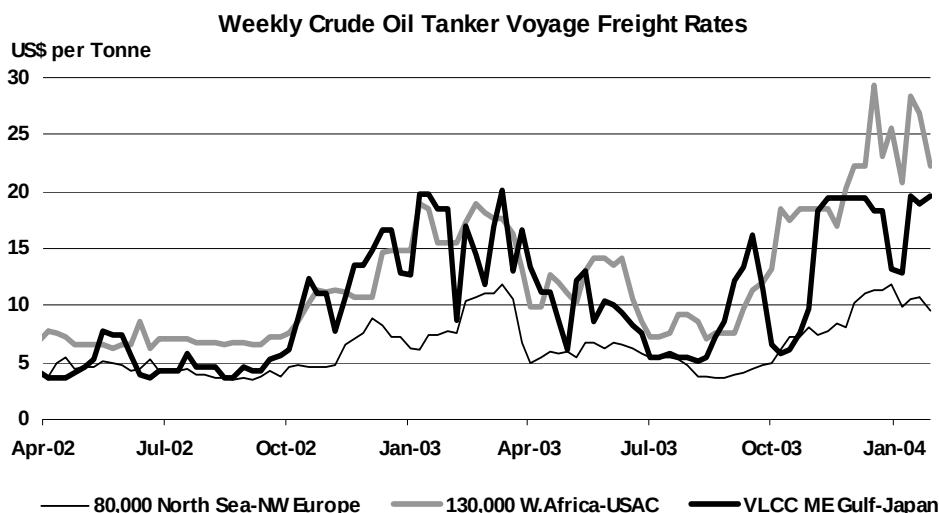
European end user retail prices in local currencies remained relatively flat in January, with the weak dollar offsetting a modest rise in wholesale dollar denominated prices. A 1st January rise in French diesel taxes increased automotive diesel prices by 2.8% over December. Canadian and US retail prices reflected the full extent of regional price increases, with Canadian gasoline prices increasing by 9.1% and US gasoline prices rising by 4.9 %. Domestic heating oil prices rose in line with the wholesale market, with the exception of Japan, which saw a near 1% fall in prices. European fuel oil prices for industry were generally lower with the exception of Italy where wholesale prices rose in both dollar and Euro terms.



\$/bbl Rotterdam Spot Product Prices**\$/bbl Rotterdam Spreads to Dated Brent****\$/bbl New York Harbour Spot Product Prices****\$/bbl New York Harbour Spreads to WTI****\$/bbl Singapore Spot Product Prices****\$/bbl Singapore Spreads to Dubai**

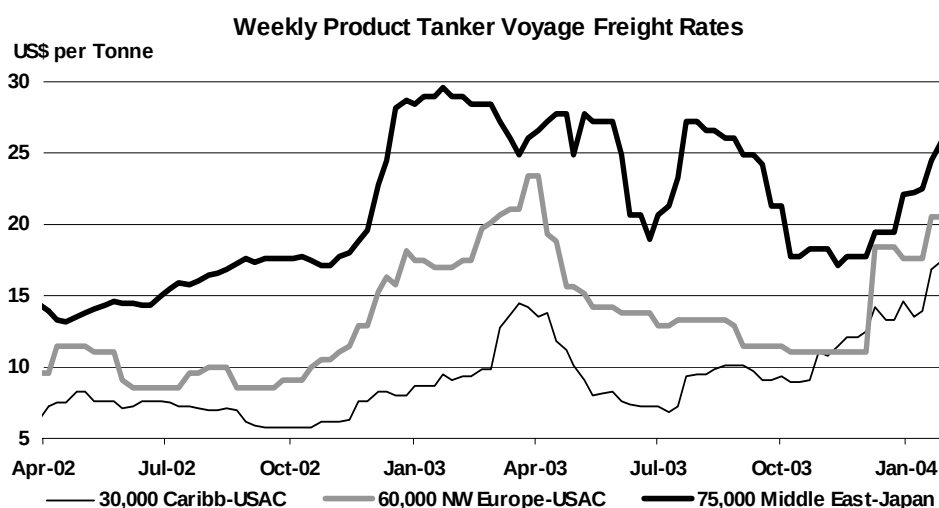
Freight

Dirty freight rates eased on average in January from December levels, but largely due to the sharp decline in rates early in the month ahead of the Lunar New Year holidays. On average, values for most routes remained around the high levels seen in Q4 2003. Volatility increased in early February with strength seen in VLCC rates to Japan, but sharp dips were seen in smaller vessels from the North Sea and West Africa to the Atlantic.



Weather and congestion-related delays in the Turkish Straits remain supportive features for the market, as does the considerable volume of oil-on-water as more long-haul crude moves to the Far East. Data suggest a sharp increase of oil-on-water in the fourth quarter of 2003, which could be the equivalent of taking over 20 VLCCs off the market during the peak demand period.

The seasonality in freight rates is very strong. Typically, dirty freight rates trend lower in the second quarter of the year as Far Eastern crude demand declines ahead of peak seasonal maintenance. The traffic volume in the Turkish Straits will also improve as spring brings more daylight hours. Even if Far Eastern demand remains stronger-than-normal during the second quarter and OPEC continues to produce at a high level, it is unlikely that current high freight rates will persist.



Source: SSY Consultancy & Research Ltd.

Refining Margins in January

Refining margins improved in all regions in January, helped by the strength of light products in the Far East and strong US middle distillate demand. Refinery maintenance and incidents in the US, Mediterranean and Middle East helped to support margins and will have encouraged higher throughput from refiners with spare capacity.

Refining Margins in Major Refining Centres

(\$/bbl)

	Monthly Averages			Jan-Dec		Week Ending:				
	Nov	Dec	Jan	Change	%	02 Jan	09 Jan	16 Jan	23 Jan	30 Jan
Refining Margins										
NW Europe										
Brent (Hydroskimming)	0.28	-1.02	-0.70	0.32		-0.67	-0.34	-1.16	-1.01	-0.29
Brent (Cracking)	1.78	0.84	1.60	0.76		1.40	2.15	1.10	1.33	1.94
Mediterranean										
Urals (Hydroskimming)	1.21	-0.38	1.36	1.74		0.47	1.62	0.78	1.47	1.61
Urals (Cracking)	2.88	1.74	3.80	2.06		2.69	4.22	3.13	4.21	3.72
US Gulf Coast										
WTI (Cracking)	1.50	1.26	4.14	2.89		3.68	4.98	2.63	5.77	3.94
Brent (Cracking)	1.71	0.50	3.41	2.91		2.38	3.46	2.75	5.24	3.78
Singapore										
Dubai (Hydroskimming)	1.08	1.61	3.55	1.93		2.42	4.11	4.52	3.97	3.18
Dubai (Cracking)	3.61	4.89	7.76	2.87		6.57	9.10	8.71	7.84	6.51
Gross Product Worth										
NW Europe										
Brent (Hydroskimming)	30.40	30.58	32.31	1.73	5.7	31.34	33.72	31.98	32.45	30.83
Brent (Cracking)	32.01	32.55	34.71	2.17	6.7	33.51	36.30	34.35	34.89	33.16
Mediterranean										
Urals (Hydroskimming)	29.03	28.14	30.42	2.28	8.1	29.01	31.99	29.94	30.80	28.59
Urals (Cracking)	30.80	30.36	32.96	2.60	8.6	31.33	34.68	32.39	33.64	30.80
US Gulf Coast										
WTI (Cracking)	33.66	34.50	39.48	4.99	14.5	37.25	40.49	39.00	41.86	38.02
Brent (Cracking)	33.43	34.20	39.01	4.80	14.0	36.82	40.00	38.56	41.30	37.55
Singapore										
Dubai (Hydroskimming)	29.24	30.23	32.95	2.72	9.0	31.05	34.17	33.28	33.76	31.50
Dubai (Cracking)	31.88	33.61	37.26	3.65	10.9	35.31	39.26	37.56	37.73	34.94

For the purposes of this Report, refining margins are calculated on the basis of an 'average' refinery that is running a 'typical' crude slate in a specific refining centre. 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.

Singapore margins peaked in early January as the tightness in naphtha and gasoline ebbed. Despite this dip, regional demand remains strong and values of the underlying light and middle distillate products on both a differential basis to Dubai and a spot basis remain well above November averages. Gross product worth for cracked Dubai rose by 10.9% in January over the December average. The strength of the light products also widened the spreads between hydroskimming and cracking margins in favour of the more complex refineries. Similarly, light crudes with a higher naphtha and distillate content remained heavily favoured over sour.

US Gulf Coast refining margins improved significantly, posting the largest nominal gain of the four regions covered, supported by regional maintenance. Gross product worth for both Brent and WTI cracking refineries rose by at least 14% on the month, reflecting the strength of gasoline, jet and heating oil over the month. Brent margins showed larger gains than calculated WTI values due to the underperformance of Brent crude in January. However, Brent remains less attractive than its US crude counterpart due to high freight rates.

Northwest European Brent margins continue to lag those in other regions as high Russian fuel oil and gas oil exports continue to depress gross product worth. The relative strength of gasoline and naphtha meant complex cracking refineries continued to perform better than hydroskimming margins. Naphtha prices in Rotterdam did not scale the same peaks as those seen in the Mediterranean or Far Eastern markets as the coincidental outage in North West Europe of several naphtha crackers simultaneously served to curtail demand in January.

Mediterranean conditions were generally better than those in northern Europe, with net product worth for cracking refineries up 8.6% on average in January. The Skikda refinery problems in Algeria helped to bolster the already-extended naphtha market, while the Urals market was depressed by competition from Iraqi and other Middle East crudes.

OECD Refinery Throughput in December

OECD refinery throughputs in December were virtually unchanged from November levels at 39.45 mb/d. Throughput declines in OECD North America and Europe were offset by a sharp increase in OECD Pacific throughput.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day						Change from Dec 02		Utilisation rate ²	
	Jul 03	Aug 03	Sep 03	Oct 03	Nov 03	Dec 03	mb/d	%	Dec 03	Dec 02
OECD North America										
US ³	15.55	15.69	15.44	15.34	15.45	15.32	0.42	2.8	91.2	88.7
Canada	1.76	1.72	1.72	1.92	1.86	1.79	-0.04	-0.7	92.3	92.9
Mexico	1.28	1.27	1.25	1.21	1.16	1.21	0.01	5.6	78.0	70.7
Total	18.59	18.68	18.41	18.47	18.48	18.32	0.95	2.6	90.3	88.0
OECD Europe										
France	1.83	1.79	1.82	1.86	1.86	1.89	0.19	10.1	99.8	90.6
Germany	1.97	2.26	2.34	2.34	2.34	2.28	0.03	0.8	101.1	100.2
Italy	1.85	1.84	1.66	1.83	1.94	1.80	0.00	-3.3	79.0	81.7
Netherlands	1.08	1.04	1.07	0.94	0.93	1.04	0.06	5.1	86.4	82.2
Spain	1.20	1.16	1.11	1.14	1.16	1.14	0.05	-3.2	88.1	91.1
UK	1.49	1.62	1.46	1.43	1.59	1.59	0.01	-2.8	89.0	91.6
Other OECD Europe	4.05	4.06	4.07	3.87	4.03	3.94	0.11	0.8	85.8	85.1
Total	13.47	13.77	13.53	13.41	13.86	13.69	0.44	1.0	89.4	88.5
OECD Pacific										
Japan	3.90	3.89	3.78	3.91	4.10	4.35	-0.07	-2.6	87.5	89.8
Korea	2.09	1.83	1.93	2.23	2.31	2.31	0.02	1.7	90.4	88.9
Other OECD Pacific	0.69	0.71	0.70	0.73	0.68	0.77	-0.09	-5.2	80.6	85.0
Total	6.68	6.44	6.42	6.87	7.08	7.43	-0.14	-1.6	87.6	89.0
OECD Total	38.74	38.89	38.36	38.76	39.42	39.45	1.25	1.2	89.5	88.4

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US\$0

Preliminary data show a fall in US refinery throughput to 14.9 mb/d as heavy first quarter maintenance kicks in. End January figures show a further 400,000 b/d fall from average January figures, with the potential for a further fall in early February as a series of refinery glitches further reduce available capacity. Maintenance is expected to peak in February at between 1.1 and 1.3 mb/d, which would imply that throughput could dip towards 14.0 mb/d on a weekly basis.

Given the recent weekly declines in US gasoline stocks (despite relatively lacklustre demand) and summer and MTBE specification changes, there is growing concern that there will be insufficient stocks in place at the start of the driving season.

OECD North American data show a downward revision of 164 kb/d to Canadian September 03 submissions, offset by upward revisions of 120 kb/d and 70 mb/d to October and November 03 data respectively. US November throughput was also revised higher by 131 kb/d.

In Europe, December throughput fell by 160 kb/d to 13.69 mb/d. November was revised down by a net 47 kb/d following downward revisions to Belgium, Spain and the UK, offset partly by increases for Italy, Netherlands and Turkey.

Maintenance was relatively limited in Europe in January, although there were some unconfirmed reports of cracker maintenance in Germany. However, in late January through February work is expected to be undertaken at three UK refineries. Maintenance in Northwest Europe should increase in March to the seasonal average of 350 kb/d, ahead of last year's 290 kb/d. However details of work beyond April are scant so far, and could be indicative of a lighter than normal programme.

OECD Pacific throughput rose by 350 kb/d as Japanese refiners lifted throughput to meet stronger domestic demand. Provisional data showed a continued high level of refinery runs in the region in January as regional refiners naturally maximised throughput in light of high margins. Provisional indications suggesting that some Korean processors would reduce throughput in February have been reversed, but following years of low returns, Korean and Japanese refiners are looking cautiously on March throughput levels.

Seasonally Asian Pacific maintenance is predominantly concentrated in the weak demand period of the second quarter. However, it is fair to argue that last year's experience shows that Chinese demand can remain strong throughout the early summer if economic growth is strong and cooling requirements are high.

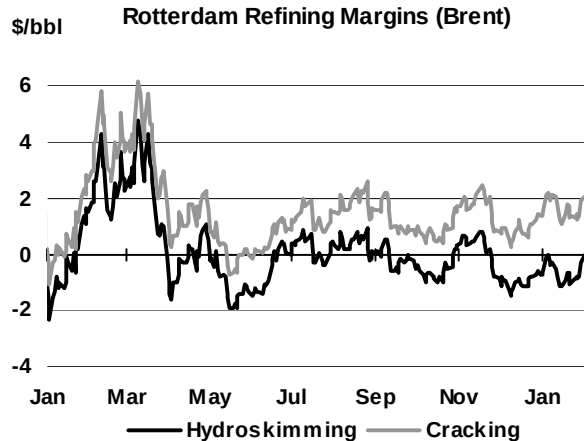
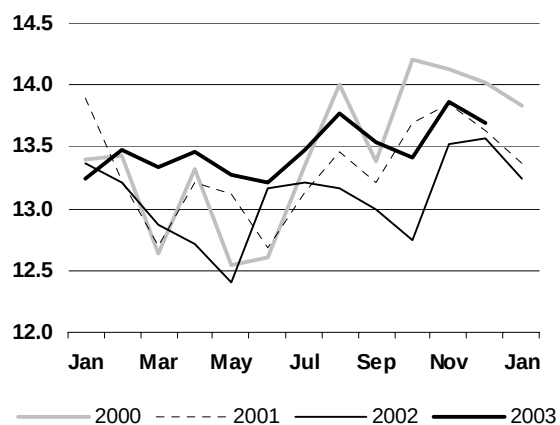
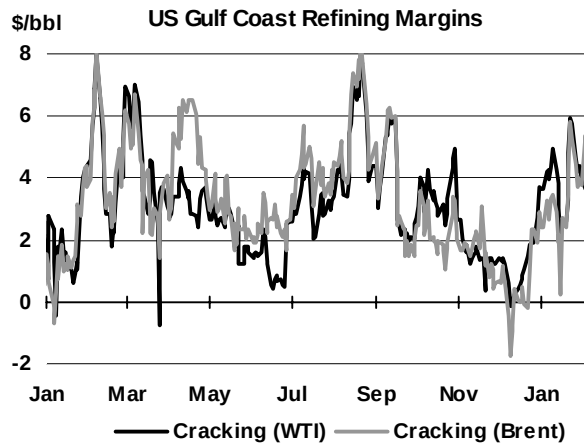
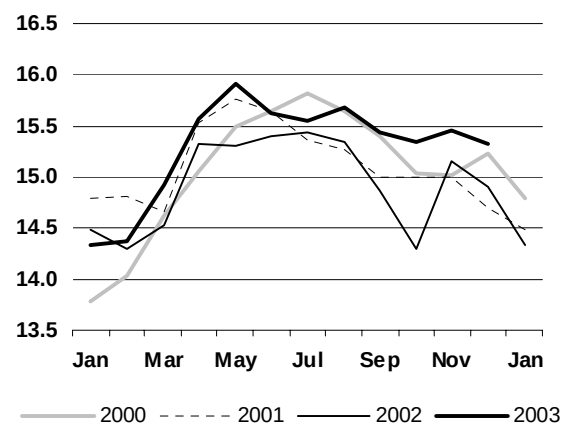
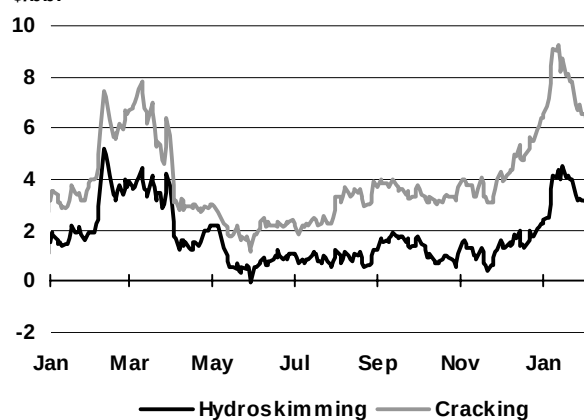
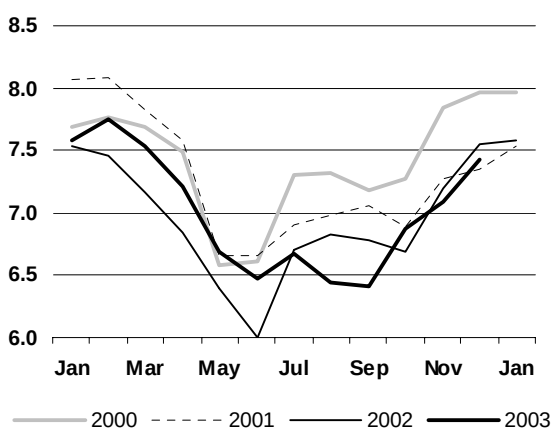
Rotterdam Refining Margins (Brent)**OECD Europe Crude Throughput****US Gulf Coast Refining Margins****US 50 Crude Throughput****Singapore Refining Margins (Dubai)****OECD Pacific Crude Throughput**

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

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	24.1	24.0	23.9	24.0	24.3	24.3	24.2	24.6	24.2	24.9	24.6	24.5	24.7	24.3	25.3	25.0	24.8
Europe	15.1	15.3	15.1	14.6	15.2	15.3	15.1	15.2	15.0	15.3	15.5	15.2	15.3	15.1	15.4	15.8	15.4
Pacific	8.6	8.5	9.1	7.6	8.0	9.3	8.5	9.6	8.0	7.9	9.1	8.6	9.4	7.9	7.9	8.9	8.5
Total OECD	47.8	47.8	48.1	46.3	47.6	49.0	47.7	49.4	47.2	48.0	49.2	48.4	49.4	47.3	48.6	49.7	48.8
NON-OECD DEMAND																	
FSU	3.7	3.7	3.5	3.1	3.4	3.8	3.5	3.7	3.1	3.4	3.9	3.5	3.8	3.1	3.5	3.9	3.6
Europe	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
China	4.6	4.7	4.6	5.0	4.9	5.2	4.9	5.2	5.2	5.7	5.8	5.5	5.7	5.7	5.8	6.1	5.8
Other Asia	7.4	7.6	7.5	7.7	7.6	7.9	7.7	7.7	7.7	7.7	8.1	7.8	8.0	8.0	8.0	8.5	8.1
Latin America	4.9	4.9	4.7	4.8	4.9	4.7	4.8	4.5	4.6	4.8	4.7	4.6	4.5	4.7	4.8	4.8	4.7
Middle East	4.7	4.9	5.0	4.9	5.1	5.1	5.1	5.2	5.0	5.3	5.3	5.2	5.4	5.4	5.6	5.5	5.5
Africa	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.5	2.6	2.6	2.7	2.7	2.6	2.7	2.6
Total Non-OECD	28.4	29.0	28.8	28.9	29.1	30.1	29.2	29.7	28.9	30.2	31.3	30.0	31.0	30.4	31.0	32.2	31.1
Total Demand¹	76.2	76.8	76.9	75.2	76.7	79.1	77.0	79.1	76.1	78.2	80.4	78.5	80.4	77.7	79.6	81.9	79.9
OECD SUPPLY																	
North America	14.3	14.4	14.6	14.6	14.4	14.6	14.6	14.7	14.5	14.7	14.9	14.7	14.9	14.9	14.9	15.0	14.9
Europe	6.8	6.7	6.7	6.7	6.2	6.8	6.6	6.7	6.2	6.0	6.4	6.3	6.5	6.3	6.1	6.3	6.3
Pacific	0.9	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
Total OECD	21.9	21.8	22.1	22.1	21.4	22.1	21.9	22.1	21.3	21.4	21.9	21.7	22.0	21.7	21.6	21.9	21.8
NON-OECD SUPPLY																	
FSU	7.9	8.6	9.0	9.2	9.5	9.8	9.4	9.9	10.1	10.5	10.7	10.3	10.9	11.0	11.1	11.2	11.1
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Other Asia	2.3	2.3	2.4	2.4	2.4	2.5	2.4	2.5	2.5	2.4	2.5	2.5	2.6	2.5	2.6	2.5	2.5
Latin America	3.8	3.8	3.9	3.9	3.9	3.8	3.9	3.9	3.8	4.0	4.0	3.9	4.0	4.0	4.1	4.2	4.1
Middle East	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9
Africa	2.8	2.8	3.0	3.0	3.0	2.9	3.0	2.9	3.0	3.1	3.3	3.1	3.3	3.4	3.5	3.6	3.5
Total Non-OECD	22.4	23.1	23.9	24.2	24.5	24.7	24.3	24.8	25.1	25.5	26.0	25.4	26.3	26.4	26.7	27.1	26.6
Processing Gains ²	1.7	1.7	1.8	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8
Total Non-OPEC	46.0	46.6	47.8	48.0	47.7	48.5	48.0	48.8	48.1	48.7	49.7	48.8	50.1	50.0	50.1	50.9	50.3
OPEC																	
Crude ³	27.8	27.0	24.9	24.3	25.3	25.8	25.1	26.7	26.2	26.6	27.7	26.8					
NGLs	2.8	3.1	3.4	3.4	3.6	3.5	3.5	3.3	3.7	3.8	4.0	3.7	4.0	4.1	4.1	4.2	4.1
Total OPEC	30.7	30.2	28.3	27.7	28.9	29.3	28.6	29.9	29.8	30.4	31.7	30.5					
Total Supply⁴	76.7	76.8	76.1	75.7	76.6	77.8	76.6	78.7	78.0	79.1	81.4	79.3					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	0.2	-0.3	0.6	-0.9	-1.1	-0.4	-0.6	1.3	0.4	-0.5	0.2					
Government	-0.1	0.0	0.2	0.1	0.1	0.3	0.2	0.2	0.0	0.2	0.2	0.1					
Total	0.2	0.3	-0.1	0.7	-0.8	-0.9	-0.3	-0.5	1.3	0.6	-0.3	0.3					
Floating Storage/Oil in Transit	0.1	-0.1	0.1	-0.3	0.2	-0.2	0.0	0.3	0.0	0.0	0.4	0.2					
Miscellaneous to balance ⁵	0.2	-0.3	-0.8	0.1	0.6	-0.2	-0.1	-0.2	0.5	0.2	0.8	0.3					
Total Stock Ch. & Misc	0.5	0.0	-0.8	0.5	0.0	-1.2	-0.4	-0.3	1.8	0.8	1.0	0.8					

Memo items:

Call on OPEC crude + Stock ch. ⁶	27.4	27.1	25.7	23.7	25.4	27.1	25.5	27.0	24.3	25.8	26.7	26.0	26.2	23.7	25.5	26.8	25.5
Total Demand ex. FSU	72.5	73.2	73.4	72.1	73.3	75.2	73.5	75.3	73.0	74.8	76.6	74.9	76.5	74.6	76.2	78.0	76.3
Total demand exc. FSU (% ch) ⁷	0.9	0.9	-0.7	-0.2	0.8	1.9	0.5	2.6	1.3	2.1	1.8	1.9	1.6	2.2	1.9	1.9	1.9

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

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

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

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

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

⁶ Equals total demand minus total non-OPEC supply minus OPEC NGLs and thus includes "Miscellaneous to balance" for historical time periods

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

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

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	0.1	-0.1	-	-	-	0.1	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	0.1	-0.2	-	-	-	0.1	-0.2	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	0.1	-	-	0.1	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	0.2	0.1	0.1	0.3	0.2	0.4	0.2	0.3
Total Demand	-	-	-	-	-	-	-	-	0.1	0.2	-0.1	-	0.4	0.3	0.4	-	0.3
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-0.1	-0.1	-0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Supply	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-0.1	0.2	-0.1	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-	0.1	-0.2	0.1	-	-	-	-0.2	-	-	-	-	-	-	-
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	-0.1	-0.3	0.1	-0.1	-	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	0.1	0.3	-0.1	0.1	0.4	0.3	0.6	0.1	0.4
Total Demand ex. FSU	-	-	-	-	-	-	-	-	-	0.2	-0.1	0.1	0.4	0.3	0.4	0.1	0.3

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
OECD REGIONAL OIL DEMAND¹
(million barrels per day)

	July			August			September			Third Quarter			October		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%
North America															
LPG	2.72	2.49	-8.3	2.77	2.78	0.3	2.81	2.86	2.1	2.76	2.71	-2.0	2.98	2.81	-5.5
Naphtha	0.47	0.51	7.2	0.41	0.41	-1.0	0.45	0.44	-1.8	0.44	0.45	1.7	0.39	0.43	10.9
Motor Gasoline	10.50	10.61	1.0	10.69	10.79	1.0	9.96	10.27	3.1	10.39	10.56	1.7	10.14	10.42	2.7
Jet/Kerosene	1.90	1.85	-3.1	1.87	1.89	1.2	1.82	1.84	1.1	1.87	1.86	-0.3	1.90	1.87	-1.5
Gasoil	4.49	4.53	0.9	4.55	4.51	-0.7	4.55	4.74	4.1	4.53	4.59	1.4	4.74	4.91	3.5
Residual Fuel Oil	1.30	1.47	13.2	1.29	1.58	22.4	1.29	1.29	0.0	1.29	1.45	12.0	1.32	1.35	2.1
Other Products	3.14	3.37	7.3	3.13	3.21	2.3	2.92	3.12	6.7	3.07	3.23	5.4	2.76	2.87	4.1
Total	24.52	24.81	1.2	24.71	25.17	1.9	23.79	24.55	3.2	24.34	24.85	2.1	24.22	24.65	1.8
Europe															
LPG	0.90	0.97	8.6	0.89	0.95	6.6	0.83	0.96	16.0	0.87	0.96	10.2	0.92	0.95	3.5
Naphtha	1.06	1.06	-0.3	1.09	1.11	1.6	1.10	1.17	6.3	1.09	1.11	2.5	1.12	1.10	-1.6
Motor Gasoline	3.11	3.03	-2.7	3.02	2.88	-4.8	2.88	2.93	1.6	3.01	2.94	-2.1	2.93	2.83	-3.5
Jet/Kerosene	1.15	1.15	0.0	1.15	1.20	4.0	1.16	1.22	5.3	1.15	1.19	3.1	1.16	1.20	3.7
Gasoil	5.79	5.69	-1.7	5.31	5.00	-5.9	5.91	6.13	3.8	5.67	5.60	-1.2	6.08	6.27	3.1
Residual Fuel Oil	1.99	1.93	-3.4	1.97	1.89	-3.8	1.90	1.96	2.8	1.96	1.92	-1.6	1.99	2.02	1.7
Other Products	1.48	1.56	5.1	1.34	1.50	11.9	1.48	1.53	3.0	1.44	1.53	6.5	1.41	1.52	7.7
Total	15.49	15.38	-0.7	14.78	14.53	-1.7	15.27	15.90	4.1	15.18	15.26	0.6	15.60	15.89	1.8
Pacific															
LPG	0.82	0.78	-4.6	0.79	0.73	-8.1	0.79	0.76	-4.2	0.80	0.76	-5.6	0.85	0.77	-8.7
Naphtha	1.59	1.49	-6.6	1.51	1.53	1.1	1.51	1.48	-1.9	1.54	1.50	-2.5	1.46	1.52	4.1
Motor Gasoline	1.66	1.64	-1.2	1.75	1.71	-2.4	1.62	1.64	1.2	1.68	1.66	-0.9	1.55	1.60	3.4
Jet/Kerosene	0.68	0.65	-5.0	0.73	0.70	-4.2	0.86	0.74	-14.6	0.76	0.69	-8.3	0.97	1.02	5.2
Gasoil	1.77	1.77	0.1	1.83	1.79	-1.8	1.87	1.84	-1.7	1.82	1.80	-1.1	1.92	1.97	2.5
Residual Fuel Oil	1.00	1.01	1.4	0.96	0.96	-0.4	1.04	1.05	1.1	1.00	1.01	0.7	1.06	1.15	8.4
Other Products	0.42	0.46	10.1	0.43	0.44	2.9	0.47	0.49	3.4	0.44	0.46	5.4	0.48	0.44	-8.0
Total	7.93	7.79	-1.7	8.00	7.85	-1.8	8.16	7.99	-2.1	8.03	7.88	-1.9	8.28	8.46	2.3
OECD															
LPG	4.43	4.24	-4.2	4.46	4.46	0.1	4.43	4.59	3.6	4.44	4.43	-0.2	4.74	4.53	-4.3
Naphtha	3.13	3.06	-2.4	3.01	3.04	1.0	3.06	3.09	1.1	3.07	3.06	-0.1	2.96	3.05	2.8
Motor Gasoline	15.28	15.27	0.0	15.46	15.38	-0.5	14.46	14.84	2.6	15.07	15.17	0.6	14.62	14.84	1.5
Jet/Kerosene	3.74	3.64	-2.5	3.75	3.79	1.0	3.84	3.80	-1.1	3.78	3.74	-0.9	4.02	4.08	1.6
Gasoil	12.05	11.99	-0.5	11.68	11.30	-3.3	12.32	12.70	3.1	12.01	11.99	-0.2	12.74	13.14	3.2
Residual Fuel Oil	4.29	4.41	2.7	4.22	4.43	5.0	4.23	4.29	1.5	4.24	4.38	3.1	4.37	4.52	3.5
Other Products	5.04	5.38	6.9	4.90	5.15	5.0	4.87	5.13	5.2	4.94	5.22	5.7	4.65	4.84	3.9
Total	47.94	47.99	0.1	47.49	47.55	0.1	47.22	48.44	2.6	47.55	47.99	0.9	48.10	49.00	1.9

¹ Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada. Data based on Monthly Oil Questionnaire submitted by OECD countries in tonnes, and converted to barrels. Data may differ slightly from Table 1.

Table 3
OIL DEMAND AND % GROWTH IN DEMAND IN SELECTED OECD COUNTRIES¹
(million barrels per day)

	August			September			Third Quarter			October			November		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%
United States²															
LPG	2.04	2.04	-0.2	2.05	2.10	2.7	2.02	1.96	-2.9	2.20	2.04	-7.2	2.25	2.16	-4.1
Naphtha	0.28	0.30	6.5	0.33	0.32	-2.8	0.32	0.34	4.6	0.25	0.31	20.6	0.31	0.32	5.7
Motor Gasoline	9.31	9.41	1.0	8.69	8.93	2.8	9.05	9.18	1.5	8.81	9.04	2.5	8.83	8.95	1.4
Jet/Kerosene	1.63	1.67	2.5	1.63	1.64	0.5	1.65	1.65	-0.2	1.68	1.63	-2.9	1.68	1.68	-0.1
Gasoil	3.73	3.67	-1.4	3.73	3.88	4.0	3.71	3.74	0.8	3.81	3.97	4.1	3.93	3.78	-3.7
Residual Fuel Oil	0.61	0.90	47.6	0.63	0.66	5.1	0.62	0.78	26.9	0.65	0.71	9.7	0.79	0.70	-10.7
Other Products	2.61	2.62	0.3	2.41	2.52	4.5	2.54	2.63	3.3	2.28	2.36	3.6	2.21	2.36	6.7
Total	20.22	20.62	2.0	19.46	20.05	3.0	19.92	20.29	1.8	19.68	20.05	1.9	19.99	19.95	-0.2
Japan³															
LPG	0.45	0.43	-4.9	0.46	0.45	-1.4	0.47	0.45	-4.4	0.50	0.46	-8.5	0.61	0.48	-21.7
Naphtha	0.85	0.84	-0.9	0.79	0.80	1.6	0.84	0.81	-4.5	0.84	0.84	-0.4	0.86	0.88	2.5
Motor Gasoline	1.18	1.14	-3.5	1.06	1.08	1.6	1.12	1.09	-2.3	1.01	1.04	2.9	1.04	1.04	0.2
Jet/Kerosene	0.48	0.45	-6.3	0.56	0.48	-14.3	0.50	0.45	-10.1	0.61	0.68	11.8	0.98	0.75	-24.2
Diesel	0.67	0.62	-7.7	0.68	0.65	-3.5	0.67	0.63	-5.5	0.68	0.67	-0.5	0.69	0.64	-6.7
Other Gasoil	0.48	0.47	-0.2	0.52	0.50	-4.0	0.50	0.49	-1.7	0.51	0.54	5.9	0.60	0.53	-10.9
Residual Fuel Oil	0.53	0.54	2.8	0.60	0.58	-3.2	0.56	0.57	2.4	0.59	0.64	8.4	0.67	0.63	-5.9
Direct use of Crude Oil	0.06	0.08	29.8	0.07	0.06	-12.4	0.06	0.08	22.5	0.09	0.06	-35.3	0.13	0.07	-43.2
Other Products	0.31	0.27	-12.0	0.31	0.33	6.8	0.30	0.30	-1.4	0.29	0.29	0.8	0.35	0.32	-10.2
Total	5.00	4.84	-3.1	5.04	4.93	-2.2	5.03	4.87	-3.1	5.11	5.21	2.0	5.93	5.34	-9.9
Germany															
LPG	0.09	0.08	-10.7	0.09	0.09	-0.5	0.09	0.09	-2.3	0.07	0.07	1.1	0.07	0.08	7.0
Naphtha	0.40	0.35	-12.1	0.41	0.42	2.3	0.40	0.37	-7.7	0.42	0.39	-8.2	0.38	0.40	6.6
Motor Gasoline	0.64	0.59	-7.5	0.64	0.62	-2.8	0.65	0.61	-5.2	0.65	0.61	-5.5	0.62	0.58	-5.9
Jet/Kerosene	0.16	0.17	6.6	0.16	0.16	-0.7	0.16	0.16	1.1	0.16	0.16	6.0	0.14	0.16	12.3
Diesel	0.54	0.56	4.0	0.56	0.64	12.5	0.55	0.61	9.8	0.55	0.61	10.7	0.57	0.61	7.5
Other Gasoil	0.69	0.41	-40.3	0.78	0.71	-9.3	0.73	0.54	-26.2	0.65	0.59	-8.7	0.68	0.48	-30.4
Residual Fuel Oil	0.17	0.17	0.6	0.17	0.18	7.5	0.18	0.18	-0.1	0.18	0.18	4.4	0.20	0.18	-5.6
Other Products	0.10	0.11	17.0	0.13	0.06	-52.2	0.12	0.09	-21.1	0.10	0.12	20.8	0.09	0.12	28.6
Total	2.79	2.45	-12.0	2.93	2.87	-2.2	2.88	2.65	-7.9	2.77	2.74	-1.0	2.75	2.61	-5.0
Italy															
LPG	0.10	0.10	3.5	0.11	0.10	-2.9	0.10	0.10	4.7	0.12	0.11	-4.8	0.12	0.12	4.9
Naphtha	0.07	0.09	25.2	0.08	0.10	28.5	0.07	0.09	26.0	0.07	0.08	2.7	0.07	0.07	-8.7
Motor Gasoline	0.40	0.39	-2.4	0.38	0.41	6.9	0.40	0.41	1.7	0.40	0.37	-5.4	0.36	0.37	4.1
Jet/Kerosene	0.07	0.11	52.4	0.07	0.10	42.1	0.07	0.10	42.3	0.07	0.09	21.8	0.07	0.08	19.2
Diesel	0.36	0.42	15.4	0.44	0.54	24.5	0.42	0.48	15.5	0.46	0.57	23.0	0.44	0.52	18.3
Other Gasoil	0.13	0.07	-41.0	0.17	0.08	-52.1	0.14	0.09	-39.8	0.20	0.12	-38.7	0.18	0.12	-31.6
Residual Fuel Oil	0.47	0.42	-10.5	0.42	0.45	5.2	0.47	0.43	-8.4	0.43	0.42	-2.7	0.37	0.36	-1.0
Other Products	0.14	0.14	1.2	0.16	0.15	-9.3	0.15	0.15	-1.1	0.16	0.14	-12.2	0.17	0.13	-20.0
Total	1.74	1.74	0.3	1.82	1.92	5.6	1.82	1.85	1.5	1.91	1.90	-0.5	1.77	1.79	0.8
France															
LPG	0.08	0.08	-1.2	0.09	0.10	14.6	0.09	0.09	5.0	0.12	0.11	-4.1	0.13	0.12	-3.7
Naphtha	0.19	0.22	16.6	0.16	0.22	38.6	0.17	0.22	29.5	0.15	0.20	31.4	0.14	0.21	45.0
Motor Gasoline	0.34	0.30	-10.1	0.31	0.29	-4.5	0.33	0.30	-8.0	0.31	0.28	-8.3	0.29	0.24	-15.8
Jet/Kerosene	0.15	0.16	7.3	0.15	0.16	11.0	0.15	0.16	8.6	0.13	0.15	14.9	0.14	0.15	8.3
Diesel	0.57	0.56	-1.1	0.61	0.65	5.5	0.62	0.62	0.6	0.65	0.65	-0.2	0.62	0.57	-7.7
Other Gasoil	0.28	0.27	-1.9	0.37	0.40	9.3	0.34	0.34	-0.9	0.38	0.42	11.1	0.36	0.32	-9.6
Residual Fuel Oil	0.10	0.09	-6.1	0.11	0.11	2.9	0.10	0.10	5.5	0.13	0.13	2.9	0.13	0.11	-14.1
Other Products	0.17	0.20	18.7	0.21	0.25	19.6	0.19	0.23	19.8	0.19	0.23	21.7	0.17	0.20	15.3
Total	1.87	1.89	1.2	2.00	2.19	9.5	1.99	2.07	4.3	2.07	2.20	6.0	1.98	1.93	-2.5
United Kingdom															
LPG	0.16	0.16	0.6	0.14	0.15	6.0	0.16	0.16	-1.9	0.15	0.15	-5.7	0.16	0.16	0.6
Naphtha	0.05	0.06	29.9	0.05	0.05	5.3	0.04	0.05	41.8	0.05	0.06	30.1	0.07	0.05	-27.4
Motor Gasoline	0.45	0.42	-6.8	0.45	0.47	3.2	0.45	0.45	-1.4	0.44	0.42	-5.2	0.46	0.42	-9.0
Jet/Kerosene	0.29	0.27	-7.7	0.29	0.32	10.0	0.29	0.29	-2.9	0.33	0.33	-2.4	0.30	0.30	0.2
Diesel	0.35	0.32	-7.4	0.36	0.37	3.7	0.35	0.35	-0.9	0.37	0.35	-5.4	0.37	0.36	-3.9
Other Gasoil	0.16	0.13	-17.3	0.16	0.15	-4.4	0.16	0.15	-6.1	0.16	0.16	1.4	0.15	0.15	-1.6
Residual Fuel Oil	0.08	0.08	7.4	0.08	0.08	-6.4	0.08	0.08	10.9	0.08	0.10	16.9	0.10	0.10	5.7
Other Products	0.17	0.13	-24.6	0.14	0.14	-3.8	0.16	0.13	-16.3	0.13	0.13	-2.3	0.12	0.15	22.9
Total	1.70	1.57	-7.5	1.67	1.72	3.0	1.69	1.66	-1.9	1.72	1.69	-1.9	1.75	1.70	-2.6
Canada															
LPG	0.28	0.30	4.9	0.31	0.31	2.5	0.29	0.30	2.6	0.31	0.30	-3.6	0.35	0.31	-12.7
Naphtha	0.09	0.07	-21.4	0.06	0.08	39.9	0.08	0.07	-8.0	0.07	0.09	15.5	0.08	0.07	-9.8
Motor Gasoline	0.75	0.75	-0.3	0.69	0.71	2.8	0.73	0.73	0.8	0.69	0.71	2.3	0.68	0.68	0.5
Jet/Kerosene	0.13	0.12	-12.6	0.10	0.11	11.9	0.12	0.12	-1.5	0.12	0.14	17.3	0.12	0.12	1.8
Diesel	0.18	0.18	-0.7	0.19	0.18	-4.0	0.18	0.18	1.2	0.19	0.20	4.5	0.18	0.18	1.6
Other Gasoil	0.27	0.29	6.0	0.29	0.31	8.0	0.28	0.29	4.8	0.35	0.33	-6.3	0.34	0.34	1.3
Residual Fuel Oil	0.11	0.19	66.2	0.16	0.15	-7.4	0.13	0.16	23.5	0.14	0.19	30.9	0.17	0.19	9.9
Other Products	0.33	0.31	-3.7	0.31	0.31	0.1	0.32	0.31	-2.1	0.29	0.23	-22.8	0.27	0.25	-7.6
Total	2.15	2.20	2.5	2.11	2.17	3.2	2.13	2.17	2.1	2.18	2.18	0.0	2.17	2.13	-2.0

¹ Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. Data based on Monthly Oil Questionnaire submitted by OECD countries in tonnes, and converted to barrels. Data may differ slightly from Table 1.

² US figures exclude US territories.

³ In Japan, the breakdown between Diesel and Other Gasoil in the latest month is estimated.

Table 4
WORLD OIL PRODUCTION

(million barrels per day)

	2002	2003	2004	3Q03	4Q03	1Q04	2Q04	3Q04	Nov 03	Dec 03	Jan 04
OPEC											
Crude Oil											
Saudi Arabia	7.38	8.48		8.29	8.24				8.19	8.25	8.20
Iran	3.40	3.79		3.86	3.98				4.05	3.95	3.85
Iraq	2.01	1.33		1.07	1.82				1.92	1.97	2.04
UAE	1.99	2.29		2.28	2.26				2.20	2.35	2.31
Kuwait	1.60	1.87		1.84	1.97				1.98	2.00	1.95
Neutral Zone	0.54	0.61		0.60	0.61				0.63	0.61	0.61
Qatar	0.64	0.74		0.73	0.74				0.74	0.75	0.75
Nigeria	1.97	2.15		2.17	2.28				2.27	2.31	2.35
Libya	1.32	1.42		1.42	1.45				1.45	1.47	1.48
Algeria	0.85	1.11		1.14	1.15				1.15	1.15	1.13
Venezuela	2.29	2.01		2.24	2.21				2.20	2.22	2.22
Indonesia	1.11	1.01		1.00	1.00				1.00	0.98	0.98
Total Crude Oil	25.08	26.80		26.63	27.73				27.76	28.00	27.85
Total NGLs ¹	3.47	3.67	4.10	3.81	3.96	4.02	4.05	4.11	3.97	3.97	4.00
Total OPEC	28.55	30.47		30.43	31.69				31.72	31.96	31.85
NON-OPEC²											
OECD											
North America	14.56	14.70	14.92	14.70	14.86	14.93	14.87	14.86	14.78	15.00	14.93
United States	8.12	7.92	8.04	7.84	7.92	7.98	8.06	8.03	7.90	7.94	7.94
Mexico	3.59	3.79	3.79	3.83	3.84	3.82	3.81	3.77	3.80	3.89	3.82
Canada	2.86	2.99	3.09	3.04	3.10	3.13	3.01	3.07	3.08	3.17	3.16
Europe	6.61	6.32	6.29	6.00	6.43	6.47	6.27	6.14	6.45	6.49	6.57
UK	2.50	2.28	2.16	2.12	2.25	2.25	2.14	2.11	2.21	2.26	2.28
Norway	3.33	3.25	3.30	3.10	3.36	3.38	3.30	3.20	3.43	3.41	3.44
Others	0.78	0.80	0.83	0.78	0.82	0.84	0.83	0.83	0.81	0.83	0.84
Pacific	0.76	0.65	0.60	0.66	0.59	0.62	0.59	0.59	0.62	0.62	0.63
Australia	0.71	0.61	0.56	0.62	0.55	0.58	0.55	0.55	0.59	0.58	0.59
Others	0.05	0.05	0.04	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total OECD	21.93	21.67	21.81	21.37	21.88	22.01	21.73	21.59	21.85	22.12	22.13
NON-OECD											
Former USSR	9.37	10.31	11.05	10.48	10.72	10.86	10.97	11.12	10.72	10.76	10.85
Russia	7.66	8.49	9.09	8.68	8.82	8.91	9.01	9.16	8.82	8.85	8.93
Others	1.71	1.82	1.96	1.80	1.90	1.94	1.97	1.97	1.91	1.91	1.92
Asia	5.80	5.90	5.94	5.82	5.94	5.96	5.94	5.94	5.92	6.02	5.96
China	3.39	3.41	3.39	3.38	3.40	3.40	3.39	3.38	3.39	3.44	3.41
Malaysia	0.79	0.83	0.85	0.82	0.85	0.85	0.86	0.86	0.84	0.87	0.85
India	0.78	0.78	0.78	0.76	0.81	0.79	0.79	0.78	0.81	0.81	0.80
Others	0.85	0.88	0.91	0.86	0.88	0.91	0.90	0.92	0.88	0.91	0.91
Europe	0.18	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Latin America	3.89	3.92	4.09	3.97	3.99	4.03	4.01	4.06	3.98	3.99	4.03
Brazil	1.72	1.77	1.86	1.80	1.77	1.82	1.81	1.83	1.76	1.76	1.81
Argentina	0.80	0.78	0.76	0.79	0.77	0.76	0.76	0.75	0.76	0.77	0.77
Colombia	0.59	0.55	0.52	0.55	0.53	0.53	0.52	0.51	0.53	0.53	0.53
Ecuador	0.40	0.43	0.54	0.44	0.53	0.53	0.53	0.55	0.53	0.53	0.53
Others	0.39	0.39	0.41	0.39	0.39	0.39	0.39	0.41	0.39	0.40	0.39
Middle East³	2.10	1.99	1.91	1.97	1.97	1.95	1.92	1.89	2.00	1.95	1.96
Oman	0.90	0.83	0.79	0.81	0.83	0.82	0.80	0.78	0.85	0.81	0.82
Syria	0.55	0.53	0.50	0.52	0.52	0.51	0.50	0.49	0.52	0.51	0.51
Yemen	0.45	0.44	0.42	0.44	0.44	0.43	0.43	0.42	0.44	0.44	0.43
Africa	2.98	3.06	3.46	3.09	3.25	3.31	3.43	3.49	3.28	3.28	3.30
Egypt	0.75	0.75	0.74	0.74	0.74	0.74	0.73	0.73	0.74	0.74	0.74
Angola	0.90	0.88	0.98	0.88	0.91	0.93	0.94	0.97	0.92	0.92	0.93
Gabon	0.25	0.24	0.24	0.24	0.25	0.24	0.24	0.23	0.25	0.25	0.24
Others	1.09	1.20	1.51	1.23	1.36	1.41	1.52	1.56	1.37	1.38	1.38
Total Non-OECD	24.32	25.36	26.62	25.50	26.04	26.28	26.44	26.66	26.06	26.17	26.26
Processing Gains ⁴	1.76	1.80	1.83	1.78	1.82	1.85	1.81	1.81	1.82	1.82	1.85
TOTAL NON-OPEC	48.02	48.84	50.27	48.65	49.75	50.15	49.98	50.07	49.74	50.11	50.24
TOTAL SUPPLY	76.57	79.31		79.08	81.43				81.46	82.07	82.09

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

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

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

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

Table 4A
OIL SUPPLY IN OECD COUNTRIES¹

(thousand of barrels per day)

	2002	2003	2004	3Q03	4Q03	1Q04	2Q04	3Q04	Nov-03	Dec-03	Jan-04
United States											
Alaska	986	980	947	941	973	992	956	905	972	961	977
California	790	760	728	757	752	743	733	723	753	753	745
Texas	1145	1119	1091	1122	1121	1110	1098	1085	1122	1120	1113
Federal Gulf of Mexico ²	1601	1674	1848	1636	1634	1730	1815	1887	1617	1675	1701
Other US Lower 48	1294	1241	1175	1233	1225	1206	1185	1165	1224	1227	1211
NGLs ³	1881	1722	1854	1706	1812	1801	1875	1860	1841	1777	1803
Other Hydrocarbons	417	422	398	444	399	397	399	399	375	422	394
Total	8115	7916	8042	7839	7916	7979	8061	8024	7905	7935	7945
Canada											
Alberta Light/Medium/Heavy	659	629	610	624	622	617	597	616	624	620	619
Alberta Bitumen	301	349	372	377	355	370	355	374	354	363	364
Saskatchewan	421	416	415	416	422	420	406	419	419	422	421
Other Crude	366	411	413	398	413	424	424	383	421	398	424
NGLs	672	670	673	630	688	690	655	655	685	700	710
Synthetic Crudes	440	518	607	590	604	605	572	625	575	669	625
Total	2858	2993	3090	3036	3104	3125	3009	3072	3079	3171	3163
Mexico											
Crude	3177	3371	3365	3414	3411	3398	3380	3342	3380	3455	3397
NGLs	408	418	425	415	430	425	425	425	418	437	425
Total	3585	3789	3790	3830	3841	3823	3805	3767	3798	3892	3822
UK Offshore⁴											
Brent Fields	243	217	189	210	181	191	191	188	179	181	190
Forties Fields	794	735	718	687	769	754	710	706	766	760	772
Ninian Fields	107	97	100	87	106	99	99	102	104	105	103
Flotta Fields	132	106	91	103	105	99	90	89	105	105	102
Other Fields	963	899	801	851	857	827	788	783	851	846	845
NGLs	211	181	224	137	183	237	220	200	161	215	230
Total	2450	2233	2123	2074	2201	2206	2098	2069	2166	2211	2240
Norway⁴											
Ekofisk-Ula Area	490	480	460	458	488	483	475	419	486	490	488
Oseberg-Troll Area	754	756	762	751	794	797	759	734	789	821	827
Statfjord-Gullfaks Area	874	870	828	846	892	873	830	802	953	902	886
Haltenbanken Area	716	587	549	546	565	579	548	527	534	611	604
Sleipner-Frigg Area	157	170	293	142	197	241	283	310	217	190	229
NGLs	335	385	405	356	426	406	401	402	449	399	410
Total	3325	3249	3296	3099	3362	3380	3297	3195	3427	3413	3444
Other OECD Europe											
Other N Sea Crude/NGLs ⁵	437	444	449	432	453	455	451	447	457	444	459
UK Onshore	54	45	41	47	46	44	42	40	46	45	44
Italy	84	93	118	90	98	115	115	120	93	115	115
Turkey	47	45	44	45	44	44	44	44	44	44	44
Other	159	159	160	162	163	162	161	160	164	163	162
NGLs (excl. North Sea)	27	21	21	18	21	21	21	20	25	20	20
Non-Conventional Oils	29	33	38	34	42	39	38	38	26	40	42
Total	837	841	870	827	867	880	871	868	854	871	886
Australia											
Gippsland Basin	140	117	95	121	109	103	98	93	105	106	106
Cooper-Eromanga Basin	25	24	24	25	24	24	24	24	23	24	24
Carnarvon Basin	359	314	293	319	284	318	286	290	319	316	330
Other Crude	104	70	52	64	58	55	53	51	53	57	56
NGLs	79	81	96	89	74	79	85	97	84	80	74
Total	707	605	560	617	549	579	545	554	585	582	590
Other OECD Pacific											
New Zealand	31	24	19	25	19	19	19	19	18	21	19
Japan	5	6	6	6	6	6	6	6	6	6	6
NGLs	18	16	15	15	15	15	15	15	15	15	15
Synthetic Fuels	0	0	0	0	0	0	0	0	0	0	0
Total	53	46	40	45	40	40	40	40	39	42	40
OECD											
Crude Oil	17406	17196	17048	16925	17177	17289	17013	16845	17187	17335	17374
NGLs	3639	3503	3720	3374	3659	3682	3705	3682	3690	3651	3696
Non-Conventional Oils	886	973	1043	1068	1046	1041	1008	1061	976	1131	1061
Total	21931	21672	21811	21367	21881	22012	21726	21589	21853	22117	22130

¹ Subcategories refer to crude oil only unless otherwise noted² Only production from Federal waters is included³ When possible, condensates from natural gas processing plants are included with NGLs, while field condensates are counted as crude oil⁴ North Sea production is grouped by area including all fields being processed through the named facility, ie, not just the field of that name⁵ Other North Sea NGLs is included

Table 5
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Aug2003	Sep2003	Oct2003	Nov2003	Dec2003*	Dec2000	Dec2001	Dec2002	1Q2003	2Q2003	3Q2003	4Q2003
North America												
Crude	384.9	386.9	399.5	393.0	371.1	393.9	422.2	384.9	0.08	-0.02	-0.04	-0.17
Motor Gasoline	221.3	226.4	222.0	234.0	240.7	225.7	241.2	240.4	-0.09	0.05	-0.11	0.16
Middle Distillate	201.7	205.3	207.3	214.2	218.6	194.8	222.5	207.5	-0.47	0.19	0.25	0.14
Residual Fuel Oil	39.1	41.0	44.5	45.8	49.1	45.2	49.3	40.2	0.01	0.03	-0.03	0.09
Total Products ³	645.1	652.2	650.0	666.5	665.3	615.1	688.7	652.2	-0.83	0.66	0.16	0.14
Total ⁴	1186.0	1194.8	1205.2	1206.1	1175.7	1145.6	1262.9	1171.9	-0.82	0.87	0.19	-0.21
Europe												
Crude	315.6	303.9	318.4	316.0	313.4	313.1	312.2	289.6	0.35	-0.09	-0.10	0.10
Motor Gasoline	107.4	108.5	108.0	114.8	115.9	120.7	125.1	116.0	0.02	-0.09	-0.01	0.08
Middle Distillate	256.1	249.2	230.7	236.6	235.7	235.3	230.4	238.4	-0.25	0.17	0.19	-0.15
Residual Fuel Oil	69.3	71.5	69.6	75.0	74.5	85.9	71.4	74.9	-0.06	-0.03	0.05	0.03
Total Products ³	540.6	531.6	510.5	531.9	531.2	552.4	540.2	529.7	-0.28	0.10	0.20	0.00
Total ⁴	926.1	908.4	901.1	920.7	916.8	930.2	914.9	882.9	0.15	-0.02	0.15	0.09
Pacific												
Crude	176.3	183.9	167.4	161.5	172.5	172.1	176.0	161.1	0.24	0.07	-0.05	-0.12
Motor Gasoline	25.2	24.0	23.7	23.1	22.5	23.6	22.3	23.6	0.02	0.00	-0.02	-0.02
Middle Distillate	79.1	83.7	79.8	81.9	73.4	83.6	76.2	65.1	-0.09	0.17	0.13	-0.11
Residual Fuel Oil	25.2	23.1	22.5	22.9	22.3	23.5	23.2	22.0	0.00	0.03	-0.02	-0.01
Total Products ³	202.3	204.6	198.0	196.9	184.1	202.2	188.0	177.9	-0.15	0.29	0.15	-0.22
Total ⁴	451.9	459.6	437.3	432.7	428.1	454.4	443.3	410.1	0.03	0.44	0.07	-0.34
Total OECD												
Crude	876.8	874.7	885.3	870.5	857.0	879.1	910.4	835.6	0.67	-0.05	-0.19	-0.19
Motor Gasoline	354.0	358.9	353.7	372.0	379.1	370.0	388.6	380.0	-0.04	-0.05	-0.14	0.22
Middle Distillate	537.0	538.1	517.8	532.7	527.7	513.7	529.1	511.0	-0.81	0.53	0.56	-0.11
Residual Fuel Oil	133.7	135.5	136.6	143.7	145.9	154.6	143.9	137.2	-0.05	0.03	0.00	0.11
Total Products ³	1388.0	1388.5	1358.5	1395.3	1380.7	1369.7	1416.9	1359.8	-1.27	1.05	0.51	-0.08
Total ⁴	2563.9	2562.8	2543.6	2559.5	2520.6	2530.2	2621.1	2464.9	-0.64	1.29	0.41	-0.46

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Aug2003	Sep2003	Oct2003	Nov2003	Dec2003*	Dec2000	Dec2001	Dec2002	1Q2003	2Q2003	3Q2003	4Q2003
North America												
Crude	618.3	624.4	630.9	633.6	637.9	540.7	550.2	599.1	0.00	0.10	0.17	0.15
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	151.4	150.8	151.8	152.9	152.9	138.1	141.1	156.6	0.02	-0.05	-0.03	0.02
Products	206.8	207.9	207.6	208.4	208.4	215.4	211.2	194.7	0.10	-0.01	0.06	0.01
Pacific												
Crude	382.8	382.8	382.8	382.8	382.8	363.7	372.4	379.6	0.04	0.00	0.00	0.00
Products	10.3	10.3	10.3	10.7	10.7	6.7	7.3	9.5	0.00	0.00	0.01	0.00
Total OECD												
Crude	1152.5	1157.9	1165.5	1169.3	1173.6	1042.4	1063.8	1135.3	0.06	0.05	0.14	0.17
Products	219.1	220.2	219.9	221.0	221.0	224.1	220.5	206.3	0.10	-0.01	0.06	0.01
Total ⁴	1372.6	1379.1	1386.3	1391.3	1395.6	1267.5	1285.2	1342.6	0.16	0.04	0.20	0.18

* estimated

1 Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entropot 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 6
INDUSTRY STOCKS¹ ON LAND IN SELECTED COUNTRIES

(million barrels)

	July			August			September			October			November		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%
United States²															
Crude	304.3	284.3	-6.6	296.2	278.3	-6.0	270.6	284.5	5.1	291.5	293.7	0.8	288.1	280.3	-2.7
Motor Gasoline	214.5	200.5	-6.5	204.0	192.2	-5.8	206.5	196.2	-5.0	193.5	191.7	-0.9	205.9	203.3	-1.3
Middle Distillate	176.6	160.0	-9.4	174.5	172.3	-1.3	172.6	175.9	1.9	167.9	177.7	5.8	172.2	182.1	5.7
Residual Fuel Oil	33.5	31.6	-5.7	31.9	30.2	-5.3	33.0	31.7	-3.9	33.6	34.6	3.0	35.6	36.7	3.1
Other Products	165.0	148.9	-9.8	168.6	150.6	-10.7	166.2	146.6	-11.8	156.5	142.2	-9.1	146.1	136.5	-6.6
Total Products	589.6	541.0	-8.2	579.0	545.3	-5.8	578.3	550.4	-4.8	551.5	546.2	-1.0	559.8	558.6	-0.2
Other ³	138.4	130.3	-5.9	138.9	129.8	-6.6	137.9	133.1	-3.5	140.5	133.1	-5.3	134.7	125.7	-6.7
Total	1032.3	955.6	-7.4	1014.1	953.4	-6.0	986.8	968.0	-1.9	983.5	973.0	-1.1	982.6	964.6	-1.8
Japan															
Crude	126.3	140.1	10.9	126.8	133.1	5.0	120.6	134.5	11.5	121.5	124.5	2.5	116.0	115.5	-0.4
Motor Gasoline	13.1	14.4	9.9	12.3	13.7	11.4	12.9	12.7	-1.6	12.6	12.7	0.8	12.7	13.1	3.1
Middle Distillate	43.1	45.5	5.6	49.2	52.5	6.7	50.5	56.7	12.3	49.9	54.3	8.8	45.3	56.6	24.9
Residual Fuel Oil	10.3	13.0	26.2	10.4	12.2	17.3	8.7	11.1	27.6	8.8	12.1	37.5	9.2	11.6	26.1
Other Products	48.1	49.7	3.3	48.1	53.1	10.4	50.1	54.2	8.2	52.2	53.4	2.3	49.1	51.5	4.9
Total Products	114.6	122.6	7.0	120.0	131.5	9.6	122.2	134.7	10.2	123.5	132.5	7.3	116.3	132.8	14.2
Other ³	72.4	66.4	-8.3	68.9	65.3	-5.2	67.7	63.2	-6.6	65.9	64.0	-2.9	66.1	66.5	0.6
Total	313.3	329.1	5.0	315.7	329.9	4.5	310.5	332.4	7.1	310.9	321.0	3.2	298.4	314.8	5.5
Germany															
Crude	20.5	23.8	16.1	18.9	24.1	27.5	21.0	21.8	3.8	15.5	23.0	48.4	16.5	20.8	26.1
Motor Gasoline	10.5	7.4	-29.5	10.9	9.2	-15.6	9.9	7.8	-21.2	9.1	8.4	-7.7	8.5	9.7	14.1
Middle Distillate	17.5	14.9	-14.9	19.7	17.2	-12.7	15.5	12.4	-20.0	16.0	13.6	-15.0	14.6	15.2	4.1
Residual Fuel Oil	9.2	10.3	12.0	9.1	10.8	18.7	9.6	10.7	11.5	9.4	10.1	7.4	9.9	9.7	-2.0
Other Products	11.4	10.8	-5.3	11.7	11.2	-4.3	10.5	10.6	1.0	10.9	10.3	-5.5	10.9	11.1	1.8
Total Products	48.6	43.4	-10.7	51.4	48.4	-5.8	45.5	41.5	-8.8	45.4	42.4	-6.6	43.9	45.7	4.1
Other ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	69.1	67.2	-2.7	70.3	72.5	3.1	66.5	63.3	-4.8	60.9	65.4	7.4	60.4	66.5	10.1
Italy															
Crude	36.2	36.7	1.4	41.3	38.3	-7.3	34.6	39.2	13.3	37.5	37.7	0.5	35.2	34.5	-2.0
Motor Gasoline	23.2	18.1	-22.0	21.6	19.2	-11.1	21.6	19.5	-9.7	21.9	19.4	-11.4	23.2	20.3	-12.5
Middle Distillate	36.6	36.3	-0.8	39.8	38.5	-3.3	39.8	37.1	-6.8	37.5	37.2	-0.8	40.5	36.5	-9.9
Residual Fuel Oil	10.7	11.3	5.6	11.0	10.1	-8.2	12.0	11.7	-2.5	14.5	11.3	-22.1	15.2	15.1	-0.7
Other Products	18.0	17.6	-2.2	17.9	19.2	7.3	17.5	17.4	-0.6	17.4	18.4	5.7	17.5	18.6	6.3
Total Products	88.5	83.3	-5.9	90.3	87.0	-3.7	90.9	85.7	-5.7	91.3	86.3	-5.5	96.4	90.5	-6.1
Other ³	12.3	15.5	26.0	10.5	14.4	37.1	10.5	15.6	48.6	11.3	14.7	30.1	11.4	14.3	25.4
Total	137.0	135.5	-1.1	142.1	139.7	-1.7	136.0	140.5	3.3	140.1	138.7	-1.0	143.0	139.3	-2.6
France															
Crude	39.7	36.9	-7.1	36.1	39.3	8.9	38.5	38.1	-1.0	38.8	36.0	-7.2	34.0	37.0	8.8
Motor Gasoline	12.0	9.8	-18.3	11.9	10.2	-14.3	12.0	11.6	-3.3	11.6	11.9	2.6	12.2	12.9	5.7
Middle Distillate	29.1	32.9	13.1	34.6	38.1	10.1	32.7	35.1	7.3	34.9	33.3	-4.6	32.5	38.0	16.9
Residual Fuel Oil	7.1	5.2	-26.8	7.3	6.2	-15.1	7.9	5.2	-34.2	6.9	5.2	-24.6	7.2	5.1	-29.2
Other Products	9.2	8.3	-9.8	9.1	8.8	-3.3	8.5	8.4	-1.2	7.8	8.5	9.0	8.4	9.1	8.3
Total Products	57.4	56.2	-2.1	62.9	63.3	0.6	61.1	60.3	-1.3	61.2	58.9	-3.8	60.3	65.1	8.0
Other ³	11.7	14.6	24.8	12.2	14.8	21.3	13.5	14.4	6.7	13.7	14.4	5.1	13.4	14.0	4.5
Total	108.8	107.7	-1.0	111.2	117.4	5.6	113.1	112.8	-0.3	113.7	109.3	-3.9	107.7	116.1	7.8
United Kingdom															
Crude	42.4	40.9	-3.5	36.5	35.3	-3.3	37.0	33.8	-8.6	43.8	34.6	-21.0	44.8	40.3	-10.0
Motor Gasoline	10.9	8.4	-22.9	9.7	9.2	-5.2	9.7	9.3	-4.1	9.8	7.8	-20.4	9.0	9.5	5.6
Middle Distillate	21.0	16.8	-20.0	20.7	19.5	-5.8	20.1	19.2	-4.5	20.9	17.7	-15.3	20.4	18.8	-7.8
Residual Fuel Oil	4.3	5.1	18.6	4.4	5.1	15.9	4.3	4.7	9.3	4.4	5.1	15.9	5.0	5.7	14.0
Other Products	17.6	15.9	-9.7	17.4	15.8	-9.2	17.1	15.9	-7.0	16.0	15.0	-6.3	15.0	16.0	6.7
Total Products	53.8	46.2	-14.1	52.2	49.6	-5.0	51.2	49.1	-4.1	51.1	45.6	-10.8	49.4	50.0	1.2
Other ³	11.7	11.6	-0.9	12.0	10.1	-15.8	10.6	10.1	-4.7	11.5	11.6	0.9	11.3	11.2	-0.9
Total	107.9	98.7	-8.5	100.7	95.0	-5.7	98.8	93.0	-5.9	106.4	91.8	-13.7	105.5	101.5	-3.8
Canada															
Crude	77.8	78.7	1.2	78.0	80.2	2.8	75.8	76.4	0.8	76.4	76.7	0.4	74.8	76.4	2.1
Motor Gasoline	15.4	16.3	5.8	15.5	15.1	-2.6	15.8	15.7	-0.6	16.1	16.8	4.3	15.7	17.6	12.1
Middle Distillate	19.6	21.0	7.1	20.4	20.1	-1.5	20.3	19.3	-4.9	18.7	21.0	12.3	19.4	23.5	21.1
Residual Fuel Oil	4.2	4.2	0.0	4.2	4.9	16.7	3.8	4.3	13.2	4.4	5.0	13.6	3.6	5.0	38.9
Other Products	21.9	25.4	16.0	20.2	24.2	19.8	22.1	25.1	13.6	21.5	26.0	20.9	21.7	27.4	26.3
Total Products	61.1	66.9	9.5	60.3	64.3	6.6	62.0	64.4	3.9	60.7	68.8	13.3	60.4	73.5	21.7
Other ³	18.0	23.5	30.6	20.9	26.2	25.4	22.4	22.6	0.9	22.2	22.5	1.4	21.4	21.0	-1.9
Total	156.9	169.1	7.8	159.2	170.7	7.2	160.2	163.4	2.0	159.3	168.0	5.5	156.6	170.9	9.1

¹ Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entepot 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 US figures exclude US territories.

³ Other includes NGLs, refinery feedstocks, additives/oxygenates and other hydrocarbons.

Table 7
TOTAL STOCKS ON LAND IN OECD COUNTRIES¹
(‘millions of barrels’ and ‘days’)

	End December 2002		End March 2003		End June 2003		End September 2003		End December 2003 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	153.7	71	149.0	71	160.8	74	163.4	-	-	-
Mexico	47.3	23	51.5	25	44.2	21	41.4	-	-	-
United States	1549.9	77	1476.8	75	1561.0	77	1594.3	-	-	-
Total ⁴	1773.0	72	1699.4	70	1788.1	72	1821.2	74	1815.6	74
Pacific										
Australia	34.0	40	39.8	46	38.1	43	36.0	-	-	-
Japan	615.4	99	619.0	124	646.7	133	653.6	-	-	-
Korea ⁵	140.4	58	137.0	67	152.1	77	154.5	-	-	-
New Zealand	9.5	64	9.8	66	8.5	60	8.5	-	-	-
Total	799.3	83	805.6	100	845.4	107	852.6	94	821.6	87
Europe⁶										
Austria	18.7	70	17.6	60	18.5	62	18.7	-	-	-
Belgium	25.8	38	29.1	48	27.5	47	29.1	-	-	-
Czech Republic	15.5	91	15.3	82	13.5	72	13.4	-	-	-
Denmark	17.3	87	15.4	85	15.5	85	16.4	-	-	-
Finland	24.4	113	24.7	121	23.9	112	23.2	-	-	-
France	174.5	83	175.0	89	173.3	84	179.2	-	-	-
Germany	253.4	100	258.6	95	260.7	98	258.6	-	-	-
Greece	31.6	66	29.3	75	32.3	85	30.9	-	-	-
Hungary	16.1	127	17.9	136	17.6	130	18.3	-	-	-
Ireland	11.4	57	10.9	60	11.0	62	11.9	-	-	-
Italy	137.6	74	136.3	75	134.6	73	140.7	-	-	-
Luxembourg	1.0	17	0.9	17	0.8	14	0.8	-	-	-
Netherlands	104.9	120	95.4	103	106.5	115	111.1	-	-	-
Norway	19.4	76	33.2	141	21.1	82	23.1	-	-	-
Poland	26.2	69	27.2	67	27.9	61	26.9	-	-	-
Portugal	21.4	69	24.0	74	24.7	72	25.6	-	-	-
Spain	120.8	78	122.8	81	121.1	79	121.4	-	-	-
Sweden	29.4	87	34.3	114	34.0	113	33.2	-	-	-
Switzerland	36.7	144	36.1	146	37.2	144	37.3	-	-	-
Turkey	51.9	85	55.6	89	54.8	77	55.2	-	-	-
United Kingdom	97.1	57	99.8	60	95.7	58	92.9	-	-	-
Total	1235.2	81	1259.4	84	1252.3	82	1268.1	82	1279.1	84
Total OECD	3807.5	77	3764.4	80	3885.8	81	3941.9	80	3916.2	79
DAYS OF IEA Net Imports⁷	-	111	-	110	-	114	-	115	-	-

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

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

3 End September 2003 and end December 2003 forward demand figures are IEA Secretariat forecasts.

4 Total includes US territories.

5 Previously confidential Korean government stocks are now included.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ^{1,2} controlled	Industry	Total	Government ^{1,2} controlled	Industry
	Millions of Barrels			Days of Fwd. Demand ³		
4Q2000	3798	1268	2530	78	26	52
1Q2001	3794	1269	2525	81	27	54
2Q2001	3864	1267	2597	81	27	55
3Q2001	3928	1267	2661	82	26	55
4Q2001	3906	1285	2621	81	27	54
1Q2002	3901	1303	2598	84	28	56
2Q2002	3962	1314	2648	83	28	56
3Q2002	3886	1319	2567	79	27	52
4Q2002	3807	1343	2465	77	27	50
1Q2003	3764	1357	2407	80	29	51
2Q2003	3886	1361	2525	81	28	53
3Q2003	3942	1379	2563	80	28	52
4Q2003	3916	1396	2521	79	28	51

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

2 Previously confidential Korean government stocks are now included.

3 Days of forward demand calculated using actual demand except in 3Q2003 and 4Q2003 (when latest forecasts are used).

Table 8
AVERAGE IEA CIF CRUDE COST AND SPOT CRUDE AND PRODUCT PRICES
(\$/bbl)

	2001	2002	2003	1Q03	2Q03	3Q03	4Q03	Aug 03	Sep 03	Oct 03	Nov 03	Dec 03	Jan 04
CRUDE OIL PRICES													
<i>IEA CIF Average Import¹</i>													
IEA North America	22.30	23.71		30.76	25.82	27.48		28.36	26.35	27.12	27.37		
IEA Europe	23.92	24.27		31.10	25.52	27.86		28.77	27.15	29.00	28.63		
IEA Pacific	25.05	24.74		30.91	27.96	28.44		28.82	28.88	27.94	29.31		
IEA Total	23.65	24.19		30.94	26.21	27.84		28.62	27.20	28.03	28.17		
<i>FOB Spot</i>													
Brent (Dated)	24.44	25.02	28.83	31.49	26.03	28.38	29.43	29.79	27.08	29.65	28.73	29.87	31.23
WTI (1st month)	25.93	26.16	31.06	34.00	29.02	30.19	31.15	31.59	28.25	30.30	31.06	32.14	34.24
Urals (del. Med.)	22.97	23.73	27.04	29.24	23.86	27.05	27.99	28.74	25.64	27.99	27.63	28.34	28.88
Dubai (1st month)	22.80	23.85	26.76	28.39	24.44	26.57	27.67	27.66	25.37	27.27	27.66	28.10	28.88
Tapis (1st month)	25.32	25.72	30.06	32.34	27.19	29.53	31.26	30.70	29.45	31.74	30.61	31.34	33.63
OPEC Basket	27.60	24.34	28.13	30.45	25.87	27.43	28.79	28.69	26.15	28.35	28.48	29.57	30.26
PRODUCT PRICES													
<i>Rotterdam, Barges FOB</i>													
Premium Unleaded	29.86	29.09	35.46	37.44	33.79	36.26	34.30	38.73	34.31	34.31	34.14	34.45	38.41
Unleaded	28.83	28.57	34.87	36.88	33.06	35.68	33.80	38.18	33.80	33.81	33.66	33.93	37.83
Naphtha	23.69	24.23	29.99	34.99	25.19	28.12	31.54	29.42	27.48	30.03	31.55	33.19	36.18
Jet/Kerosene	30.82	29.24	35.83	40.89	31.32	33.29	37.73	34.61	32.32	36.45	37.67	39.18	40.46
Gasoil .2 %	29.16	27.81	33.99	39.18	30.21	31.58	34.92	32.98	30.31	34.46	34.75	35.57	37.15
LSFO 1%	19.52	21.81	25.79	29.20	24.26	26.06	23.59	26.88	24.78	25.19	24.00	21.45	22.93
HSFO 3.5%	17.79	20.65	23.37	25.65	21.05	24.16	22.52	24.73	22.57	23.60	23.52	20.39	21.63
<i>Mediterranean - Cargoes FOB</i>													
Premium .15 g/l	30.43	29.21	34.56	36.62	31.34	35.79	34.34	38.59	33.63	34.49	34.10	34.39	38.43
Premium Unleaded	29.70	28.49	33.84	35.91	30.62	35.07	33.62	37.87	32.91	33.78	33.38	33.67	37.71
Naphtha	22.47	23.51	28.68	33.37	23.69	27.17	30.35	28.38	26.60	29.25	30.23	31.68	34.18
Jet/Kerosene ²	27.52	27.97	33.60	37.99	28.76	31.69	35.82	33.03	30.86	34.44	35.69	37.46	38.63
Gasoil .2 %	27.50	27.08	33.13	38.67	28.38	30.57	34.79	31.99	29.93	35.55	34.32	34.40	36.36
LSFO 1%	18.73	21.50	26.39	30.56	23.51	26.99	24.41	28.76	23.82	25.79	24.88	22.46	24.08
HSFO 3.5%	16.06	19.08	21.90	24.04	20.04	23.08	20.38	23.60	21.36	22.40	21.19	17.39	20.22
<i>NY Harbour, Barges</i>													
Super Unleaded ³	34.16	33.71	40.23	41.33	36.68	43.71	39.08	46.80	44.44	38.94	39.69	38.62	43.85
Unleaded ³	31.00	30.33	37.07	39.50	33.08	38.80	36.78	42.13	37.72	36.45	36.72	37.18	41.98
Jet/Kerosene	31.18	29.83	36.29	42.43	32.48	33.82	36.69	35.57	31.95	35.46	36.15	38.49	43.10
No. 2 (Heating Oil)	29.82	28.56	35.51	42.00	31.99	32.69	35.60	34.24	30.83	34.41	35.06	37.38	41.19
LSFO 1%	20.70	22.55	27.46	32.74	24.57	26.74	25.94	27.77	24.88	25.93	26.14	25.78	28.16
HSFO 6.3%	17.36	20.99	24.41	27.91	20.93	25.21	23.67	26.33	23.05	24.02	24.43	22.64	23.61
<i>Singapore, Cargoes</i>													
Premium Unleaded	27.43	28.04	34.69	37.14	29.70	34.96	36.96	37.30	33.11	35.55	35.78	39.52	44.25
Naphtha	23.75	24.93	29.93	34.27	24.69	28.40	32.52	29.67	27.86	30.46	32.54	34.67	39.49
Jet/Kerosene	28.32	28.08	32.90	36.14	28.36	31.53	35.71	33.58	31.40	33.84	35.89	37.50	39.60
Gasoil .5%	27.32	27.55	32.31	36.12	28.79	30.78	33.71	32.33	31.22	32.41	33.68	35.10	39.35
LSWR Cracked	21.83	23.80	28.11	31.84	27.21	25.33	28.28	25.66	24.80	26.14	28.73	30.13	27.88
HSFO 180 CST	20.65	22.89	26.14	28.86	24.78	25.87	25.09	25.80	24.59	25.38	25.01	24.85	26.29
HSFO 4%	20.38	22.95	26.25	28.88	24.74	26.19	25.23	26.12	24.94	25.56	25.17	24.93	26.18

¹ IEA CIF Average Import price for November is an estimate

² Following change of assessment, Jet Aviation Fuel for Mediterranean - Cargo FOB from 2002

³ From November 2003 assessments for NYH are for Max 0.3% MTBE

Table 9
MONTHLY AVERAGE END USER PRICES FOR PETROLEUM PRODUCTS
January 2004

NATIONAL CURRENCY *							US DOLLARS					
Total Price	% change from		Ex-Tax Price	% change from		Total Price	% change from		Ex-Tax Price	% change from		
	Dec-03	Jan-03		Dec-03	Jan-03		Dec-03	Jan-03		Dec-03	Jan-03	
GASOLINE ¹ (Price per Litre)												
France	0.997	0.9	- 5.0	0.245	3.4	-14.9	1.261	3.8	13.0	0.310	6.3	1.2
Germany	1.065	- 0.2	- 4.4	0.263	-0.8	-13.8	1.347	2.7	13.7	0.333	2.1	2.5
Italy	1.048	0.5	- 2.3	0.314	-2.8	-10.8	1.326	3.4	16.1	0.397	-0.0	6.1
Spain	0.796	-	- 4.3	0.290	-	-9.7	1.007	2.9	13.8	0.367	2.9	7.4
UK	0.746	0.1	- 0.7	0.177	0.6	-2.2	1.362	4.4	12.0	0.323	4.8	10.3
Japan	105.0	-	-	46.2	-	-	0.986	1.3	11.6	0.434	1.3	11.6
Canada	0.740	9.1	- 2.0	0.440	15.2	-3.1	0.574	11.1	17.1	0.341	17.3	15.8
USA	0.410	4.9	6.8	0.307	6.6	8.5	0.410	4.9	6.8	0.307	6.6	8.5
AUTOMOTIVE DIESEL ² (Price per Litre)												
France	0.672	2.8	- 2.0	0.260	-0.8	-11.6	0.850	5.7	16.5	0.329	2.1	5.2
Germany	0.743	- 0.8	- 5.0	0.273	-2.2	-12.5	0.940	2.0	13.0	0.345	0.6	4.0
Italy	0.729	0.6	- 2.4	0.326	1.2	-5.2	0.922	3.4	16.0	0.412	4.1	12.7
Spain	0.597	0.7	- 3.7	0.303	1.3	-7.1	0.755	3.6	14.5	0.383	4.2	10.5
UK	0.649	0.2	- 0.3	0.191	0.5	-1.0	1.185	4.4	12.4	0.349	4.8	11.6
Japan	85.1	-	-	48.9	-	-	0.799	1.3	11.6	0.459	1.3	11.6
Canada	0.694	5.2	- 2.0	0.471	7.3	-2.7	0.539	7.1	17.1	0.365	9.2	16.3
USA	0.407	3.6	3.6	0.287	5.1	4.4	0.407	3.6	3.6	0.287	5.1	4.4
DOMESTIC HEATING OIL (Price per 1000 Litres)												
France	391.41	2.4	-6.4	270.67	2.9	-7.6	495.1	5.3	11.3	342.4	5.8	9.8
Germany	358.08	1.9	-8.1	247.34	2.3	-9.9	453.0	4.8	9.3	312.9	5.2	7.2
Italy	845.32	0.8	-3.9	301.22	1.9	-8.6	1069.3	3.7	14.3	381.0	4.8	8.6
Spain	376.52	0.7	-9.5	239.88	0.9	-12.4	476.3	3.6	7.7	303.5	3.8	4.2
UK	213.51	0.9	4.2	161.34	1.2	-1.8	389.7	5.2	17.5	294.5	5.4	10.8
Japan ³	46550	-0.9	0.3	44333	-0.9	0.3	437.3	0.4	11.9	416.5	0.4	11.9
Canada	586	7.2	-2.7	526	7.2	-2.7	454.4	9.2	16.3	408.3	9.2	16.3
USA	-	-	-	-	-	-	-	-	-	-	-	-
LOW SULPHUR FUEL OIL FOR INDUSTRY ² (Price per Metric Ton)												
France	171.63	-0.9	-24.6	153.13	-1.0	-26.7	217.1	2.0	-10.3	193.7	1.9	-12.9
Germany	160.66	-5.5	-21.1	135.66	-6.4	-24.0	203.2	-2.8	-6.2	171.6	-3.8	-9.7
Italy	216.50	2.5	-13.0	185.11	3.0	-14.9	273.9	5.5	3.4	234.2	5.9	1.2
Spain	204.48	-6.7	-20.1	190.05	-7.1	-21.3	258.7	-4.0	-5.0	240.4	-4.5	-6.5
UK	144.77	-3.8	-9.1	106.77	-5.1	-18.7	264.2	0.2	2.5	194.9	-1.1	-8.3
Japan	34378	-	-5.7	32741	-	-5.7	322.9	1.3	5.3	307.6	1.3	5.3
Canada	-	-	-	-	-	-	-	-	-	-	-	-
USA	-	-	-	-	-	-	-	-	-	-	-	-

1 Unleaded premium (95 RON) for France, Germany, Italy, Spain, UK; regular unleaded for Canada, Japan and the United States.

2 VAT excluded from prices for automotive diesel and heavy fuel oil when refunded to industry.

3 Kerosene for Japan.

* Prices for France, Germany, Italy and Spain are in Euro; UK in British Pounds, Japan in Yen, Canada in Canadian Dollars.

Table 10
Regional OECD Crude Imports by Source
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Sep 03	Oct 03	Nov 03	Year Earlier Nov 02	change
OECD North America												
Venezuela	1.67	1.58		1.55	0.93	1.81	1.74	1.70	1.88	1.83	2.00	-0.17
Other Central & South America	0.54	0.61		0.65	0.52	0.56	0.65	0.62	0.65	0.48	0.67	-0.18
North Sea	1.07	1.25		1.34	1.07	1.03	1.12	1.28	0.96	0.88	1.46	-0.58
Other OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Non-OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Former Soviet Union	-	0.09		0.13	0.11	0.20	0.31	0.14	0.03	-	0.09	-
Saudi Arabia	1.70	1.60		1.72	1.79	2.16	1.74	1.72	1.48	1.76	1.57	0.19
Kuwait	0.24	0.22		0.22	0.20	0.25	0.20	0.25	0.17	0.18	0.27	-0.09
Iran	-	-		-	-	-	-	-	-	-	-	-
Iraq	0.94	0.58		0.45	0.84	0.34	0.22	0.42	0.87	0.81	0.48	0.33
Oman	0.02	0.02		0.02	-	0.04	0.06	0.07	0.06	0.07	0.02	0.06
United Arab Emirates	0.02	0.01		0.01	0.01	0.01	0.01	0.03	-	0.02	0.02	0.00
Other Middle East	0.02	0.04		0.03	0.02	0.02	-	-	-	-	0.06	-
West Africa ²	1.48	1.19		1.15	1.37	1.51	1.68	1.57	1.69	1.12	1.19	-0.07
Other Africa	0.13	0.18		0.16	0.15	0.33	0.44	0.48	0.35	0.41	0.12	0.29
Asia	0.15	0.16		0.15	0.12	0.10	0.19	0.16	0.22	0.12	0.16	-0.04
Other	0.03	0.06		0.06	0.04	0.08	0.12	0.11	0.07	0.09	0.08	0.00
Total	7.99	7.52		7.63	7.17	8.44	8.48	8.54	8.44	7.77	8.17	-0.40
of which Non-OECD	6.92	6.28		6.23	6.08	7.39	7.31	7.21	7.44	6.87	6.66	0.21
OECD Europe												
Canada	-	-		-	-	-	-	-	-	-	-	-
Mexico + USA	0.18	0.19		0.22	0.17	0.18	0.23	0.22	0.13	0.15	0.14	0.01
Venezuela	0.18	0.18		0.12	0.04	0.13	0.12	0.11	0.16	0.07	0.12	-0.05
Other Central & South America	0.04	0.05		0.06	0.02	0.04	0.11	0.17	0.09	0.11	0.11	0.00
Non-OECD Europe	0.00	0.01		0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.01
Former Soviet Union	2.68	3.12		3.03	3.16	3.43	3.76	3.80	3.47	3.30	3.11	0.19
Saudi Arabia	1.25	1.16		1.09	1.14	1.54	1.38	1.14	1.23	1.09	1.02	0.07
Kuwait	0.16	0.12		0.10	0.07	0.17	0.12	0.10	0.20	0.10	0.07	0.03
Iran	0.74	0.62		0.72	0.69	0.90	0.99	0.97	0.83	0.73	0.79	-0.06
Iraq	0.40	0.31		0.62	0.44	0.07	0.10	0.08	0.12	0.27	0.77	-0.50
Oman	-	0.00		-	-	-	-	-	-	-	-	-
United Arab Emirates	0.01	-		-	-	-	-	-	-	-	-	-
Other Middle East	0.43	0.46		0.46	0.36	0.26	0.22	0.20	0.36	0.29	0.47	-0.17
West Africa ²	0.81	0.68		0.62	0.74	0.57	0.60	0.71	0.70	0.64	0.58	0.05
Other Africa	1.50	1.39		1.45	1.60	1.60	1.56	1.60	1.58	1.52	1.40	0.11
Asia	-	-		-	-	-	-	-	0.01	0.03	-	-
Other	0.22	0.36		0.15	0.23	0.09	0.03	0.06	0.36	0.99	0.17	0.82
Total	8.59	8.66		8.65	8.68	8.97	9.22	9.16	9.24	9.30	8.77	0.53
of which Non-OECD	8.41	8.47		8.43	8.51	8.79	8.98	8.94	9.11	9.15	8.63	0.52
OECD Pacific												
Canada	0.00	0.00		0.01	-	0.01	0.00	0.01	-	-	-	-
Mexico + USA	0.02	0.01		0.02	-	-	0.02	-	-	-	-	-
Venezuela	0.00	0.00		0.00	0.00	-	-	-	-	-	0.00	-
Other Central & South America	0.07	0.08		0.09	0.10	0.08	0.05	0.09	0.08	0.10	0.12	-0.02
North Sea	0.01	0.03		-	0.04	-	0.01	-	-	-	-	-
Other OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Non-OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Former Soviet Union	0.05	0.07		0.10	0.04	0.03	0.09	0.17	0.06	0.12	0.08	0.04
Saudi Arabia	1.84	1.72		1.82	1.97	1.90	1.59	1.71	1.55	1.73	1.78	-0.05
Kuwait	0.64	0.57		0.56	0.60	0.54	0.58	0.63	0.51	0.58	0.57	0.01
Iran	0.75	0.64		0.69	0.89	0.80	0.76	0.73	0.82	0.81	0.68	0.14
Iraq	0.01	0.02		0.01	-	-	-	-	-	0.13	0.02	0.11
Oman	0.41	0.37		0.35	0.42	0.36	0.23	0.20	0.32	0.20	0.27	-0.07
United Arab Emirates	1.42	1.28		1.35	1.47	1.50	1.47	1.37	1.41	1.17	1.39	-0.22
Other Middle East	0.60	0.52		0.50	0.56	0.57	0.45	0.55	0.55	0.53	0.52	0.01
West Africa ²	0.11	0.21		0.25	0.28	0.11	0.14	-	-	0.19	0.32	-0.13
Other Africa	0.04	0.05		0.08	0.09	0.07	0.04	-	-	-	0.05	-
Non-OECD Asia	0.89	0.86		0.89	0.89	0.85	0.70	0.76	0.67	0.72	0.85	-0.13
Other	0.00	-		-	-	-0.09	-0.03	0.04	0.02	0.19	-	-
Total	6.89	6.42		6.71	7.36	6.81	6.13	6.23	5.98	6.28	6.65	-0.37
of which Non-OECD	6.86	6.38		6.68	7.32	6.71	6.06	6.26	6.00	6.47	6.65	-0.18
Total OECD Trade	23.47	22.61		22.99	23.21	24.23	23.82	23.94	23.65	23.35	23.60	-0.25
of which Non-OECD	22.19	21.14		21.34	21.90	22.90	22.35	22.41	22.54	22.49	21.94	0.54

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes, and converted to barrels at 7.37 barrels per tonne. Data will differ from Table 11 which is based on submissions in barrels.

2. West Africa includes Angola, Nigeria, Gabon, Congo and Democratic Republic of Congo.

Table 11
IEA Member Country Destinations of Selected Crude Streams¹
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Sep 03	Oct 03	Nov 03	Year Earlier Nov 02	change
Saudi Light & Extra Light												
North America	0.69	0.70		0.89	0.52	0.75	0.63	0.62	0.60	0.62	0.61	0.02
Europe	0.92	0.92		0.86	0.94	1.14	0.95	0.77	0.95	0.83	0.80	0.03
Pacific	1.22	1.22		1.24	1.39	1.16	1.04	1.10	0.99	0.41	1.27	-0.86
Saudi Medium												
North America	0.73	0.86		1.46	0.88	0.94	0.79	0.82	0.77	0.80	0.79	0.01
Europe	0.15	0.11		0.11	0.10	0.13	0.14	0.09	0.09	0.08	0.07	0.01
Pacific	0.17	0.16		0.14	0.21	0.26	0.20	0.23	0.28	0.26	0.06	0.20
Saudi Heavy												
North America	0.21	0.20		0.23	0.28	0.48	0.25	0.24	0.20	0.21	0.23	-0.02
Europe	0.14	0.09		0.09	0.11	0.26	0.21	0.17	0.19	0.17	0.11	0.07
Pacific	0.15	0.12		0.13	0.14	0.21	0.15	0.13	0.12	0.09	0.17	-0.08
Iraqi Basrah Light²												
North America	0.65	0.35		0.22	0.50	0.24	0.20	0.43	0.68	0.66	0.30	0.36
Europe	0.15	0.08		0.21	0.10	0.05	0.04	0.03	0.09	0.17	0.30	-0.13
Pacific	0.01	0.02		..	..	..	..	..	..	..	..	..
Iraqi Kirkuk												
North America	0.09	0.14		0.11	0.22	0.02	..	..	..	..	0.07	..
Europe	0.31	0.32		0.53	0.42	0.04	0.04	..	..	..	0.64	..
Pacific	0.01	0.00		..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..		..	..	..	..	..	..	..	..	..
Europe	0.16	0.17		0.19	0.18	0.24	0.17	0.16	0.12	0.10	0.21	-0.11
Pacific	0.13	0.12		0.14	0.18	0.16	0.16	0.18	0.16	..	0.14	..
Iranian Heavy³												
North America	..	..		..	..	..	..	..	..	..	..	..
Europe	0.53	0.44		0.50	0.52	0.57	0.70	0.56	0.55	0.55	0.59	-0.04
Pacific	0.63	0.54		0.61	0.75	0.67	0.58	0.55	0.75	0.30	0.60	-0.31
Venezuelan Light & Medium												
North America	0.61	0.68		0.57	0.35	0.83	0.75	0.88	0.68	0.68	0.80	-0.13
Europe	0.07	0.08		0.07	0.02	0.04	0.01	..	0.02	..	0.09	..
Pacific	0.00	0.00		0.00	0.00	..	0.00	0.00	0.00	..	0.00	..
Venezuelan 22 API and heavier												
North America	0.65	0.55		0.56	0.17	0.66	0.83	0.83	0.69	0.72	0.70	0.02
Europe	0.07	0.05		0.04	0.02	0.05	0.07	0.06	0.07	0.08	0.05	0.02
Pacific	..	..		..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92		0.96	1.12	1.31	1.46	1.56	1.33	1.40	0.88	0.52
Europe	0.14	0.17		0.19	0.14	0.17	0.21	0.22	0.14	0.14	0.13	0.01
Pacific	0.01	0.00		0.01	..	..	0.01	..	..	..	..	..
Mexican Isthmus												
North America	0.04	0.01		0.01	0.01	0.00	..	..	..	..	0.01	..
Europe	0.03	0.01		0.02	0.00	0.00	..	..	0.00	..	0.01	..
Pacific	0.01	0.01		0.01	..	..	0.01	..	..	..	..	..
Russian Urals												
North America	..	0.03		0.05	..	0.23	0.33	0.22	..	..	0.07	..
Europe	1.10	1.32		1.34	1.51	1.50	1.65	1.55	1.38	1.74	1.27	0.47
Pacific	0.01	0.01		..	..	..	..	..	..	0.01	..	..
Nigerian Light⁴												
North America	0.50	0.39		0.38	0.47	0.59	0.78	0.77	0.61	0.57	0.34	0.23
Europe	0.38	0.32		0.35	0.42	0.38	0.44	0.43	0.38	0.45	0.33	0.12
Pacific	0.02	0.06		0.08	0.13	0.03	0.05	..	..	0.06	0.16	-0.10
Nigerian Medium												
North America	0.31	0.16		0.14	0.17	0.21	0.10	0.12	0.13	0.16	0.14	0.01
Europe	0.10	0.06		0.07	0.07	0.04	0.04	0.07	0.10	0.06	0.10	-0.03
Pacific	0.00	0.01		..	0.04	..	..	..	..	..	..	..

¹ Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 21 of the Report.

IEA North America includes United States and Canada.

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

IEA Pacific data through 2000 includes Australia, New Zealand and Japan.

² Iraqi Total minus Kirkuk.

³ Iranian Total minus Iranian Light.

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

Table 12a
Regional OECD Gasoline Imports by Source¹
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Sep 03	Oct 03	Nov 03	Year Earlier Nov 02	change
OECD North America												
Venezuela	0.11	0.08		0.08	0.00	0.10	0.07	0.10	0.11	0.07	0.08	-0.01
Other Central & South America	0.11	0.10		0.11	0.10	0.10	0.12	0.11	0.09	0.08	0.11	-0.02
ARA (Belgium Germany Netherlands)	0.08	0.09		0.07	0.11	0.11	0.13	0.13	0.15	0.15	0.07	0.07
Other Europe	0.19	0.20		0.17	0.20	0.30	0.16	0.17	0.12	0.16	0.18	-0.02
FSU	0.04	0.06		0.03	0.09	0.06	0.05	0.04	0.03	0.07	0.03	0.04
Saudi Arabia	0.06	0.06		0.07	0.06	0.08	0.08	0.09	0.10	0.04	0.08	-0.04
Algeria	0.00	0.00		-	-	0.01	0.00	-	-	-	-	-
Other Middle East & Africa	0.04	0.04		0.03	0.03	0.03	0.03	0.02	0.01	0.01	0.03	-0.02
Singapore	0.01	0.01		0.00	0.00	0.02	0.00	0.00	-	-	0.00	-
OECD Pacific	0.02	0.01		0.01	0.01	0.01	0.01	0.01	-	-	0.02	-
Non-OECD Asia (excl. Singapore)	0.03	0.03		0.02	0.02	0.05	0.03	0.02	-	-	0.02	-
Other	0.00	-		-	0.00	0.00	-	-	-	-	-	-
Total²	0.67	0.68		0.58	0.62	0.89	0.69	0.69	0.62	0.58	0.61	-0.03
of which Non-OECD	0.40	0.39		0.35	0.31	0.49	0.40	0.38	0.36	0.28	0.39	-0.11
OECD Europe												
OECD North America	0.00	0.00		0.00	0.00	-	0.00	-	0.00	0.00	-	-
Venezuela	-	-		-	-	0.00	0.00	-	-	-	-	-
Other Central & South America	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	-	-
Non-OECD Europe	0.03	0.04		0.04	0.04	0.04	0.04	0.04	0.03	0.04	0.04	0.00
FSU	0.02	0.03		0.02	0.02	0.03	0.03	0.04	0.03	0.03	0.01	0.02
Saudi Arabia	0.00	0.00		0.00	0.00	0.01	0.00	-	0.00	0.00	0.00	0.00
Algeria	0.00	0.01		0.02	0.00	0.02	0.01	0.02	-	0.01	0.02	-0.01
Other Middle East & Africa	0.01	0.02		0.03	0.01	0.03	0.04	0.07	0.03	0.02	0.01	0.01
Singapore	-	0.00		0.00	0.00	-	0.00	-	0.01	-	-	-
OECD Pacific	-	-		-	-	0.00	0.00	0.00	0.00	-	-	-
Non-OECD Asia (excl. Singapore)	0.00	-		-	-	0.00	0.00	0.00	-	-	-	-
Other	0.09	0.07		0.07	0.10	0.05	0.02	0.02	0.10	0.06	0.14	-0.07
Total²	0.15	0.18		0.18	0.18	0.17	0.15	0.20	0.20	0.17	0.23	-0.06
of which Non-OECD	0.15	0.18		0.18	0.18	0.17	0.14	0.19	0.20	0.17	0.23	-0.06
OECD Pacific												
OECD North America	0.00	0.00		-	-	-	-	-	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	-	-	-	-
FSU	0.00	0.00		-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.00		-	-	-	-	-	-	-	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	-	-		-	-	-	-	-	-	-	-	-
Singapore	0.02	0.03		0.04	0.03	0.03	0.05	0.05	0.04	0.05	0.04	0.01
Non-OECD Asia (excl. Singapore)	0.00	0.02		0.03	0.03	0.04	0.03	0.02	0.02	0.03	0.01	0.02
Other	-	0.00		-	-	-	-	-	-	-	-	-
Total²	0.04	0.06		0.07	0.06	0.07	0.08	0.08	0.06	0.08	0.05	0.02
of which Non-OECD	0.03	0.06		0.07	0.06	0.07	0.08	0.08	0.06	0.08	0.05	0.02
Total OECD Trade²	0.86	0.92		0.83	0.86	1.13	0.92	0.96	0.88	0.83	0.90	-0.07
of which Non-OECD	0.58	0.62		0.60	0.55	0.73	0.63	0.65	0.62	0.52	0.67	-0.15

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12b
Regional OECD Gasoil/Diesel Imports by Source¹
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Sep 03	Oct 03	Nov 03	Year Earlier Nov 02	change
OECD North America												
Venezuela	0.06	0.03		0.02	0.01	0.02	0.03	0.06	0.06	0.07	0.03	0.04
Other Central & South America	0.03	0.02		0.03	0.01	0.02	0.01	0.01	0.03	0.01	0.04	-0.04
ARA (Belgium Germany Netherlands)	0.01	0.00		0.01	0.03	-	0.00	0.00	-	-	0.01	-
Other Europe	0.02	0.00		0.01	0.02	0.01	0.00	-	-	-	-	-
FSU	0.03	0.02		0.08	0.13	0.02	0.02	0.03	0.02	-	0.05	-
Saudi Arabia	0.00	0.00		-	-	0.00	0.00	-	-	-	-	-
Algeria	0.00	0.00		0.00	0.00	-	0.00	-	-	-	-	-
Other Middle East & Africa	0.01	0.00		0.01	0.00	0.00	-	-	-	-	0.01	-
Singapore	0.00	0.00		-	0.00	0.01	0.01	0.00	-	-	-	-
OECD Pacific	0.01	0.01		0.01	0.00	0.00	0.02	0.01	-	-	0.02	-
Non-OECD Asia (excl. Singapore)	0.01	0.00		0.02	0.00	0.02	0.03	-	-	-	-	-
Other	-	-		-	-	-	-	-	-	-	-	-
Total²	0.19	0.10		0.20	0.21	0.09	0.13	0.12	0.10	0.07	0.17	-0.09
of which Non-OECD	0.15	0.09		0.16	0.16	0.08	0.10	0.10	0.10	0.07	0.14	-0.06
OECD Europe												
OECD North America	0.02	0.03		0.01	0.00	0.01	0.01	0.02	0.03	0.03	-	-
Venezuela	0.00	0.00		-	-	-	-	-	-	-	-	-
Other Central & South America	0.00	0.01		0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-OECD Europe	0.05	0.07		0.06	0.06	0.06	0.07	0.06	0.06	0.04	0.05	-0.01
FSU	0.36	0.42		0.43	0.43	0.57	0.53	0.47	0.39	0.49	0.33	0.16
Saudi Arabia	0.01	0.01		0.01	0.01	0.00	-	-	-	0.01	0.01	0.00
Algeria	0.04	0.02		0.02	0.02	0.02	0.03	0.01	0.00	0.03	0.01	0.01
Other Middle East & Africa	0.02	0.02		0.01	0.02	0.01	0.01	0.01	0.00	0.00	0.01	-0.01
Singapore	0.00	0.02		0.03	0.00	-	0.00	-	0.01	0.00	-	-
OECD Pacific	0.00	0.00		0.01	-	0.01	0.01	0.01	-	0.00	-	-
Non-OECD Asia (excl. Singapore)	0.01	0.01		0.01	0.02	0.00	0.01	0.03	0.01	0.01	-	-
Other	0.10	0.10		0.14	0.10	0.10	0.00	0.06	0.07	0.15	0.23	-0.08
Total²	0.61	0.70		0.73	0.67	0.79	0.67	0.67	0.58	0.76	0.64	0.13
of which Non-OECD	0.59	0.67		0.72	0.67	0.77	0.65	0.65	0.55	0.73	0.64	0.09
OECD Pacific												
OECD North America	-	0.00		-	-	-	-	-	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	0.00	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	0.00	0.00		0.00	-	-	-	-	0.00	-	0.00	-
Other Europe	-	0.00		-	-	-	0.00	0.00	-	-	-	-
FSU	0.00	0.01		0.01	0.01	0.01	0.00	0.00	0.01	0.00	0.01	0.00
Saudi Arabia	0.00	0.00		-	-	-	-	-	-	-	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	-	0.00		0.00	-	-	-	-	-	-	0.00	-
Singapore	0.02	0.02		0.03	0.02	0.04	0.04	0.04	0.05	0.04	0.02	0.02
Non-OECD Asia (excl. Singapore)	0.01	0.02		0.03	0.05	0.04	0.02	0.03	0.02	0.01	0.03	-0.02
Other	0.00	0.00		0.00	-	0.00	-	-	-	-	-	-
Total²	0.03	0.05		0.07	0.07	0.08	0.07	0.08	0.08	0.06	0.06	0.00
of which Non-OECD	0.03	0.05		0.07	0.07	0.08	0.07	0.08	0.08	0.06	0.06	0.00
Total OECD Trade²	0.83	0.85		1.00	0.96	0.96	0.87	0.87	0.76	0.89	0.86	0.03
of which Non-OECD	0.77	0.81		0.95	0.90	0.93	0.82	0.83	0.73	0.86	0.83	0.03

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12c
Regional OECD Jet and Kerosene Imports by Source¹
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Sep 03	Oct 03	Nov 03	Year Earlier Nov 02	change
OECD North America												
Venezuela	0.03	0.02		0.02	0.02	0.04	0.03	0.02	0.05	0.03	0.01	0.01
Other Central & South America	0.02	0.01		0.01	0.01	0.03	0.02	0.02	0.01	-	0.02	-
ARA (Belgium Germany Netherlands)	0.00	-		-	0.00	0.00	-	-	-	-	-	-
Other Europe	0.00	0.00		-	-	0.00	-	-	-	-	-	-
FSU	0.00	-		-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.00		-	0.00	-	-	-	0.01	-	-	-
Algeria	0.00	0.00		0.01	0.00	0.00	-	-	-	-	0.01	-
Other Middle East & Africa	0.02	0.01		0.02	0.04	0.01	0.01	0.02	-	-	0.03	-
Singapore	0.01	0.00		0.00	0.00	0.00	0.00	-	0.01	-	-	-
OECD Pacific	0.05	0.04		0.05	0.01	0.02	0.05	0.05	0.02	0.01	0.05	-0.04
Non-OECD Asia (excl. Singapore)	0.01	0.01		0.00	0.01	-	0.00	0.01	-	-	0.00	-
Other	0.00	-		-	-	-	-	-	-	-	-	-
Total²	0.14	0.10		0.12	0.10	0.11	0.11	0.12	0.10	0.04	0.13	-0.10
of which Non-OECD	0.09	0.06		0.07	0.09	0.08	0.06	0.07	0.07	0.03	0.08	-0.06
OECD Europe												
OECD North America	0.00	0.01		0.00	0.00	0.00	0.00	0.00	0.00	-	-	-
Venezuela	0.01	0.02		0.01	0.00	0.01	0.01	0.01	0.02	0.01	-	-
Other Central & South America	0.01	0.00		0.00	0.00	0.01	0.00	0.01	0.03	0.01	0.00	0.00
Non-OECD Europe	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FSU	0.02	0.03		0.03	0.02	0.02	0.02	0.02	0.01	0.04	0.05	-0.01
Saudi Arabia	0.03	0.02		0.01	0.01	0.03	0.01	0.01	0.01	0.03	0.00	0.03
Algeria	0.01	0.01		0.02	0.01	0.01	0.02	0.00	-	0.03	0.02	0.01
Other Middle East & Africa	0.13	0.10		0.09	0.11	0.11	0.15	0.19	0.11	0.11	0.07	0.04
Singapore	-	0.01		0.00	0.00	-	0.00	-	0.00	-	-	-
OECD Pacific	-	-		-	-	0.00	0.00	0.00	-	-	-	-
Non-OECD Asia (excl. Singapore)	-	0.00		-	-	-	0.00	-	-	-	-	-
Other	0.04	0.02		0.00	0.01	0.02	0.02	0.04	0.04	0.06	-0.02	0.08
Total²	0.25	0.22		0.16	0.17	0.20	0.25	0.28	0.22	0.28	0.11	0.16
of which Non-OECD	0.25	0.21		0.16	0.17	0.20	0.25	0.28	0.22	0.28	0.11	0.16
OECD Pacific												
OECD North America	-	-		-	0.01	-	-	-	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	-	-	-	-
FSU	-	-		-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.00		0.01	0.02	-	-	-	-	0.01	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	0.01	0.01		0.01	0.03	-	-	-	0.00	0.01	-	-
Singapore	0.01	0.01		0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.02	-0.01
Non-OECD Asia (excl. Singapore)	0.02	0.02		0.05	0.04	0.00	0.01	0.02	0.01	0.02	0.04	-0.03
Other	0.04	0.05		0.07	0.07	0.04	0.03	0.04	0.08	0.07	0.07	0.00
Total²	0.07	0.10		0.16	0.18	0.05	0.05	0.07	0.11	0.12	0.13	-0.01
of which Non-OECD	0.07	0.10		0.16	0.18	0.05	0.05	0.07	0.11	0.12	0.13	-0.01
Total OECD Trade²	0.46	0.41		0.43	0.45	0.36	0.41	0.47	0.43	0.43	0.38	0.06
of which Non-OECD	0.41	0.37		0.38	0.44	0.33	0.35	0.42	0.40	0.42	0.33	0.10

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

Table 12d
Regional OECD Residual Fuel Oil Imports by Source¹
(million barrels per day)

	2001	2002	2003	4Q02	1Q03	2Q03	3Q03	Sep 03	Oct 03	Nov 03	Year Earlier Nov 02	change
OECD North America												
Venezuela	0.07	0.04		0.01	0.03	0.06	0.04	0.04	0.05	0.04	0.01	0.03
Other Central & South America	0.12	0.14		0.16	0.18	0.14	0.14	0.12	0.17	0.09	0.16	-0.07
ARA (Belgium Germany Netherlands)	0.02	0.01		0.01	0.02	0.02	0.01	-	0.02	0.01	0.01	0.00
Other Europe	0.03	0.01		0.01	0.03	0.02	0.03	0.03	0.02	0.04	0.02	0.02
FSU	0.00	0.01		0.02	0.03	0.03	0.03	0.03	0.03	0.08	0.05	0.03
Saudi Arabia	0.00	-		-	-	0.00	0.00	-	-	-	-	-
Algeria	0.00	0.00		0.01	0.01	0.01	0.01	0.00	-	-	-	-
Other Middle East & Africa	0.04	0.02		0.02	0.05	0.03	0.02	0.02	0.03	0.04	0.02	0.03
Singapore	0.00	0.00		0.00	0.01	0.00	0.01	0.01	-	0.00	0.01	0.00
OECD Pacific	0.00	-		-	-	-	-	-	-	-	-	-
Non-OECD Asia (excl. Singapore)	0.01	0.00		-	-	0.00	0.01	0.02	0.01	0.02	-	-
Other	0.00	0.00		0.00	0.00	0.01	0.01	0.00	0.00	-	0.00	-
Total²	0.31	0.24		0.26	0.35	0.32	0.31	0.27	0.33	0.33	0.28	0.04
of which Non-OECD	0.26	0.21		0.24	0.30	0.28	0.27	0.24	0.30	0.28	0.25	0.03
OECD Europe												
OECD North America	0.02	0.02		0.02	0.00	-	-	-	-	0.01	0.03	-0.02
Venezuela	0.01	0.00		-	0.00	-	-	-	-	-	-	-
Other Central & South America	0.01	0.02		0.00	0.01	0.01	0.01	0.02	0.01	0.01	-	-
Non-OECD Europe	0.01	0.01		0.02	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.00
FSU	0.23	0.27		0.23	0.17	0.20	0.25	0.26	0.23	0.11	0.22	-0.11
Saudi Arabia	0.00	-		-	-	-	-	-	-	-	-	-
Algeria	0.00	0.01		0.01	0.00	0.01	0.02	0.02	0.02	0.03	-	-
Other Middle East & Africa	0.06	0.06		0.06	0.04	0.06	0.06	0.09	0.06	0.07	0.06	0.01
Singapore	0.00	0.00		-	-	-	-	-	0.00	0.00	-	-
OECD Pacific	-	0.00		-	-	-	-	-	-	0.00	-	-
Non-OECD Asia (excl. Singapore)	-	0.01		0.01	0.01	0.01	0.02	0.02	-	0.02	0.02	0.00
Other	0.06	0.07		0.09	0.06	0.08	0.09	0.07	0.12	0.29	0.08	0.21
Total²	0.40	0.47		0.43	0.31	0.38	0.45	0.49	0.44	0.55	0.42	0.13
of which Non-OECD	0.38	0.45		0.42	0.31	0.38	0.46	0.49	0.44	0.54	0.40	0.14
OECD Pacific												
OECD North America	0.00	0.00		0.01	-	0.00	-	-	-	-	0.01	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	0.00	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	0.00	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	-	-	-	-
FSU	-	0.00		-	-	0.00	0.00	0.00	-	-	-	-
Saudi Arabia	-	0.00		-	-	-	-	-	-	-	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	-	0.00		0.00	-	-	-	-	-	-	0.00	-
Singapore	0.01	0.01		0.01	0.01	-	-	-	-	0.01	0.01	0.00
Non-OECD Asia (excl. Singapore)	0.05	0.06		0.06	0.07	0.07	0.05	0.05	0.04	0.05	0.04	0.01
Other	0.02	0.02		0.02	0.01	0.03	0.02	0.02	0.04	0.00	0.03	-0.03
Total²	0.08	0.09		0.10	0.10	0.10	0.07	0.08	0.08	0.06	0.09	-0.03
of which Non-OECD	0.08	0.09		0.10	0.10	0.10	0.07	0.08	0.08	0.06	0.08	-0.02
Total OECD Trade²	0.80	0.80		0.79	0.76	0.80	0.83	0.84	0.85	0.94	0.80	0.14
of which Non-OECD	0.72	0.75		0.76	0.71	0.76	0.80	0.81	0.82	0.88	0.73	0.15

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12e
Regional OECD Trade Balances¹
(million barrels per day)

OECD North America

Net Imports/(Exports) of										Latest month vs.	
	2001	2002	4Q02	1Q03	2Q03	3Q03	Sep-03	Oct-03	Nov-03	Oct-03	Nov-02
Crude Oil	7.59	7.20	7.24	6.71	8.06	8.08	8.21	8.11	7.39	-0.72	-0.36
Products & Feedstocks	1.48	1.18	1.11	1.17	1.51	1.41	1.34	1.14	1.00	-0.14	-0.21
Gasoil/Diesel	0.09	0.00	0.09	0.08	-0.02	0.06	0.10	0.05	0.01	-0.04	-0.06
Gasoline	0.55	0.56	0.45	0.48	0.74	0.56	0.52	0.46	0.50	0.04	0.00
Heavy Fuel Oil	0.18	0.08	0.10	0.22	0.13	0.16	0.12	0.22	0.17	-0.05	0.06
LPG	0.02	0.04	0.07	0.04	0.02	0.02	0.02	0.03	0.03	0.00	-0.01
Naphtha	0.06	0.04	0.03	0.03	0.09	0.09	0.06	0.07	0.07	-0.01	0.01
Jet & Kerosene	0.12	0.09	0.10	0.08	0.09	0.11	0.11	0.09	0.04	-0.06	-0.09
Other	0.45	0.37	0.26	0.24	0.45	0.41	0.42	0.22	0.19	-0.03	-0.12
Total²	9.07	8.38	8.35	7.88	9.57	9.49	9.55	9.26	8.39	-0.86	-0.57

OECD Europe

Net Imports/(Exports) of										Latest month vs.	
	2001	2002	4Q02	1Q03	2Q03	3Q03	Sep-03	Oct-03	Nov-03	Oct-03	Nov-02
Crude Oil	7.37	7.17	7.18	7.61	7.69	7.89	7.69	8.20	8.25	0.06	1.07
Products & Feedstocks	1.48	1.44	1.25	1.13	1.05	1.37	1.46	1.06	1.09	0.03	-0.08
Gasoil/Diesel	0.42	0.42	0.38	0.36	0.54	0.46	0.46	0.18	0.29	0.10	0.07
Gasoline	-0.25	-0.34	-0.25	-0.40	-0.43	-0.36	-0.30	-0.33	-0.46	-0.13	-0.22
Heavy Fuel Oil	0.13	0.23	0.13	0.08	0.09	0.23	0.23	0.18	0.19	0.01	0.00
LPG	0.17	0.14	0.16	0.11	0.02	0.07	0.04	0.03	0.09	0.06	-0.07
Naphtha	0.24	0.24	0.24	0.27	0.23	0.19	0.24	0.28	0.24	-0.03	0.01
Jet & Kerosene	0.21	0.20	0.17	0.11	0.15	0.22	0.26	0.20	0.21	0.01	0.04
Other	0.55	0.56	0.43	0.60	0.45	0.56	0.53	0.52	0.53	0.01	0.08
Total²	8.84	8.62	8.43	8.74	8.74	9.26	9.15	9.26	9.34	0.09	0.99

OECD Pacific

Net Imports/(Exports) of										Latest month vs.	
	2001	2002	4Q02	1Q03	2Q03	3Q03	Sep-03	Oct-03	Nov-03	Oct-03	Nov-02
Crude Oil	6.65	6.20	6.51	7.17	6.51	5.85	6.01	5.85	6.31	0.46	-0.11
Products & Feedstocks	1.00	1.31	1.63	1.56	1.37	1.37	1.48	1.37	1.34	-0.02	-0.20
Gasoil/Diesel	-0.18	-0.14	-0.07	-0.08	-0.06	-0.11	-0.08	-0.10	-0.05	0.05	0.02
Gasoline	-0.01	0.02	0.04	0.02	0.04	0.05	0.07	0.05	0.05	0.01	0.05
Heavy Fuel Oil	-0.12	-0.02	0.02	-0.04	0.00	-0.07	-0.06	-0.09	-0.10	-0.01	-0.13
LPG	0.52	0.54	0.59	0.55	0.52	0.53	0.48	0.42	0.56	0.14	0.00
Naphtha	0.64	0.70	0.72	0.77	0.71	0.84	0.83	0.82	0.66	-0.15	-0.03
Jet & Kerosene	-0.03	0.00	0.08	0.14	-0.02	-0.02	0.02	0.10	0.10	0.00	0.08
Other	0.18	0.20	0.26	0.21	0.18	0.16	0.23	0.17	0.12	-0.06	-0.20
Total²	7.65	7.51	8.14	8.73	7.88	7.22	7.50	7.22	7.65	0.43	-0.31

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halff (+33) 0*1 40 57 65 93 e-mail: antoine.halff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org
	Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France
Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 69
E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

Readers are referred to the Users' Guide, published in conjunction with the Annual Statistical Supplement (current issue dated 11 August 2003), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to US\$ per barrel according to the Platt's specification of products (©2004 Platt's - a division of McGraw-Hill Inc.).

The monthly Oil Market Report is published on the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member Governments, largely on the basis of information received from oil companies, neither governments nor companies necessarily share the Secretariat's views or conclusions as expressed therein. ©OECD/IEA2004

11 March 2004

HIGHLIGHTS

- Fears of OPEC supply cuts, tension in Venezuela, and tight US gasoline stocks lifted benchmark crude prices. NYMEX WTI futures peaked at \$37.51/bbl early March and funds further raised their already large net long positions in both crude and gasoline futures. Refinery maintenance and availability concerns over tighter specification gasoline pushed unleaded futures contracts above \$1.10 per gallon.
- Surging oil demand in China and other non-OECD Asian economies has raised the assessment of global oil demand growth by 220 kb/d for 2004, to 1.65 mb/d. Non-OECD Asian demand is now expected to grow by 1 mb/d in 2004.
- February OPEC-10 crude supply held steady at 25.8 mb/d, 1.3 mb/d above November's target and 2.3 mb/d above that set for 1 April. Despite end-February progress in expanding export potential, loading delays at the Basrah Oil Terminal cut 100 kb/d from Iraqi supply.
- World oil supply rose 60 kb/d in February to 82.0 mb/d. Non-OPEC production increased 140 kb/d while OPEC crude supply fell 90 kb/d. The call on OPEC crude plus stock change has been raised by 300 kb/d to 25.8 mb/d for 2004 but falls seasonally to a low of 23.9 mb/d in 2Q.
- OECD industry total oil stocks fell 690 kb/d in January, closing 61 mb below their five-year average. Days of forward demand cover held flat at 51 days for a third straight month. US gasoline stocks tightened through February, foreshadowing a low base from which to rebuild inventories before the summer driving season.

Next Issue: 9 April 2004

CONTENTS

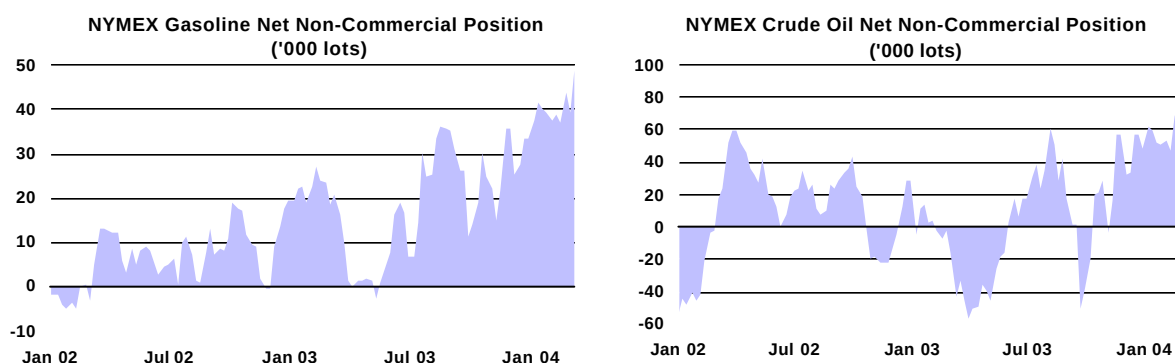
HIGHLIGHTS	1
THE SHORT AND LONG OF IT.....	3
DEMAND.....	4
Summary.....	4
OECD.....	5
Early Indications of Current Demand.....	5
Accounting for Strategic Stocks	8
North America	8
Pacific	9
Europe.....	9
Non-OECD	10
China.....	10
Other Non-OECD.....	11
SUPPLY.....	13
Summary.....	13
OPEC	14
OECD.....	17
North America	17
North Sea.....	18
Asia Pacific.....	19
Former Soviet Union (FSU).....	19
Other Non-OPEC.....	20
Don't Forget Asia - Slow But Steady Production Growth	22
OECD STOCKS.....	23
Summary.....	23
OECD Industry Stock Changes in January 2004.....	24
Revisions to Preliminary OECD Stocks and Inventory Position at End-January	24
OECD Regional Stock Developments	25
North America	25
Europe	26
Pacific	26
Singapore Stock Developments in February.....	27
PRICES AND REFINERY ACTIVITY	29
Summary.....	29
February Overview	30
Crude Oil Prices	30
Spot Crude Prices and Differentials in February	30
Crude Futures in February.....	32
Delivered Crude Prices in December	33
Product Prices.....	33
Spot Product Prices in February.....	33
Product Futures in February.....	35
Futures Strip Charts	36
End-User Product Prices in February.....	37
Freight	39
Refining Margins in February.....	39
OECD Refinery Throughput in January.....	40
TABLES.....	43
OIL MARKET REPORT CONTACTS	

THE SHORT AND LONG OF IT

The arrival of warmer weather in the northern hemisphere marks a transition period for the oil market with the end of the winter heating season giving rise to a significant drop in global demand. Oil demand is estimated to fall by 2.3 mb/d between the first and second quarters of 2004. The bulk of this reduction will take place in OECD Pacific (1.4 mb/d) and the FSU (0.5 mb/d). The arrival of the summer driving season subsequently contributes to a surge in activity with North America accounting for half of the estimated 2.0 mb/d growth in third quarter global demand.

The lull between peak winter and summer demand poses a number of challenges. Crude logistics are squeezed as refiners reduce crude purchases ahead of the maintenance season and then just as quickly ramp-up crude runs to maximize gasoline production. Shipping logistics come under pressure as crude and product tankers are diverted from established winter routes to thirstier summer markets. These developments are well established and occur every year. Under normal circumstances, markets adjust to these seasonal variations by building and drawing stocks.

The capacity limitations of the North American refining sector are such that the demand for gasoline and blending components is increasingly satisfied by imports from Europe and Asia. Subject to the relative balance between crude versus product stocks, the oil market can become more or less focussed on one or the other of these market segments. Tightness in one or the other leads to what the trade terms a crude or product driven market.



Market developments suggest that this year's transition is likely to be more difficult and subject to greater volatility than normal. Both North American crude oil and gasoline stocks are tight in advance of peak demand. This situation, already exacerbated by structural elements and the supply management policies of producing countries, could be further tested by geopolitical developments.

Producers seem intent on supplying the market in such a way as to maintain tight stocks. Their proposed 1 April target reduction keeps the market on edge in the face of global demand growth reinforced by the perceptions of mounting tension in Nigeria and Venezuela. Underpinning these developments is limited spare global production capacity estimated at less than 2.0 mb/d.

The implementation of tougher environmental standards in key US consuming regions combined with refinery maintenance and a backwardated market contribute to lower gasoline stocks. This situation is further aggravated by the risk of adverse geopolitical developments. Venezuela is a key supplier of gasoline to North America. Even a short-term supply disruption here could pose serious challenges, given the limited number of alternative foreign suppliers that can meet the new US specifications.

The current market is more fragile than normal to the extent that tightness on the product side reinforces developments on the crude oil side. It should come as no surprise that the funds are having a field-day in this environment, as evidenced by the record breaking level of open interest and their volume of net-long positions. While supporting short-term prices, the latter undermines longer-term market stability.

Producers profess a commitment to keeping the market amply supplied. But actions that promote tight balances in the face of geopolitical uncertainty, limited spare production and constrained refining capacity provide opportunities for speculators. Producers may profit from this situation in the form of higher revenues in the short-term. Consumers, on the other hand, are asked to absorb the added costs and the higher risk associated with potential supply imbalances.

DEMAND

Summary

- Strong oil product demand prospects for non-OECD Asia have raised the forecast of global oil demand growth for 2004 by 220 kb/d, to 1.65 mb/d. The 2003 assessment has been adjusted upwards by roughly 100 kb/d, to 1.59 mb/d, a gain the bulk of which is also in non-OECD Asia.
- The forecast of Chinese demand growth for 2004 has been raised by 230 kb/d, to 580 kb/d, the second instalment in a reappraisal of Chinese demand patterns initiated in the October *OMR*. Despite sustained gains in domestic refinery output and net product imports, product stocks have only partly rebuilt ahead of scheduled refinery turnarounds. Faster gains in electricity demand than in power generation capacity continue to boost gasoil demand for back-up generators, while demand from the petrochemical and transportation sectors remains robust. While the sustainability of China's rapid economic growth rates remains a matter of debate, structural shifts in Chinese oil demand set the stage for continued expansion.

Global Oil Demand from 2002 to 2004

	Demand (mb/d)	Annual Change* (%)	Annual Change* (mb/d)	Changes from last month's Report (mb/d)
1Q02	76.9	-1.0	-0.7	-
2Q02	75.2	-0.5	-0.3	-
3Q02	76.7	0.7	0.5	-
4Q02	79.1	1.5	1.2	-
1Q03	79.1	2.9	2.2	-
2Q03	76.1	1.2	0.9	-
3Q03	78.3	2.1	1.6	0.1
4Q03	80.7	2.1	1.7	0.3
1Q04	80.4	1.6	1.2	-
2Q04	78.0	2.6	2.0	0.3
3Q04	80.1	2.3	1.8	0.5
4Q04	82.3	2.0	1.6	0.4
2002	77.0	0.2	0.2	-
2003	78.6	2.1	1.6	0.1
2004	80.2	2.1	1.6	0.3

* year-on-year change

- Chinese economic expansion is boosting neighbouring economies, fuelling oil demand growth in the entire region. The growth assessment for other non-OECD Asian economies has been increased by an average 40 kb/d for 2003, to 160 kb/d, in light of fourth quarter data - both new and revised - that show soaring demand in Taiwan, Thailand and Singapore and recovering consumption in India. The "other Asian" growth forecast for 2004 has been raised by 70 kb/d, to 420 kb/d.
- Apparent demand growth in the FSU is faltering, as exports have recently been running ahead of supply. Both pipeline exports and seaborne shipments through the Black and Baltic seas surged in January and February, reducing the first-quarter apparent demand estimate by 220 kb/d, and shifting the yearly average into mild contraction. That pattern appears consistent with continued efficiency gains in the industrial sector, partly offset by rising demand from the transportation sector.
- US demand growth was steeper than previously estimated in the fourth quarter of 2003 and has also exceeded expectations so far this quarter. A 660 kb/d upward adjustment to preliminary US data lifted yearly US growth for December to 3.9%, accounting for the bulk of a 310 kb/d upward adjustment to fourth-quarter North American demand. But December demand grew more slowly than expected in Europe and fell faster than previously thought in OECD Asia, reflecting sharply reduced utility demand in Japan despite continued nuclear power plant shutdowns. The assessment of OECD demand growth has been revised marginally upwards for 2003 and 2004, as the upward adjustments in North America slightly exceeded the downward revisions in the rest of the OECD.

Estimated Annual World Oil Demand Growth 1999-2004

(million barrels per day)

	99-98	00-99	01-00	02-01	03-02	04-03
North America	0.71	0.26	-0.06	0.16	0.46	0.28
Latin America	0.02	-0.01	0.02	-0.11	-0.12	0.07
FSU	-0.15	0.09	-0.01	-0.20	0.10	-0.04
Europe	-0.15	-0.11	0.21	-0.18	0.13	0.18
OECD Pacific	0.28	-0.08	-0.08	-0.04	0.13	-0.13
China	0.21	0.26	0.12	0.27	0.55	0.58
Other Asia	0.41	0.09	0.16	0.11	0.16	0.42
Subtotal, Asia	0.90	0.28	0.20	0.34	0.84	0.86
Middle East	0.04	0.18	0.19	0.13	0.14	0.26
Africa	0.11	0.05	0.09	0.01	0.04	0.04
World	1.48	0.73	0.63	0.16	1.59	1.65

- Increased international trading and shipping activity has led to a corresponding gain in marine bunker demand since mid-2003 in Singapore and, likely, many of the world's other bunkering centres. The bulk of the increase probably centres in the non-OECD region, including China, the Middle East Gulf and Panama, though anecdotal information and market reports point to higher sales volumes in such OECD ports as Rotterdam and Gibraltar as well. As bunker demand is structurally understated in oil statistics, shifts in consumption patterns tend not to be fully captured in the data. In the absence of reliable delivery statistics, ships' inherent mobility and considerable flexibility to refuel at the most economic locations along their voyage make it extremely difficult to allocate incremental bunker demand among specific markets. But increased bunker use clearly explains part of the statistical difference between global supply and observed demand in the fourth quarter of 2003, and may again result in unidentified demand in the first quarter of this year.

Global Oil Demand by Region

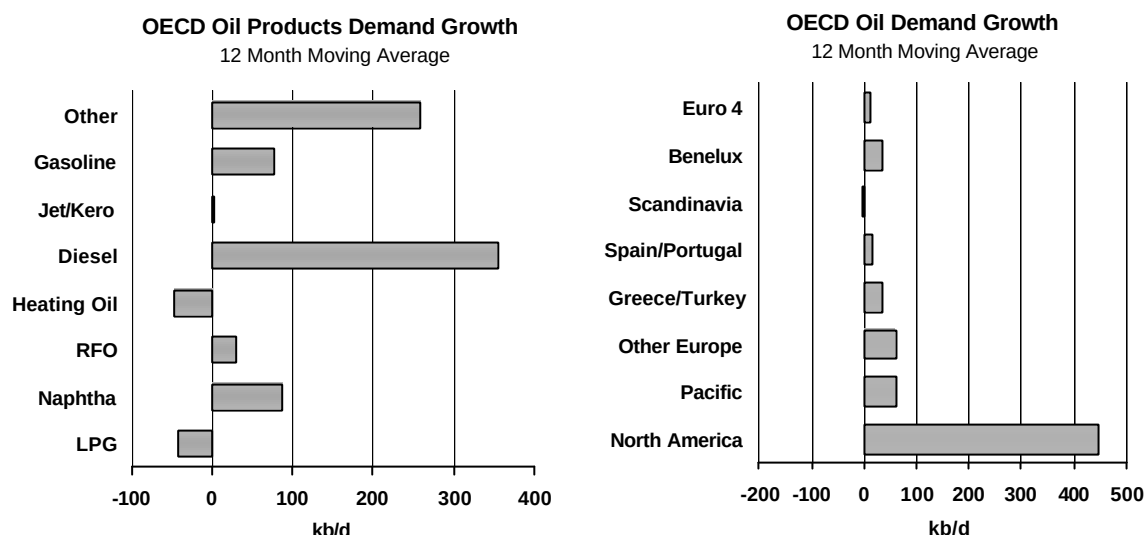
(million barrels per day)

	Demand	Annual Change			Annual Change (%)		
	2003	2002	2003	2004	2002	2003	2004
North America	24.63	0.16	0.46	0.28	0.7	1.9	1.1
Europe	15.98	-0.18	0.13	0.18	-1.1	0.8	1.1
OECD Pacific	8.63	-0.04	0.13	-0.13	-0.5	1.6	-1.5
China	5.49	0.27	0.55	0.58	5.9	11.1	10.5
Other Asia	7.84	0.11	0.16	0.42	1.5	2.0	5.3
Subtotal Asia	21.96	0.34	0.84	0.86	1.7	4.0	3.9
FSU	3.55	-0.20	0.10	-0.04	-5.5	2.9	-1.2
Middle East	5.20	0.13	0.14	0.26	2.6	2.8	4.9
Africa	2.60	0.01	0.04	0.04	0.5	1.5	1.7
Latin America	4.66	-0.11	-0.12	0.07	-2.3	-2.5	1.5
World	78.57	0.16	1.59	1.65	0.2	2.1	2.1

OECD**Early Indications of Current Demand**

Upward revisions to North American delivery data have raised the assessment of OECD demand by 120 kb/d for the fourth quarter and 30 kb/d for the year. The gains almost match in scope last month's downward revisions, restoring the assessment of total OECD demand for 2003 to previously forecast levels. But while the statistical readjustments of the last two months are mutually offsetting, the regional breakdown of the latest data reveals a wider divergence between North America and the rest of the OECD. Stronger US deliveries than previously estimated for December, the effect of which is compounded by data resubmissions for October, lift fourth-quarter North American demand by 540 kb/d, or 2.2%, from a year earlier. In contrast, December European and Asian delivery data, including revisions to preliminary assessments for France, Germany, Italy, Japan and Korea, compound the effect of last month's revisions to show both slower growth in Europe and faster decline in Asia than previously estimated. European demand inched up by 30 kb/d, or 0.2%, in the

fourth quarter, slightly less than the 70 kb/d increase of the third quarter, while demand in the Asia-Pacific region contracted by 260 kb/d, or 2.8%, compared to a 150 kb/d drop in the previous quarter. Much of the contrast in December consumption patterns between North America and the rest of the OECD comes down to diverging trends in demand for heating and power generation fuels. This is also true of January preliminary data for some of the largest OECD economies. As the winter heating season winds down in the northern Hemisphere, however, heating and utility demand will have less of an impact on overall oil demand patterns. OECD oil demand growth will span the region more evenly, driven in part by generally strong demand for transportation fuels.



A 660 kb/d upward revision to US data for December accounts for the bulk of the North American third-quarter change. While the adjustment spans most the demand barrel, it is especially large for winter fuels, including both “other gasoil”, comprised mostly of heating oil (+144 kb/d), and residual fuel oil (+205 kb/d). While still below the unusually high levels seen in 2002, demand for both products now appears much more consistent with the frigid temperatures and relatively high natural gas prices experienced in the US Northeast and Midwest regions at the end of last year. Heating oil and residual fuel oil demand was also revised upwards in Canada to show double-digit growth.

Aggregate North American demand growth of 1.02 mb/d for December also reflects a record year-on-year increase of 590 kb/d for the catch-all “other products” category, mostly in the US, and gains of 211 kb/d and 180 kb/d for diesel and gasoline. Those trends also appear more closely in line with strong economic growth in the region.

Preliminary Inland Deliveries – January 2004

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	8.49	1.1	1.53	-7.2	2.97	6.6	1.32	-13.9	0.87	10.9	5.03	2.9	20.20	0.9
Canada	0.69	3.8	0.10	1.0	0.40	13.5	0.14	-2.9	0.18	27.1	0.23	7.6	1.73	7.7
Mexico	0.61	4.8	0.06	0.0	0.27	-0.4	0.00	na	0.31	-4.7	0.42	7.1	1.66	2.5
Japan	0.97	3.1	1.04	-0.9	0.59	-2.0	0.60	-3.6	0.48	-22.8	1.72	-5.0	5.39	-4.4
Korea	0.16	-7.1	0.05	-13.1	0.38	-6.3	0.29	-20.5	0.33	-11.7	1.08	1.9	2.29	-5.9
France	0.24	-7.1	0.13	1.3	0.58	1.2	0.44	-13.7	0.06	-13.8	0.51	5.7	1.95	-3.0
Germany	0.52	1.4	0.13	1.9	0.48	8.2	0.55	-5.3	0.12	-9.0	0.41	7.0	2.20	1.4
Italy	0.32	-6.3	0.07	-1.7	0.43	2.4	0.12	-8.8	0.24	11.2	0.43	-0.9	1.61	-0.2
Total	11.98	1.1	3.11	-4.1	6.10	4.2	3.43	-11.0	2.59	-2.8	9.83	1.7	37.03	-0.2

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

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

1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

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

In contrast, OECD European demand for December was adjusted downwards by 385 kb/d. Revised data show demand expanded by slightly less than 120 kb/d, a small gain in comparison with the 240 kb/d contraction posted a year earlier. This has been a pattern through 2003, as quarterly OECD European demand consistently hovered above the levels of 2002, but – with the exception of the second quarter – still fell short of 2001 levels. Sluggish economic growth relative to North America may have partly accounted for the more subdued demand, but in December the main factor undermining aggregate European deliveries was a 230 kb/d contraction in “other gasoil”, including a 115 kb/d drop in Germany. Transportation and petrochemical demand remained relatively robust. Had heating oil deliveries held steady with the previous year, aggregate year-on-year demand growth would have reached 340 kb/d.

Falling utility demand in Japan, due in part to relatively mild winter temperatures, was the main factor behind a 420 kb/d contraction in December demand in OECD Asia. That assessment is 150 kb/d below last month. Regional demand for residual fuel oil and “other products”, including heavy, sweet crude for direct burn at thermal power plants, fell by 280 kb/d, offsetting the previous year’s 290 kb/d increase. Japanese demand in those two product categories contracted by 330 kb/d, reversing a gain of comparable magnitude in December 2002. OECD Asian demand for jet fuel and kerosene contracted by 180 kb/d, also a reflection of reduced heating requirements.

Unadjusted preliminary oil delivery data for January for eight of the largest OECD economies, shown in the table above, point to a continuation of the same trends. Total product demand expanded briskly in North America, contracted in Japan and Korea, and remained roughly flat in Western Europe as growth in the dominant German market offset decline in France and Italy. Country patterns in Europe were in line with expectations, notably in France, where a contraction in January offset “borrowed” demand in December, when deliveries briefly spiked ahead of an oil tax increase.

Broken down by product, the preliminary data confirm a deepening divergence in demand for heavy and light products. At the light end of the barrel, transportation demand for diesel and gasoline showed continued gains, with aggregate demand for diesel surging by an estimated 4.2% despite contraction in Northeast Asia. At the heavier end, residual fuel oil demand fell by an estimated 2.8%, dragged down by decline in Japanese utility demand, while demand for heating oil contracted across the OECD. These patterns are expected to continue as oil is increasingly becoming a transportation fuel in OECD regions.

Moving Annual Average Change in Oil Demand* – January 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	-4.8%	4.5%	0.9%	-2.6%	4.5%	-0.2%	11.2%	6.0%	1.4%	285
Canada**	3.5%	-4.9%	1.2%	7.8%	1.7%	5.8%	13.3%	2.0%	3.3%	70
Mexico	-0.6%	5.4%	6.1%	-0.2%	8.3%	8.7%	-9.1%	42.4%	4.2%	84
Japan	-2.6%	1.2%	1.1%	-1.3%	-3.7%	0.3%	11.4%	2.3%	0.9%	49
Korea	-4.8%	3.0%	-5.8%	-7.7%	6.4%	-4.0%	-1.1%	-52.3%	-0.1%	-2
France	3.4%	26.8%	-7.3%	9.2%	0.2%	3.8%	-2.5%	17.4%	4.0%	79
Germany	2.8%	-2.8%	-4.5%	2.7%	10.7%	-11.1%	-0.6%	-8.8%	-2.2%	-59
Italy	7.1%	19.0%	0.6%	32.5%	11.1%	-21.7%	-11.9%	-2.4%	0.3%	6
UK	-1.4%	32.8%	-3.7%	-2.2%	2.5%	2.5%	3.2%	-8.2%	-0.9%	-15
Total	-2.6%	3.9%	0.5%	-0.9%	4.2%	-2.1%	2.0%	6.6%	1.3%	497
kb/d	-110	100	60	-31	248	-74	65	239	497	

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

** near-month data are estimated

US distillate delivery data, as presented in the table, however, may greatly overstate diesel demand at the expense of heating oil. US Department of Energy preliminary estimates of distillate deliveries come without a breakdown between diesel and “other gasoil”. The breakdown in this table has been derived, in line with the methodology used in earlier Reports, from that in the American Petroleum Institute (API) preliminary surveys for the same period. In recent months, the reliability of the API breakdown has been somewhat inconsistent, and for January appears inconsistent with Arctic weather patterns observed through much of the US East Coast. For the purpose of OMR balances, a larger share of US distillate deliveries has therefore been attributed to heating oil than in this table.

Accounting for Strategic Stocks

Plans by two OECD countries, the US and Korea, to boost their crude oil strategic reserves this year may be considered as analogous to incremental "demand" in that the oil put into strategic storage is "sterilised" and unavailable to the market.

With respect to the US Strategic Petroleum Reserve, monthly storage injections under the Royalty-in-Kind programme are publicised ahead of time on the internet, and as such are no surprise to the market. Deliveries are currently planned until October and the schedule is available on the SPR's website. Injections for March amount to 190 kb/d, an average 140 kb/d for the second quarter, 90 kb/d for the third quarter and 115 kb/d for October.

Korea too has said that it planned to increase its emergency holdings. The government revealed in January that it had finalised the purchase of four million barrels of Norwegian Oseberg grade. Half of that volume, or roughly 20 kb/d, was to be delivered in the first quarter, with the remainder set for delivery in the fourth quarter. Press reports suggest that Seoul may bolster its strategic oil reserves by 10 million barrels this year, or roughly 30 kb/d.

From an OMR reporting perspective, the crude delivered into strategic storage does not show up in the demand columns, but rather is reflected as an addition to "government stock". Past strategic reserve changes are thus fully accounted for in oil balances.

However, the OMR does not publish estimates of future stocks, and so future deliveries are not separately identified anywhere in oil balances.

North America

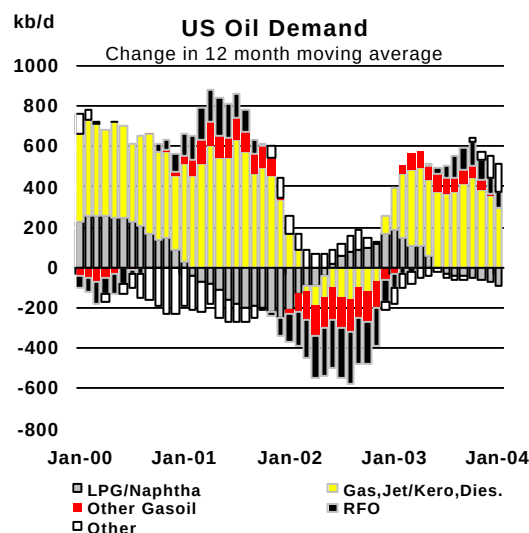
Stronger-than-previously-estimated North American demand is occurring against a backdrop of exceptionally low regional crude and product stocks, boosting prices and giving rise to concerns about product supply during the peak summer driving season.

Fourth-quarter demand estimates were raised by 310 kb/d, reflecting upward adjustments of 730 kb/d for December and 165 kb/d for October. The US accounted for most of the gains, including 660 kb/d in December and 70 kb/d in October. Canadian demand was adjusted by 90 kb/d for October, 30 kb/d for November and 10 kb/d for December, while Mexican demand was raised by 60 kb/d for December.

Preliminary data for January have raised oil demand estimates by an aggregate 80 kb/d, including 30 kb/d each in Canada and Mexico and 20 kb/d in the US. February US demand was raised by 210 kb/d in light of preliminary weekly delivery data showing sharply higher deliveries of motor gasoline.

US heating demand was generally higher than previously thought this winter. Residual fuel oil deliveries spiked in January in line with frigid weather, to an estimated four-year high for the month of 890 kb/d. Temperatures remained very cold in early February in the US Northeast. But the weather turned later in the month, and North American heating demand is expected to ease seasonally with the arrival of spring.

Such is not the case of gasoline demand, which rises seasonally as summer nears. Preliminary data show remarkably robust demand growth of 3.3%, or 280 kb/d, in February, the highest monthly gain since 2002. This followed a 90 kb/d, or 1.1%, increase in January. In absolute terms, demand has held at monthly record highs through most of 2003, a trend that has been exacerbated in the first two

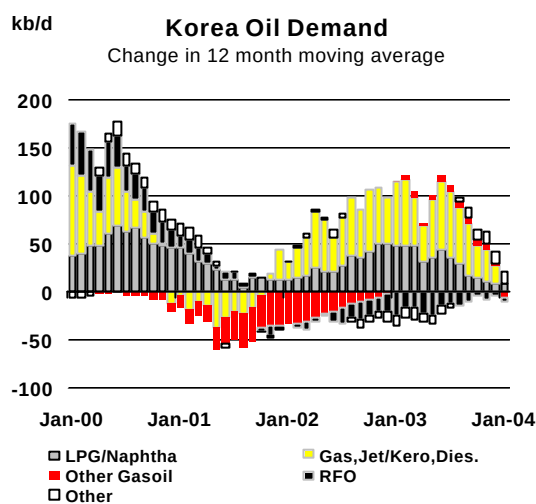
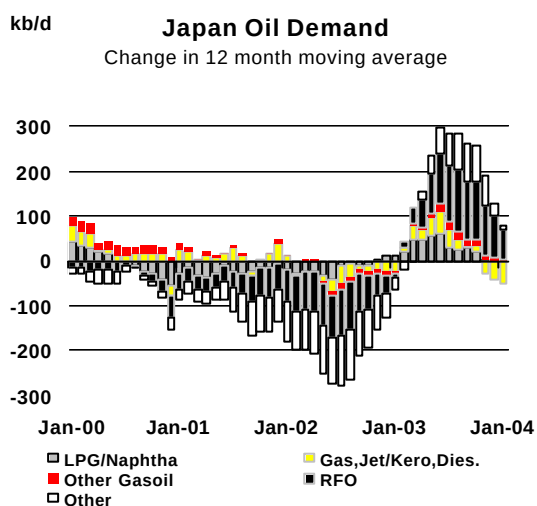


months of this year. Exceptionally high consumption, which is occurring despite unusually high gasoline prices for the season, may complicate refiners' efforts to build stocks ahead of summer, adding to the challenge of new sulphur emission standards and a ban on the gasoline additive methyl tertiary butyl ethane (MTBE) in California and New York.

Pacific

Revisions to Japanese and Korean preliminary delivery data for December cut the estimate of OECD Asian demand for the fourth quarter by 50 kb/d, to 9 mb/d. This marks a 260 kb/d dip year-on-year, extending the third quarter's 150 kb/d retreat. Japan accounts for the bulk of the revision, with a 190 kb/d downward adjustment to deliveries of "other products", a category that includes crude used for direct burn by electric utilities.

Preliminary data showing continued contraction in Japanese utility demand in January provided the main factor behind a downward adjustment of 140 kb/d to OECD Asian demand for the first quarter. Provisional estimates suggest Japanese deliveries fell by 240 kb/d in January, including 140 kb/d for residual fuel oil and 70 kb/d for "other products". Korean deliveries also contracted, by 130 kb/d. Most of the drop was likewise in heating fuels, including 80 kb/d in jet fuel/kerosene and 60 kb/d in "other gasoil".



Weakening OECD Asian demand thus primarily reflects the reversal of one-off factors that fuelled unusually high consumption a year earlier. Mild winter weather and reduced utility fuel-switching into oil from nuclear have succeeded last winter's cold temperatures and heavy oil demand from the utility sector, when Tokyo Electric Power Co (Tepco) was forced to idle its 17 nuclear power plants in the wake of a controversy over safety inspection practices and records. Other utilities closed additional plants.

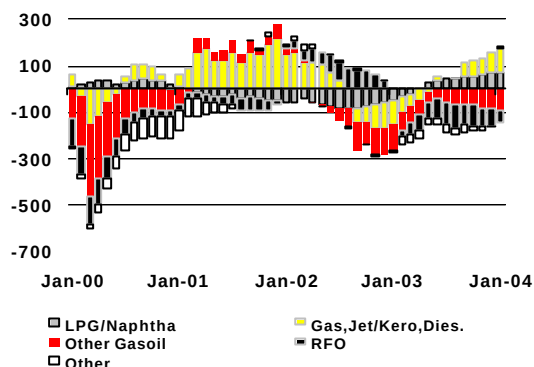
Although most of Tepco's units remain shut, utility fuel-switching into oil has subsided, reflecting milder winter temperatures than last year, greater availability of alternate fuels such as LNG and coal, and high operating rates at functioning nuclear units, including pressurised-water reactors which, unlike Tepco's boiling-water units, were spared by the controversy. As of early March, Japanese nuclear plants were running at close to 70% of nameplate capacity. Japanese residual fuel oil demand was reported to have briefly rebounded in February on the back of tight regional coal supplies, however Japanese weather was warmer than normal and much warmer than a year earlier last month, and the impact should be limited. Meanwhile, Tepco, having restarted six boiling-water reactor units, was seeking approval to restart its remaining plants. Overall, the reversal of the one-off factors that boosted Japanese and Korean demand last year is expected to trim OECD Asian demand for 2004 by an average 130 kb/d, as reduced utility requirements more than offset the impact of growing economic recovery in Japan and demand growth in Australia and New Zealand.

Europe

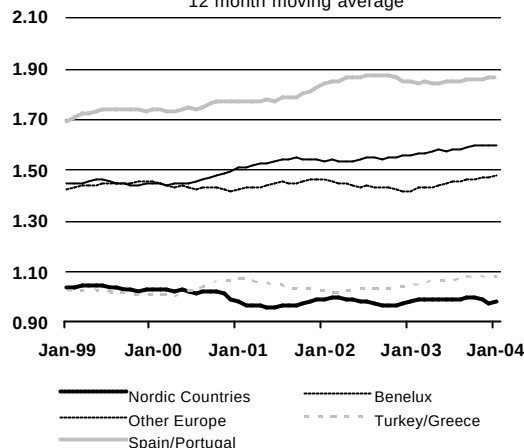
European demand growth slowed to a near halt in the fourth quarter, as delivery gains of 120 kb/d in December – 385 kb/d less than previously expected – failed to offset contraction of 300 kb/d in November. October demand increased by an estimated 260 kb/d. On average, fourth quarter demand gained 30 kb/d on the year.

Europe (Major 4) Oil Demand

Change in 12 month moving average

**OECD Other Europe Oil Demand**

12 month moving average



Sharply lower deliveries of heating oil were the main drag on consumption. “Other gasoil” demand contracted by 255 kb/d in the fourth quarter, extending a third-quarter drop of 290 kb/d. German demand fell by 190 kb/d and 130 kb/d, respectively, in the third and fourth quarters. However, the drop in heating oil was nearly offset by robust growth in regional diesel demand, which continued to rise at as fast pace in the second half of 2003. Offsetting gains in diesel and “other gasoil” left overall distillate demand moderately lower than a year earlier in the second half, after steep gains in the first half.

Jet fuel demand increased by 50 kb/d in the fourth quarter, reflecting steep growth in intra-regional, short-haul air travel, partly associated with the growing penetration of low-cost airlines. Demand for petrochemical feedstocks naphtha and LPG continued to rebound from contraction in 2002, in line with the broader economic recovery and an upturn in the petrochemical profit cycle. Overall demand growth appears set to gain momentum through the remainder of the year.

Non-OECD**China**

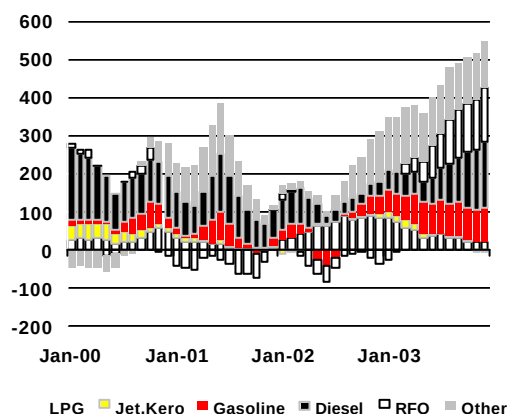
Preliminary estimates suggest Chinese apparent demand – the sum of domestic product output and net product imports – pushed through 6 mb/d to a new record high of 6.09 mb/d in January, as refinery runs continued to inch higher while a slight decline in gross product imports was more than offset by a plunge in exports. Data from the National Bureau of Statistics indicate January throughput – excluding small, independent refineries – hit 5.29 mb/d in January. Estimated imports rose to 635 kb/d – a 4 ½ year high – as exports fell to a provisional 130 kb/d, the lowest level since January 2002. Smuggling into China was reportedly on the increase in coastal areas.

Apparent demand jumped as refiners scrambled to boost output after sporadic product shortages first hit Chinese oil markets in September. Five consecutive months of record-high refinery utilisation rates and reduced exports did apparently manage to end the shortage by February. But anecdotal reports suggest storage tanks are far from overflowing. Company executives reportedly reckon that product inventories will not be fully rebuilt until mid-year.

And the recent restocking might just be enough to offset a projected drop in output from March to May, when maintenance turnarounds are scheduled at several refineries, including the 160 kb/d WEPEC plant in Dalian and the 100 kb/d Jinan refinery from mid-March to end-April. Two crude distillation units, of 160 kb/d and 70 kb/d capacity, are also set to be successively idled at the Gaoqiao Petrochemical plant near Shanghai. These scheduled outages will likely allow apparent demand to ease in March through April. As recently as last year, ample spare refining capacity allowed refiners to offset maintenance shutdowns by boosting output at other units. This might not be possible this year, as all refining units appear to be run at full tilt. But a decline in refinery output would set the stage for a later rebound in apparent demand, as inventories would have to be drawn down again to supply the market in the peak spring agricultural and fishing demand season.

China Oil Demand

Change in 12 month moving average



China Crude & Product Trade

(thousand barrels per day)

	2002	2003	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 04	Latest month vs. Dec 03 Jan 03	
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1652	1556	1731	1716	1654	1957	2262	305	399
Products & Feedstocks	361	442	320	415	586	445	414	414	635	216	96
Gasoil/Diesel	-16	-28	-31	-32	-42	-9	-14	-14	19	6	32
Gasoline	-142	-175	-173	-191	-184	-151	-129	-178	-10	168	71
Heavy Fuel Oil	281	407	334	401	531	361	365	379	376	-3	-26
LPG	197	202	184	209	211	203	168	239	173	-66	-66
Naphtha	-16	-22	-16	-25	-22	-24	-24	-26	-16	10	-14
Jet & Kerosene	9	1	-11	4	15	-6	-1	-41	28	70	56
Other	48	58	32	50	77	70	49	55	87	32	43
Total	1609	2106	1972	1972	2317	2161	2068	2371	2897	521	495

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

Despite concerns over overheating, the Chinese economy shows few signs of slowing down and oil product supply can hardly keep up with demand. Much of the incremental demand appears to be focused on gasoil. Gasoil output – excluding small refineries – surged to a record high of 1.93 mb/d in January, according to NSB statistics, even as imports reached at three-year high and exports fell to a two-year low. Fast-growing electricity demand will likely fuel further gains in gasoil consumption, as end-users rely on back-up diesel generators to mitigate the impact of blackouts. Meanwhile, structural shifts in the automobile market will ensure steadily rising gasoline demand, while increased air travel, both international and domestic, supported by infrastructure expansions such as the new Ghangzhou international airport set to open this summer, boosts jet fuel demand. Petrochemical demand for naphtha also keeps rising.

Other Non-OECD

Statistical data from several other non-OECD Asian economies point to soaring demand growth in the fourth quarter. Unadjusted Thai estimates for November show growth of 8.9%, following gains of 9.8% and 9.3% in September and October. New Taiwanese data for the fourth quarter and revised statistics for the rest of 2003 suggest that demand contracted by 3% in the second quarter, at the height of the Severe Acute Respiratory Syndrome (SARS) outbreak, but recovered to 4.9% growth in the third quarter and soared by 12.3% in the fourth quarter. Singapore port statistics indicate that marine bunker sales surged in the last two months of 2003, allowing yearly volumes to increase by an average 3.5% despite a SARS-related drop in the second quarter.

Unadjusted Indian demand increased by 5% in November and 3.5% in December. The trend is a departure from the pattern of lacklustre growth or contraction seen earlier in the year, and seems more closely in line with the country's robust economic expansion.

India Crude & Product Trade

(thousand barrels per day)

	2002	2003	1Q03	2Q03	3Q03	4Q03	Oct 03	Nov 03	Dec 03 ¹	Latest month vs. Oct 03 Nov 02	
Net Imports/(Exports) of:											
Crude Oil	na	1861	1752	1957	1801	1935	2029	1900	1875	-25	358
(by Public Oil Cos)	1088	1241	1137	1317	1137	1371	1299	1366	1449	84	458
Products & Feedstocks	-83	-152	-125	-185	-205	-91	-85	-178	-14	164	-36
Gasoil/Diesel	-53	-119	-113	-120	-144	-99	-110	-127	-63	64	-21
Gasoline	-48	-72	-66	-71	-88	-62	-70	-46	-68	-22	-33
Heavy Fuel Oil	6	5	-10	24	13	-8	14	-24	-13	11	-29
LPG	22	55	75	28	38	79	56	63	117	53	71
Naphtha	4	-1	13	-43	-3	30	51	-8	45	53	13
Jet & Kerosene	10	-22	-14	-3	-28	-42	-30	-50	-48	2	-56
Other	-23	1	-11	-1	7	11	5	13	16	2	19
Total	1005	1089	1627	1771	1596	1844	1944	1722	1861	138	322

¹ Preliminary

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

Yearly data for net imports of crude oil for 2002 are not available.

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

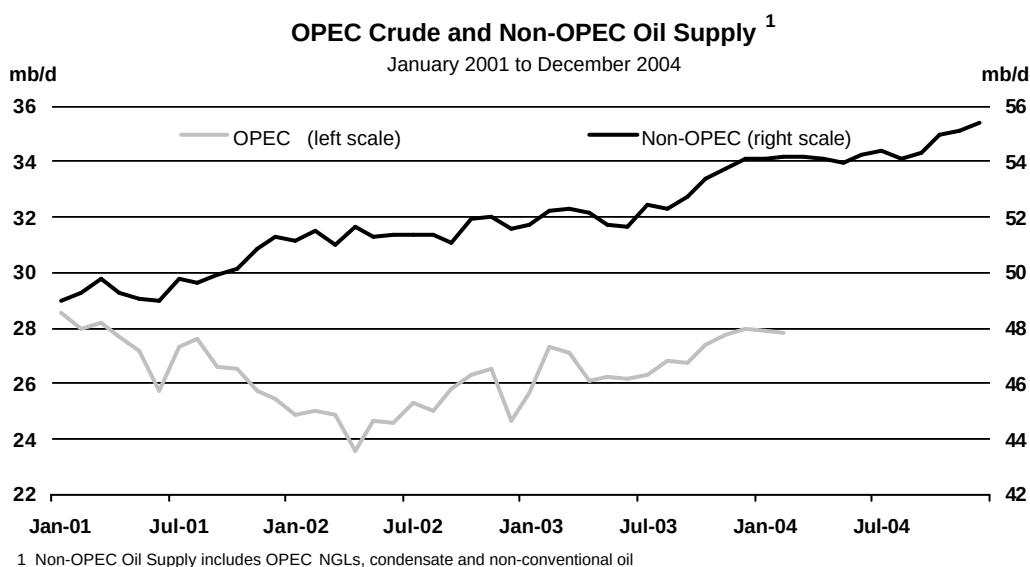
Summary of Global Oil Demand

	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
Demand (mb/d)																
North America	24.00	23.93	24.02	24.34	24.35	24.16	24.56	24.16	24.89	24.89	24.63	24.75	24.34	25.26	25.26	24.91
Europe	15.28	15.16	14.65	15.19	15.36	15.09	15.19	14.99	15.26	15.39	15.21	15.27	15.16	15.43	15.63	15.37
Pacific	8.54	9.06	7.64	8.03	9.26	8.50	9.60	8.04	7.88	9.00	8.63	9.28	7.86	7.93	8.93	8.50
Total OECD	47.82	48.15	46.30	47.56	48.97	47.75	49.36	47.19	48.03	49.28	48.46	49.29	47.36	48.62	49.83	48.77
FSU	3.65	3.48	3.10	3.38	3.84	3.45	3.79	3.10	3.45	3.88	3.55	3.60	3.07	3.46	3.91	3.51
Europe	0.75	0.81	0.75	0.70	0.76	0.75	0.82	0.76	0.71	0.77	0.77	0.84	0.78	0.73	0.79	0.78
China	4.67	4.64	5.02	4.94	5.20	4.95	5.21	5.18	5.73	5.85	5.49	5.96	5.97	6.11	6.25	6.07
Other Asia	7.57	7.55	7.69	7.61	7.86	7.68	7.69	7.63	7.76	8.26	7.84	8.10	8.14	8.16	8.61	8.25
Latin America	4.89	4.72	4.81	4.86	4.72	4.78	4.46	4.64	4.78	4.74	4.66	4.55	4.72	4.84	4.80	4.73
Middle East	4.93	5.02	4.94	5.15	5.13	5.06	5.18	4.96	5.34	5.33	5.20	5.38	5.36	5.61	5.48	5.46
Africa	2.55	2.58	2.59	2.48	2.59	2.56	2.63	2.62	2.51	2.63	2.60	2.67	2.66	2.56	2.68	2.64
Total Non-OECD	29.00	28.79	28.90	29.11	30.11	29.23	29.78	28.89	30.28	31.46	30.11	31.09	30.69	31.46	32.51	31.44
World	76.82	76.94	75.21	76.67	79.08	76.98	79.14	76.08	78.31	80.74	78.57	80.39	78.05	80.08	82.33	80.22
Of which:																
US	19.65	19.53	19.72	19.92	19.87	19.76	20.01	19.67	20.33	20.27	20.07	20.22	19.89	20.64	20.60	20.34
Euro 4	8.43	8.35	7.99	8.38	8.27	8.25	8.21	8.17	8.23	8.29	8.23	8.24	8.21	8.29	8.38	8.28
Japan	5.39	5.68	4.62	5.03	5.87	5.30	6.19	4.99	4.87	5.57	5.40	5.90	4.76	4.84	5.49	5.25
Korea	2.13	2.35	1.99	2.01	2.37	2.18	2.41	2.03	1.98	2.37	2.20	2.33	2.05	2.04	2.35	2.19
Mexico	1.99	1.99	1.98	1.97	1.98	1.98	2.02	2.07	2.06	2.06	2.05	2.03	2.04	2.06	2.10	2.06
Canada	2.04	2.07	2.02	2.13	2.16	2.09	2.17	2.10	2.17	2.22	2.17	2.13	2.09	2.22	2.22	2.17
Brazil	2.20	2.15	2.16	2.22	2.19	2.18	2.00	2.07	2.15	2.17	2.10	2.04	2.09	2.17	2.19	2.12
India	2.27	2.30	2.30	2.20	2.32	2.28	2.33	2.25	2.19	2.39	2.29	2.43	2.40	2.31	2.54	2.42
Annual Change (% per annum)																
North America	-0.2	-1.7	0.7	1.1	2.5	0.7	2.6	0.6	2.2	2.2	1.9	0.8	0.8	1.5	1.5	1.1
Europe	1.1	-0.4	-0.8	-2.1	-1.5	-1.2	0.2	2.3	0.5	0.2	0.8	0.5	1.2	1.1	1.6	1.1
Pacific	-0.9	-3.6	-4.2	0.0	5.4	-0.5	6.0	5.3	-1.9	-2.8	1.6	-3.4	-2.4	0.6	-0.8	-1.5
Total OECD	0.1	-1.6	-0.6	-0.1	1.7	-0.1	2.5	1.9	1.0	0.6	1.5	-0.1	0.4	1.2	1.1	0.6
FSU	-0.3	-6.4	-7.2	-1.6	-6.6	-5.5	8.8	-0.1	2.1	0.8	2.9	-5.0	-1.0	0.3	0.8	-1.2
Europe	6.0	0.8	1.1	1.4	1.5	1.2	1.8	1.5	1.6	1.7	1.6	1.8	1.9	2.0	2.2	2.0
China	2.5	3.9	1.1	9.7	9.0	5.9	12.3	3.3	16.1	12.5	11.1	14.4	15.1	6.7	6.8	10.5
Other Asia	2.1	0.5	1.6	1.8	2.0	1.5	1.8	-0.8	2.0	5.1	2.0	5.3	6.8	5.1	4.2	5.3
Latin America	0.4	-1.2	-2.8	-1.9	-3.1	-2.3	-5.4	-3.6	-1.6	0.4	-2.5	1.8	1.7	1.3	1.3	1.5
Middle East	4.0	2.6	2.4	2.7	2.7	2.6	3.2	0.3	3.7	3.7	2.8	3.9	8.1	5.1	2.8	4.9
Africa	3.5	0.0	0.3	1.1	0.6	0.5	2.2	1.1	1.2	1.5	1.5	1.7	1.7	1.8	1.8	1.7
Total Non-OECD	2.1	0.2	-0.2	2.1	1.1	0.8	3.4	-0.1	4.0	4.5	3.0	4.4	6.2	3.9	3.3	4.4
World	0.8	-1.0	-0.5	0.7	1.5	0.2	2.9	1.2	2.1	2.1	2.1	1.6	2.6	2.3	2.0	2.1
Annual Change (mb/d)																
North America	-0.06	-0.40	0.18	0.27	0.59	0.16	0.63	0.14	0.54	0.54	0.46	0.19	0.18	0.38	0.37	0.28
Europe	0.17	-0.06	-0.12	-0.33	-0.24	-0.19	0.03	0.34	0.07	0.03	0.12	0.07	0.17	0.16	0.25	0.16
Pacific	-0.08	-0.34	-0.33	0.00	0.48	-0.04	0.55	0.41	-0.15	-0.26	0.13	-0.33	-0.19	0.05	-0.07	-0.13
Total OECD	0.04	-0.80	-0.28	-0.06	0.83	-0.07	1.21	0.89	0.46	0.31	0.72	-0.07	0.17	0.59	0.55	0.31
FSU	-0.01	-0.24	-0.24	-0.05	-0.27	-0.20	0.31	0.00	0.07	0.03	0.10	-0.19	-0.03	0.01	0.03	-0.04
Europe	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02
China	0.12	0.17	0.05	0.44	0.43	0.27	0.57	0.17	0.79	0.65	0.55	0.75	0.78	0.38	0.40	0.58
Other Asia	0.16	0.04	0.12	0.13	0.15	0.11	0.14	-0.06	0.15	0.40	0.16	0.41	0.52	0.40	0.34	0.42
Latin America	0.02	-0.06	-0.14	-0.09	-0.15	-0.11	-0.25	-0.17	-0.08	0.02	-0.12	0.08	0.08	0.06	0.06	0.07
Middle East	0.19	0.13	0.12	0.13	0.14	0.13	0.16	0.01	0.19	0.14	0.14	0.20	0.40	0.27	0.15	0.26
Africa	0.09	0.00	0.01	0.03	0.02	0.01	0.06	0.03	0.03	0.04	0.04	0.04	0.04	0.04	0.05	0.04
Total Non-OECD	0.60	0.05	-0.07	0.60	0.33	0.23	0.99	-0.01	1.17	1.35	0.87	1.31	1.80	1.18	1.05	1.34
World	0.63	-0.75	-0.35	0.54	1.16	0.16	2.20	0.87	1.63	1.66	1.59	1.25	1.97	1.77	1.60	1.65
Changes from Last Month's Report																
North America	-	-	-	-	-	-	-	-	-	0.31	0.08	0.10	-	-	0.22	0.08
Europe	0.01	0.01	0.02	0.01	0.01	0.01	-	-	-	-0.15	-0.04	-0.04	0.01	0.00	-0.14	-0.04
Pacific	-	-	-	-	-	-	-	-	-	-0.05	-0.01	-0.14	-	-	-0.01	-0.03
Total OECD	0.01	0.01	0.02	0.01	0.01	0.01	-	-	-	0.12	0.03	-0.08	0.01	0.01	0.08	0.01
FSU	-	-	-	-	-	-	0.08	-	-	0.02	0.02	-0.22	-	-	0.02	-0.05
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	0.02	0.01	0.23	0.22	0.32	0.20	0.24
Other Asia	-	0.02	-	-	-	-	-	-0.04	0.05	0.14	0.04	0.11	0.12	0.11	0.13	0.11
Latin America	-	-	-	-	-	-	-	-	0.01	0.02	0.01	-	-	0.01	0.02	0.01
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	0.02	-	-	-	-	0.09	-0.04	0.06	0.19	0.07	0.12	0.34	0.43	0.36	0.31
World	0.01	0.03	0.02	0.01	0.01	0.02	0.09	-0.04	0.06	0.31	0.10	0.03	0.35	0.44	0.44	0.32

SUPPLY

Summary

- **World oil supply** reached 82.0 mb/d in February, a rise of 60 kb/d from January. Non-OPEC production was up by 140 kb/d for the month, while OPEC crude was 90 kb/d lower than in January. OPEC NGL and non-conventional output is assessed up by 10 kb/d.
- A global supply comparison for February shows 2004 output some 2.5 million b/d higher than a year ago. Non-OPEC accounted for 1.2 mb/d of the increase, with Russian production alone standing 820 kb/d higher than in February 2003. OECD supply is around 260 kb/d below year-ago. OPEC crude was 445 kb/d higher and OPEC NGL and non-conventional supply up by 830 kb/d.
- February's **non-OPEC supply** growth versus January came from gains in North America and Russia, plus an assumed recovery for Brazilian output. These offset estimated declines centred on the UK, Australia and non-OECD Asia. This Report sees non-OPEC supply levelling off around current levels for much of the first three quarters, before rising again in 4Q. Growth in non-OPEC supply for 2004 remains pegged at 1.4 mb/d versus 2003. Non-OECD Asia now contributes stronger growth, albeit at significantly lower levels than those envisaged for FSU, Africa and North America.
- Total **OPEC crude supply** for January was revised up by 30 kb/d, with higher Iranian and Saudi supply offsetting downward revisions for UAE, Libya and Venezuela. The February assessment puts total OPEC supply at 27.8 mb/d, a fall of 90 kb/d from January deriving primarily from lower Iraqi output. Iran increased production, while lower output was seen from Nigeria and Venezuela.
- **OPEC-10** production was largely unchanged in February at 25.8 mb/d. The Organisation's 10 February agreement to increase target compliance with immediate effect came too late to have an impact upon February commitments. It remains to be seen to what extent this pledge, let alone a further reduction to 23.5 mb/d from 1 April, actually occurs.
- The **"call on OPEC crude plus stock change"** for 2003 and 2004 has again been revised upwards, by 100 kb/d and 300 kb/d respectively. Demand-side revisions for non-OECD Asia account for the bulk of the change for 2004. The call is now put at 26.0 mb/d for 2003 and 25.8 mb/d in 2004. It reaches a 2Q 2004 low of 23.9 mb/d before rising to 27.2 mb/d by end-year.



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

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

OPEC

OPEC crude supply in February declined by 90 kb/d from January levels, reaching 27.8 mb/d. The main change from the previous month was a 100 kb/d drop in net production from Iraq as tanker loadings from the south of the country fell, largely due to weather-related delays. This was despite progress in re-activating flows from a second southern outlet, Khor al-Amaya, and through the northern pipeline to Turkey (see below). Changes elsewhere within OPEC had minimal impact overall, with higher Iranian production (50 kb/d) indicated by increased exports, and modest gains in production from Libya (10 kb/d) and Indonesia (5 kb/d) being offset by reductions of 25-30 kb/d each from Nigeria and Venezuela.

OPEC Crude Production

	(million barrels per day)						
	Nov 2003 Target	April 2004 Target	Feb 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs. Feb 2004 Production	Prod.vs. Nov Target	Prod. vs. April Target
Algeria	0.78	0.75	1.13	1.20	0.07	0.35	0.38
Indonesia	1.27	1.22	0.99	1.10	0.12	-0.29	-0.23
Iran	3.60	3.45	3.95	4.00	0.05	0.35	0.50
Kuwait ²	1.97	1.89	2.25	2.30	0.05	0.28	0.36
Libya	1.31	1.26	1.48	1.50	0.03	0.16	0.22
Nigeria	2.02	1.94	2.32	2.50	0.18	0.30	0.38
Qatar	0.64	0.61	0.75	0.85	0.10	0.12	0.14
Saudi Arabia ^{2, 3}	7.96	7.64	8.55	9.50	0.95	0.59	0.91
UAE	2.14	2.05	2.28	2.45	0.17	0.14	0.23
Venezuela ⁴	2.82	2.70	2.16	2.35	0.19	-0.66	-0.54
Subtotal	24.50	23.50	25.85	27.75	1.90	1.35	2.35
<i>excl. Ven/Nig/Ind</i>					1.42		
Iraq ⁵			1.94	2.80	0.86		
Total			27.79	30.55	2.76		

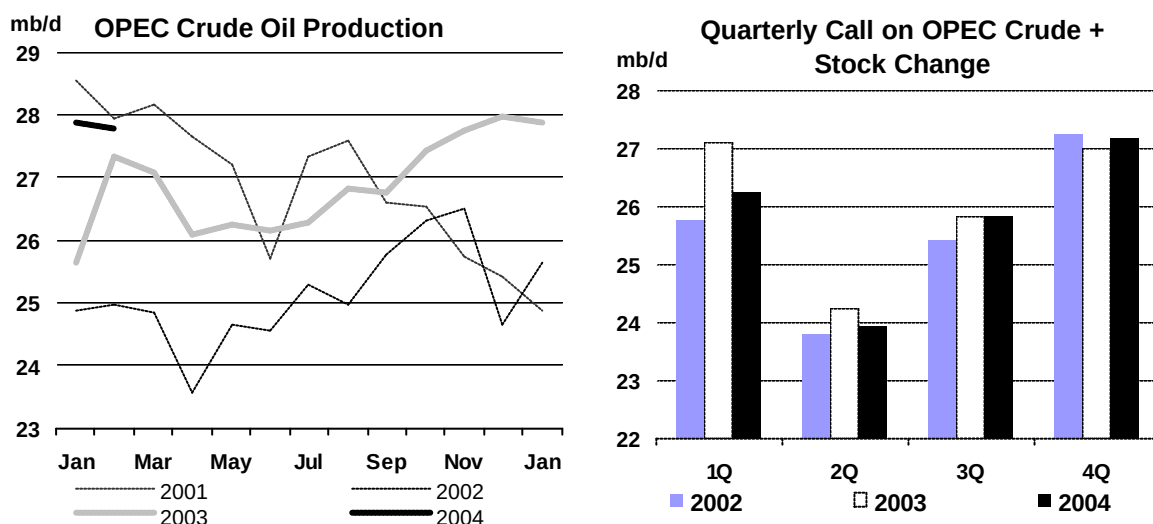
1. Capacity levels can be reached within 30 days and sustained for 90 days
2. Includes half of Neutral-Zone production
3. Saudi Arabia's capacity can reach 10.5 mb/d within 90 days
4. Excludes upgraded Orinoco extra-heavy oil, which averaged 378 kb/d in February
5. Iraqi capacity represents pre-war estimate

OPEC surprised the market by agreeing at its 10 February meeting to begin immediately curbing over-production versus target and then to cut the target itself by 1.0 mb/d to 23.5 mb/d from 1 April. Pre-meeting commentary had widely flagged a roll-over of the existing limits for the time being. A need to pre-empt 2Q's seasonal fall in demand was cited as justifying the cut. However, a degree of back-peddling from the original communique has since emerged in light of the sustained high crude prices seen through most of February and into early-March. These in turn have resulted from indications of stronger-than-expected demand growth, still-tight OECD inventories (particularly for gasoline) and renewed question marks over Venezuelan and non-OPEC supply. Some OPEC sources have more recently been stressing the importance of ensuring adequate supply for the market, as opposed to sticking rigidly to resolutions reached at OPEC meetings, as the OPEC basket price has neared \$33/bbl. Several market sources now suggest that the February deal has already been superceded, with tacit agreement amongst OPEC-10 for total supply to be curbed by at most 1.5 mb/d from April, not the 2.5 mb/d progressive reduction from February originally agreed upon.

Whatever happens henceforward, March export allocations released in the first half of February showed scant sign of OPEC curbing production. This Report's assessment of February supply similarly suggest little concerted effort to improve target compliance, with "over-production" for the

OPEC-10 remaining around 1.4 mb/d. April export schedules from key Arab Gulf producers are awaited as a clue to whether OPEC will actually enact proposed cuts in production. Initial indications suggest some reduction from Nigeria, Abu Dhabi, Saudi Arabia and Iran in April term liftings, though this is at best an incomplete picture of likely overall supply levels.

This Report sees a 300 kb/d upward revision to the call on OPEC crude plus stock change for 2004. The call is now projected to average 25.8 mb/d for 2004, marginally below 2003's 26.0 mb/d. It is likely to drop to 23.9 mb/d in 2Q, but to rise sharply again to 27.2 mb/d by end-year. Assuming OPEC wishes to sustain its policy of keeping industry stocks low and prices high, it still faces the task of trimming output for 2Q. The complicating issues of timing, the production aspirations of certain key members and geopolitical factors remain however. Any cuts enacted in 2Q will feed through to curb supplies to refiners 1-2 months later, just as the North American gasoline season is getting underway. The Organisation's ability to cut supply to the extent indicated by February's agreement is in any case in question, given the desire by several producers to boost their share of total output. Supplies out of Iraq have shown signs of a possible step increase. However, political instability there, in Venezuela and Nigeria may, if anything, be worsening. OPEC may well be biding its time to see how events in those countries develop before coming to a more definitive decision at their 31 March meeting in Vienna.



On the basis of exports from the south of the country (1.45 mb/d) and domestic consumption by refineries and for electricity generation (490 kb/d), **Iraqi** crude production for February is estimated at 1.94 mb/d, down by 100 kb/d from January. This is net of renewed deliveries via pipeline to Ceyhan in Turkey, which began on a test basis towards end-month (essentially deliveries into storage), and re-injection at northern fields. Adding these in gives a "gross" monthly production level of 2.15 mb/d. However, we have excluded the Ceyhan volumes from assessed February supply so as to avoid the risk of double counting supply in subsequent months as actual exports from Ceyhan re-commence. Other estimates suggesting that early March production had already reached 2.5 mb/d need to be seen in this context, representing "gross" supply including up to 450 kb/d of pipeline flows to Ceyhan.

Nonetheless, progress since the last Report in re-instating exports from Ceyhan, together with Khor al-Amaya in the south, has been more rapid than expected. On 8 March, the State Oil Marketing Organisation (SOMO) called for tenders for the lifting of six million barrels of crude from Ceyhan in the 12-19 March period, potentially the first liftings there since June 2003. Notional pipeline capacity to Ceyhan is thought to be 800 kb/d but throughput may be restricted to around 450 kb/d in the short term, security issues permitting. Ceyhan has around 10 mb of storage capacity. The first batch of Ceyhan liftings alone, assuming tenders are forthcoming, stands to boost March exports by around 195 kb/d.

In the south, exports began in late-February from Khor al-Amaya with the reactivation of two berths with combined capacity of 400 kb/d. However constraints on pipeline capacity feeding both the long-idled Khor al-Amaya and adjacent Basrah terminals may limit actual deliveries via the former to 200-250 kb/d. Moreover, draught restrictions limit the amount of crude larger vessels can take on there. Nonetheless, assuming southern exports of potentially 1.75 mb/d (1.5 mb/d Basrah, 250 kb/d Khor al-

Amaya) and some 200 kb/d from Ceyhan, plus around 500 kb/d of local consumption, total Iraqi production in March could feasibly rise to around 2.5 mb/d. Physical production capacity has been reported recently to have regained around 2.75 mb/d, with 2.1 mb/d of this from southern fields.

Further diversification of export routes was discussed in February, with plans for short pipeline links to be built for the export of Iraqi crude via Kuwait and Iran, although neither project is likely to materialise in the short term. The sudden surge in progress in Iraq needs to be viewed against the back-drop of much more pessimistic prognoses which emerged immediately before the news about Ceyhan and Khor al-Amaya. It is worth bearing in mind that the sustainability of higher production levels, brought about by these increases in exports and local consumption, is untested. And security concerns persist, not least should attacks against the country's majority Shia community intensify. These could possibly jeopardise hitherto secure southern production and export facilities.

Supply from **Iran** for the fifth month running held within 100 kb/d of sustainable capacity of 4.0 mb/d. February output is estimated up by 50 kb/d, to 3.95 mb/d, from a similarly upwardly revised January level, with tanker tracking data suggesting another rise in exports. State producer NIOC reported that April's target reduction of 150 kb/d would be concentrated on term contract volumes in the Mediterranean. However, the rationale given for there being no cut in pre-April volumes, namely that production through March has been close to prevailing target levels, appears disingenuous. Iran is not alone in swinging from wildly optimistic claims on prevailing production in support of higher target one minute, to excessively conservative estimates in the name of compliance the next. Concerns over potential supply disruption from Iran due to political unrest receded after conservative factions attained victory in 20 February elections. February also saw the award of operatorship to a Japanese consortium for the \$2 billion development of the southern part of the Azadegan field. If the project proceeds on schedule, initial production of 50 kb/d is due from 2007, rising to 150 kb/d and then 260 kb/d.

A number of factors point to lower Nigerian February output, namely reduced **Nigerian** spot liftings, a broader reduction in tanker movements out of west Africa and disrupted production due to a pipeline rupture affecting Shell facilities. Although these were partially offset by rising production at offshore facilities, total output is assessed to have fallen 25 kb/d to 2.32 mb/d. Furthermore, the country's Presidential Advisor on Petroleum and Energy announced on 24 February a halt to further crude loadings for the remainder of February in order to "bring output into compliance with OPEC's new cuts". Whether this referred to existing target levels, those in force from 1 April or merely a proportional cut from prevailing production levels was unclear. However, the likelihood that voluntary cuts would actually take place in March was called into question following market reports at the start of the month suggesting a rise in loadings of 80 kb/d versus February. In as much as it is calling for a renegotiation of target shares, alongside Libya, Algeria and others, Nigeria's commitment to curb production ahead of April may be questionable.

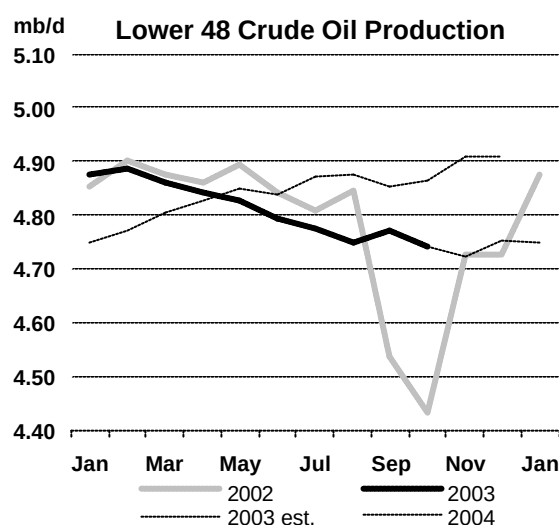
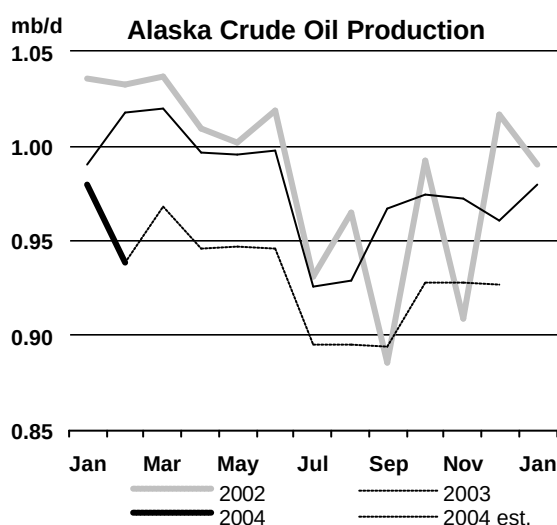
ChevronTexaco announced in early February that it planned to reactivate within 18 months 140 kb/d of production closed in the Niger Delta since a year ago. However, Shell announced that start-up at its 250 kb/d deepwater Bonga development has been delayed six months to end-2004. The company also suffered a pipeline leak in the eastern delta area, causing the shut-in of 160 kb/d of production for three days before mid-month.

Political unrest resurfaced again in **Venezuela** towards end-February. The National Electoral Council's judgement, in invalidating signatures calling for a presidential referendum, sparked a wave of protests. However to date there has been no impact on oil industry operations, perhaps unsurprising given the clear-out of anti-Chavez elements from state oil company PDVSA last year. At the time of writing President Chavez had warned against alleged US interference in the domestic political situation with a threat of a retaliatory disruption to US oil supplies. While this may well be interpreted as bluff on Chavez' part, it is worth noting that US imports from Venezuela in the aftermath of last year's strike have amounted to as much as 1.4 mb/d of crude and 0.3 mb/d of products. Production of conventional crude oil in Venezuela is estimated to have fallen by some 30 kb/d in January and again in February, reaching 2.16 mb/d last month. This excludes 380 kb/d of upgraded synthetic crude produced by foreign joint ventures from the Orinoco heavy oil region.

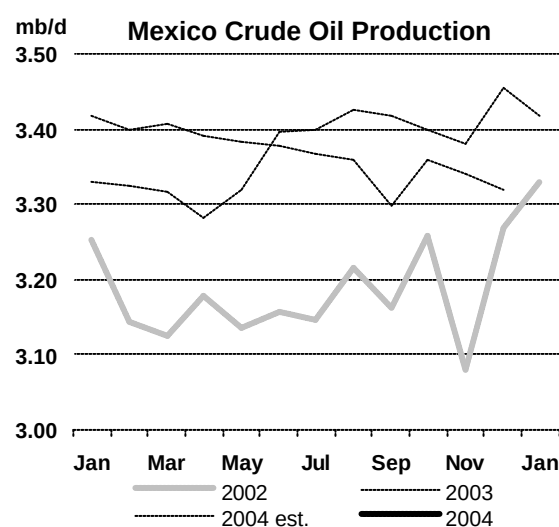
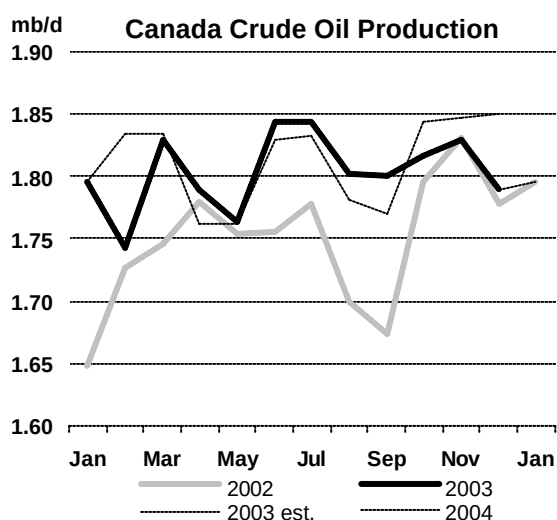
OECD

North America

US – February Alaska actual, others estimated: US crude production in February is estimated to have fallen by around 15 kb/d from January. Once again, outages at fields in Alaska were the prime cause of supply running below expectations. A compressor failure at the Northstar field led to a 13 day outage for repairs, with a shorter disruption also occurring at the Alpine field. Alaskan crude output averaged around 940 kb/d, some 40 kb/d below January. Overall, the Alaskan output forecast for 2004 has been revised down by 15 kb/d for 2004, suggesting a 45 kb/d drop versus 2003, the sharpest fall in production since 2000. US NGL production came in sharply lower for December, in line with higher gas prices, although weekly data suggest a recovery in January and February, with output running around 5% above the depressed levels seen in 2003. Oil production for the US as a whole for 2002 has been revised down by 55 kb/d, reflecting lower production from the Gulf of Mexico. However, this is a one-off data adjustment, with minimal impact on the 2003/2004 estimates, as recent production levels have been running close to the estimates contained in the last Report.



Canada – January Newfoundland actual, others December actual: Final December data confirmed last month's estimate of sharply higher total Canadian output, with higher syncrude and NGL production out-stripping a decline of some 40 kb/d in conventional crude. January supply was hit by maintenance at the Suncor synthetic plant, but total output is thought to have recovered temporarily in February. On the assumption of normal trends due to the impact of spring thaw on western Canadian conventional crude production, total oil supply is expected to fall back again by 70-80 kb/d in March and April. The forecast for Canada overall is largely unchanged from last month, total oil supply rising by 95 kb/d in 2004 to 3.1 mb/d, after a



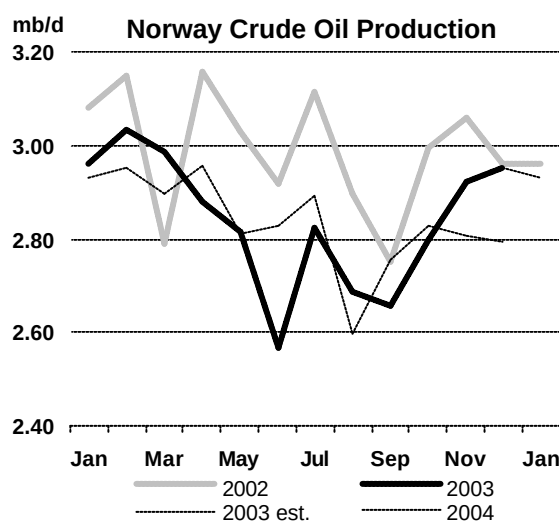
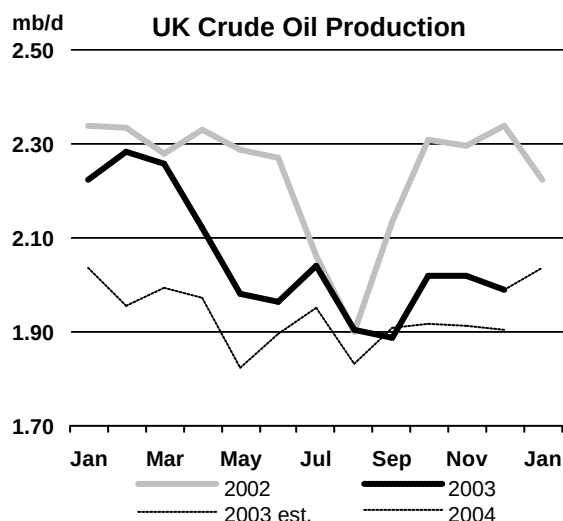
140 kb/d rise in 2003. Syncrude and bitumen account for all of this year's increase, and will likely prove the driver for growth in years to come. However, while ambitious plans exist for development of Alberta's 174 billion barrels of remaining established oil sands reserves, the proportion of this that can be economically exploited in the short to medium term, and thus categorised as a proven reserve, remains open to question.

Mexico – January actual: Crude production in January fell by 40 kb/d, with NGL output also easing by 5 kb/d from December. Crude exports remained unchanged at 1.86 mb/d and Mexico announced in the aftermath of OPEC's 10 February meeting that no decision had been taken on whether to adjust the country's voluntary export ceiling from the 1.88 mb/d in place since February 2003. January's exports did however show a reversion to more normal patterns, with a rise in those destined for the Americas and Europe, at the expense of sales to Asian markets, the latter having risen nearly three-fold in December. Pemex re-iterated its 3.5 mb/d production target for 2004 in early-March, suggesting that the bulk of the increase would derive from light crude production. Proven crude reserves at end-2003 fell by 4.4% from year-earlier, to 14.5 billion barrels. Despite record production levels and high oil prices, Pemex lost \$3.7 billion in 2003, a 30% increase in tax and royalty payments cutting into higher revenues. A combination of expected decline from the ageing Cantarell production complex, a shortage of Pemex investment capital and the inability of international operators to book Mexican reserves places a ceiling over likely mid-term production targets.

North Sea

UK – December actual: Latest available field-by-field data for the UK indicate that outages for the Forties and Ninian system have been more prolonged than estimated in last month's Report. Conversely, production from the West of Shetlands area and from offshore loaded systems is running higher than expected. With stronger performance from the minor systems, and an assumption that shortfalls from Brent, Forties and Ninian prove temporary, UK production decline is now expected to slow to 95 kb/d in 2004, from 220 kb/d in 2003. First quarter offshore crude production, based on loading schedules and initial indications of maintenance, is thought to have oscillated within 50 kb/d of December's 1.99 mb/d, increasing in January and March but falling back in February.

However, the risk of unscheduled stoppages remains. The 600 kb/d Forties system was the most prone to outages in 2003, contributing to an estimated 70 kb/d drop in production for the system compared to 2002. Further disruption arose in early-March as the Brae A, B and East fields were closed after a suspected gas leak, resulting in an estimated 14 kb/d loss in production for the month as a whole. However, Shell managed to re-start the Brent Charlie platform in February, closed since a fatal accident on the neighbouring Bravo platform last September.



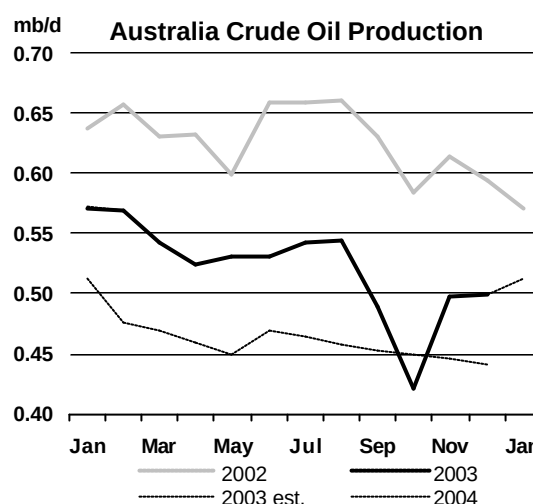
Norway – December actual, January provisional: The upward revision to Norwegian production incorporated in last month's Report proved short-lived. Subsequent revisions to production data through January point to total Norwegian output being around 15 kb/d lower than expected for 4Q 2003 and 30 kb/d lower in 1Q 2004. Total Norwegian supply is revised down by 30 kb/d for 2004, with lower production from the Haltenbanken and Oseberg/Troll systems, plus a slower build up from

the southerly Valhall North Flank project, together reducing overall supply by nearly 50 kb/d. These are partly offset by higher Sleipner/Frigg system production.

Nonetheless, the Norwegian sector should see a stabilising of oil supply after two consecutive years in which production has fallen back by around 80 kb/d. Key to this trend is the build-up in production from Norsk Hydro's Grane field which could add as much as 115 kb/d to last years initial production levels. The recent start-up of Total's Skirne condensate field also plays a role, with the Sleipner-Frigg system, combined with condensate and NGLs generating all of 2004's modest production growth.

Asia Pacific

Australia – December Actual: Australian liquids production is still expected to decline by around 45 kb/d in 2004, after the 100 kb/d reduction seen in 2003. However, production now looks set to be lower in 1Q as a result of cyclone outages in late-February/early March, which reduce supply in both months by around 15-20 kb/d. At its peak around the turn of the month, the storm closed in six production facilities amounting to a total 190 kb/d of production. However, no material damage to production facilities was reported after the cyclone's passing. Counteracting the impact of lower western offshore production is the March start-up of condensate production from the Bayu-Undan field. This is expected to add a net 12 kb/d accruing to Australia from the project, which is located in the Joint Petroleum Development Area shared with East Timor.



Former Soviet Union (FSU)

Russia – January & February actual: The 800 kb/d year-on-year growth in Russian production evident through 2003 continued in January and February. Furthermore, after a dip in January brought about by restricted sailings from Black Sea ports, crude exports rose sharply in February, reaching 5.3 mb/d. Crude exports were up 500 kb/d from January and by 1.1 mb/d compared to February 2003. This increase derived from sharply higher Black Sea exports as delays facing tanker traffic in the Turkish Straits eased. Also, capacity on Transneft's flagship Baltic Pipeline System feeding Primorsk reached 840 kb/d, from an earlier 600 kb/d, ahead of the end-February target. Loadings at Primorsk reached 730 kb/d in February and are scheduled at 830 kb/d this month. Overall, Russian seaborne crude exports are expected to increase by 75 kb/d in March, with higher Primorsk flows countering a reduction in exports from the Black Sea port of Novorossiysk. March exports will be further augmented by first flows from Lukoil's Baltic Vysotsk terminal which will be fed by rail and will have an initial capacity of 120 kb/d.

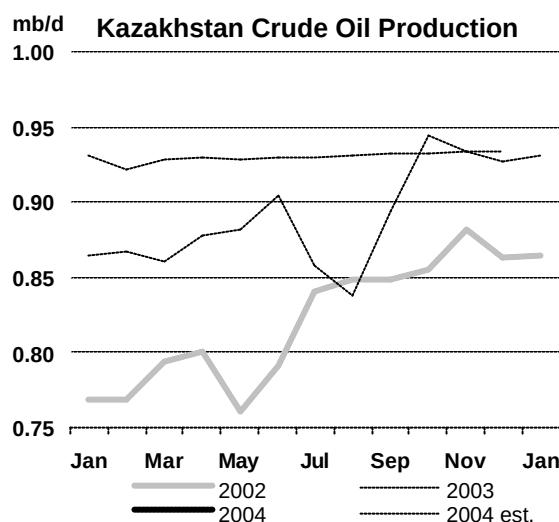
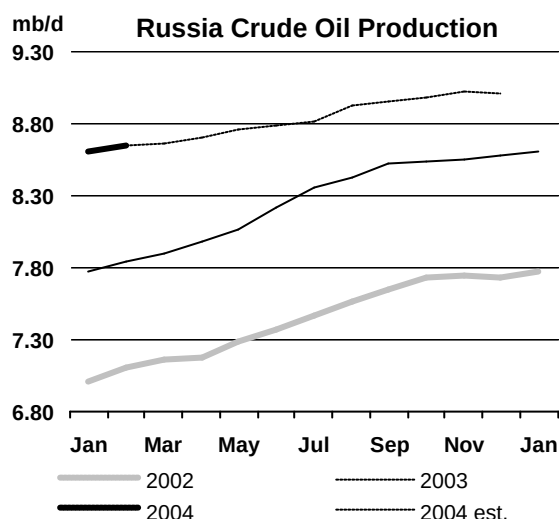
FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2002	2003	1Q03	2Q03	3Q03	4Q03	Revised Dec 03	Prelim. Jan 04	Prelim. Feb 04	Latest month vs.	
										Jan 04	Feb 03
Black Sea Exports	2.52	2.81	2.60	3.00	2.96	2.69	2.80	2.47	2.87	0.40	0.53
Baltic Exports	2.02	2.48	2.15	2.61	2.57	2.61	2.59	2.96	2.99	0.03	0.68
Total Seaborne	4.54	5.30	4.74	5.61	5.52	5.30	5.40	5.43	5.86	0.43	1.20
Druzhba Pipeline	1.04	1.05	1.08	1.01	1.02	1.08	1.08	1.06	1.06	0.00	0.02
Other	0.35	0.44	0.29	0.46	0.51	0.49	0.52	0.49	0.49	0.00	0.08
Total Exports	5.93	6.78	6.12	7.08	7.05	6.87	6.99	6.98	7.41	0.43	1.31
Imports	0.01	0.01	0.01	0.02	0.01	0.01	0.00	0.01	0.02	0.00	0.00
Total Net Exports	5.92	6.77	6.11	7.06	7.04	6.86	6.99	6.96	7.39	0.42	1.31
Crude	4.04	4.67	4.24	4.76	4.85	4.82	4.95	4.81	5.30	0.49	1.12
of which: Russian Crude	3.02	3.27	3.14	3.21	3.36	3.38	3.50	3.36	3.70	0.34	0.52
Products	1.89	2.11	1.89	2.32	2.20	2.05	2.04	2.17	2.11	-0.06	0.19

Sources: Petro-Logistics, IEA estimates

Production growth for 2004 in this Report remains at 600 kb/d, in line with expected export capacity expansion. Both the Economics Ministry and Energy Ministry in February released production forecasts which acknowledged an upgrading of growth potential for 2004 from earlier highly conservative prognoses. Both suggested growth of up to 400-500 kb/d for 2004 was possible. Other recent output forecasts for Russia put growth in 2004 at anything between 400 kb/d and 750 kb/d. Outgoing Energy Minister Igor Yusufov suggested in February that OPEC should boost production to prevent prices from over-heating, thus lessening the likelihood of Russia curtailing exports in support of OPEC target curbs. Whether this apparently laissez faire stance remains in place after the early-March creation of an enlarged Ministry, responsible for oil, gas, nuclear energy and construction, remains to be seen.



Kazakhstan – January actual: Liquids production for Kazakhstan increased by a marginal 5 kb/d in January and is estimated to have levelled off in February, as two minor pipeline ruptures curtailed crude deliveries from western Kazakhstan to Russia. Ongoing repair work on Phase 2 equipment for exporting Karachaganak condensate via the Caspian Pipeline Consortium pipeline also indicate no major rise in supply until second quarter. This contributes to a 25 kb/d downward revision to 1Q Kazakh production, and 15 kb/d for 2004 as a whole.

Longer-term expansion potential was highlighted, however, by two developments in February. The government gave final approval for the development plan for the Kashagan project. Production of 75 kb/d is expected from 2008, reaching 450 kb/d by 2010 and in later phases hitting 1.2 mb/d. Initial volumes are likely to be exported using the CPC and BTC pipelines. Phase two construction of a pipeline from Kazakhstan to China has also commenced, with initial flows of 200 kb/d of crude to China's northwest provinces expected from 2008.

Other Non-OPEC

Brazil – December actual, January provisional: December Brazilian crude production levelled off at 1.48 mb/d, with NGL production similarly stable at 57 kb/d. However, provisional indications for January suggest crude output fell by some 20 kb/d under the influence of maintenance at the P-40 FPSO at the Marlim Sul field. Recent reports on progress on the Albacore, Barracuda and Caratinga production facilities expected to be commissioned in the Campos Basin, offshore Rio de Janeiro around late-2004 point to further delays. This has the effect of reducing our forecast for 4Q Brazilian production by 45 kb/d, with 2004 production as a whole revised down by 25 kb/d. Nonetheless, Brazilian crude output is still expected to show growth of 70 kb/d in 2004, after an increase of 40 kb/d in 2003.

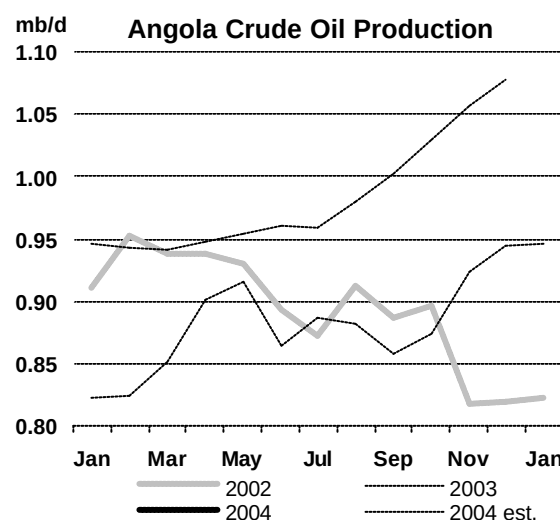
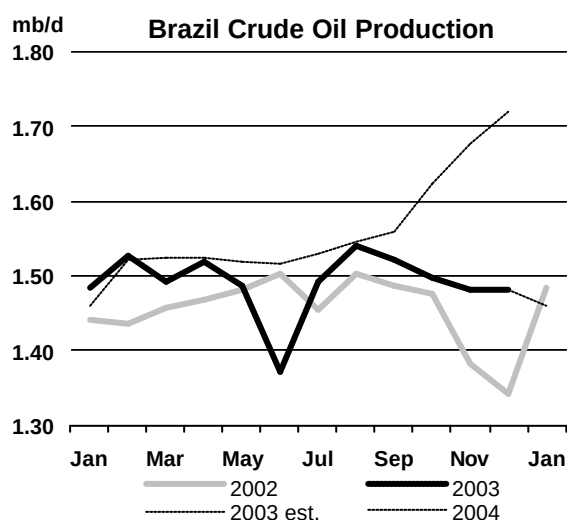
Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last month's OMR			This month's OMR			This month v last month		
	2003	2004	04 vs. 03	2003	2004	04 vs. 03	2003	2004	04 vs. 03
North America	14.70	14.92	0.22	14.70	14.93	0.23	0.00	0.01	0.00
Europe	6.32	6.29	-0.03	6.32	6.28	-0.05	0.00	-0.01	-0.01
Pacific	0.65	0.60	-0.05	0.65	0.61	-0.04	0.00	0.01	0.01
Total OECD	21.67	21.81	0.14	21.68	21.81	0.14	0.00	0.00	0.00
Former USSR	10.31	11.05	0.74	10.31	11.04	0.73	0.00	-0.01	-0.01
Europe	0.17	0.17	-0.01	0.17	0.17	-0.01	0.00	0.00	0.00
China	3.41	3.39	-0.01	3.41	3.40	-0.01	0.00	0.01	0.01
Other Asia	2.49	2.55	0.06	2.49	2.60	0.11	0.00	0.06	0.05
Latin America	3.92	4.09	0.17	3.93	4.08	0.15	0.01	-0.01	-0.02
Middle East	1.99	1.91	-0.08	1.99	1.91	-0.08	0.00	0.00	-0.01
Africa	3.06	3.46	0.40	3.07	3.46	0.39	0.00	0.00	0.00
Total Non-OECD	25.36	26.63	1.27	25.38	26.67	1.29	0.02	0.04	0.02
Processing Gains	1.80	1.83	0.03	1.80	1.83	0.03	0.00	0.00	0.00
Total Non-OPEC	48.84	50.27	1.44	48.86	50.32	1.45	0.03	0.05	0.02

OMR = Oil Market Report

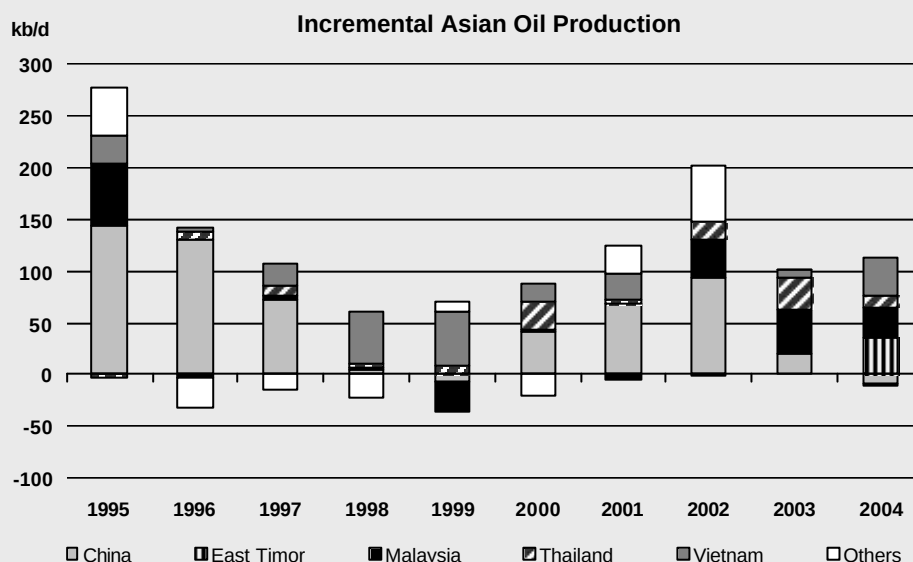
Angola – January actual: Angola's 2004 production profile continues to resemble that for Brazil, with stable production expected in the first half of the year before new field developments allow production to rise steeply towards end-year. January production was broadly level with December's 945 kb/d, with little change thought to have occurred in February. However, a build up in production at the deepwater Xicomba field, to around 80 kb/d from estimated 50 kb/d now, followed by late summer start-up at Kizomba A, should see total Angolan production reach around 1.08 mb/d by December. This implies total 2004 production of some 980 kb/d, in line with state Sonangol's most recent forecast.



Don't Forget Asia - Slow But Steady Production Growth

Frequently overlooked as a source of non-OPEC supply growth, the Asia Pacific region nonetheless looks set to add another 100 kb/d-plus in 2004. Over the past ten years only in 1998 and 1999, when Chinese production growth eased, has incremental regional production fallen below 50 kb/d. Those years aside, production growth has averaged 140 kb/d. This Report's estimates for 2003/2004 production from the region have been on a rising trend in recent months. However, a geographical shift is apparent, with increases in supply coming less from offshore increments in China and India for the time being, and more from new field start-ups from South East Asia. While the former two countries attempt to stem decline at mature onshore fields, the drivers of growth in 2003 – offshore Malaysia, Thailand and Vietnam - will be joined in 2004 by the region's newest producer, East Timor. Much of the new development has come from, and will continue to derive from, light, low sulphur liquids, produced in association with natural gas.

East Timor saw production begin in February at the ConocoPhillips operated Bayu-Undan gas and condensate field. 115 kb/d of condensate and LPG production is expected by 3Q from the field, located in the Joint Petroleum Development Area. East Timor collects 90% of tax revenues from the field and Australia 10%. Phase two of the project will see dry gas shipped to Northern Australia from 2006, becoming feedstock for LNG exports.



Vietnamese production should reach 390 kb/d in 2Q 2004, up 30 kb/d from year-earlier. Output had stagnated at around 340 kb/d over 2001-2003 after having risen sharply in the late-1990s with increasing output from the Bach Ho and Rang Dong fields. Underpinning the 2004 rise is the offshore Su Tu Den field which should approach production of 95 kb/d via the activation of new wells from current levels close to 70 kb/d. As in the case of East Timor, ConocoPhillips is a key player, holding a 23.5% stake in Su Tu Den, with state PetroVietnam controlling 50%. The adjacent Su Tu Trang discovery in the Mekong Basin also contains substantial reserves of light, sweet crude and gas and is due for development in 2008.

ExxonMobil began production from the latest Tapis satellite platform in February, offshore peninsular Malaysia, although this is at best helping to stem prevailing decline of the Tapis stream. Elsewhere however, new field start-ups running through second-half 2003 and into 2004 at Talisman's PM-3 (40 kb/d), Nippon Oil's Helang condensate (10 kb/d), and the Petronas North Lukut/Penara field (20 kb/d) should see Malaysian output average 860 kb/d in 2004, up from 830 kb/d in 2003 and representing the third year running of healthy Malaysian supply growth.

Liquids production from Thailand has risen from 85 kb/d in 1998 to an estimated 170 kb/d in 2003 and a forecast 180 kb/d in 2004. Underpinning the rise in production since 2001 has been crude output from ChevronTexaco's Benchamas field in the Gulf of Thailand, which had climbed to 50 kb/d by late 2003. Unocal Thailand has also seen production rise to 20 kb/d in 2003 after starting up in 2001. The company will spend \$400 million during 2004 in order to double its Thai crude production to 40 kb/d by mid-2005.

OECD STOCKS

Summary

- **OECD industry total oil stocks** closed at an estimated 2494 mb in January, falling 690 kb/d over the month. Though inventories closed 73 mb above last year's depressed levels, they saw their volume difference to their recent 5-year average deteriorate from December to a deficit of 61 mb. As a result, days of forward demand cover by OECD total oil stocks held flat for a third consecutive month at 51 days.

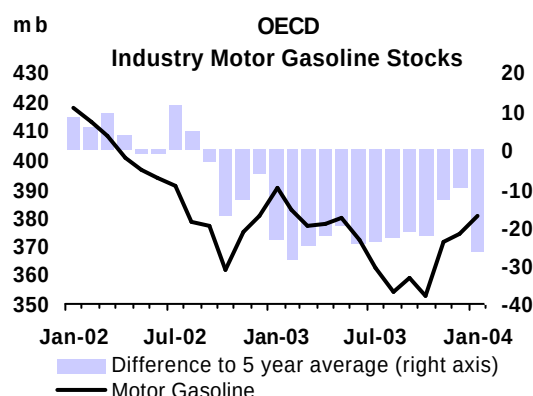
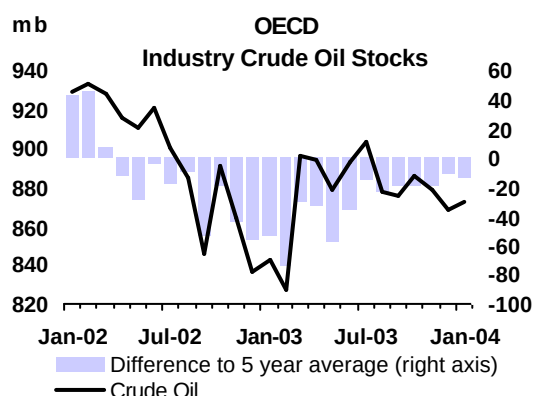
Preliminary Industry Stock Change in January 2004 and Fourth Quarter 2003

(million barrels per day)

	January (preliminary)				Fourth Quarter 2003			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	0.06	0.25	-0.18	0.14	-0.13	0.09	-0.04	-0.08
Gasoline	-0.02	0.20	0.05	0.23	0.10	0.09	-0.02	0.17
Distillates	-0.33	0.06	-0.28	-0.55	0.08	-0.10	-0.11	-0.12
Residual Fuel Oil	-0.05	0.00	-0.01	-0.05	0.06	0.07	0.00	0.13
Other Products	-0.52	-0.01	-0.08	-0.60	-0.22	-0.01	-0.10	-0.33
Total Products	-0.91	0.25	-0.32	-0.97	0.03	0.05	-0.23	-0.16
Other Oils ¹	0.19	-0.02	-0.02	0.14	-0.33	-0.03	0.01	-0.35
Total Oil	-0.65	0.48	-0.52	-0.69	-0.43	0.12	-0.27	-0.58

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** posted a 4.3 mb rise in January, closing at 873 mb or 30 mb above last year. The January build was centred in Europe, though gains essentially came in Norway. Otherwise European inventories held broadly flat, ample available supplies balancing high crude runs. Stocks for the US-50 posted a modest 3 mb gain in January and a further 5 mb in February to close at 276 mb. US maintenance reduced crude requirements and backwardated WTI futures precluded replenishing inventories. Pacific stocks drew heavily in Korea where refinery activity was kept near capacity.
- **OECD industry distillate stocks** fell 17 mb in January to 381 mb, or 28 mb above last year, with declines driven by heating oil in the US and kerosene in Japan. Europe posted marginal gains in January where gasoil storage rose, supported by thin heating demand on mild weather. Jet availabilities likely tightened as witnessed in high physical premiums against paper prices. Gasoil stocks in independent storage in the ARA area held relatively flat in a backwardated market during January but rose in the second half of February on a large physical delivery into the IPE's February gasoil contract.
- **US gasoline stocks** fell from January to February, the draw gathering pace in February. Domestic supply was depressed by maintenance while finished product demand came in surprisingly firm in February. Imports, initially weaker over the period, rebounded for European sourced material by end-January and in February. Despite US demand-pull, Europe saw industry stocks rise in January. Gasoline in independent storage in the ARA area rose through February despite large volumes leaving Northwest Europe. While swap prices for barge gasoline followed higher in line with unleaded futures on the NYMEX, they retained a contango for March/April, encouraging more product into storage.



OECD Industry Stock Changes in January 2004

OECD industry total oil stocks fell 690 kb/d in January, closing the month at 2494 mb or 73 mb above last year. Though crude stocks edged higher, products fell 970 kb/d, due to a seasonal decline in distillate stocks and a draw in US "other products". The fall left forward demand cover flat at 51 days for the third straight month. **OECD crude stocks** closed at 873 mb, 13 mb below their recent 5-year average. Relative tightness remained centred in the US. Discounting a 7 mb Norwegian build, European stocks held broadly level over the period despite high crude runs. End-January European crude stocks may be underestimated; availabilities of regionally confined Urals and North Sea crude were ample and arbitrage opportunities on cheaper freight rates improved only in February. The Pacific saw Korea draw heavily on stocks. Korean runs reached near-capacity and a downturn in custom-cleared imports was only partially offset by a rise in volumes onboard tankers at ports. Japan saw crude stocks nudge 3mb higher but high levels of throughputs and typically lower tanker holdings in January, once accounted for, may see the stock level revised lower. In contrast to the other regions of the OECD, where crude stocks seem to have turned a corner, US storage added modest volumes, rising 8mb to 276 mb by the last week of February. US refiner demand was thin with scheduled maintenance and deterred by the backwardation in WTI futures. Though crude offers into the US Gulf Coast were abundant, buying interest was muted given turnarounds and increased use of straight run fuel oil to balance higher utilisation rates of secondary units. The current prompt premium in futures has forced further discounting of foreign sour and sweet grades against WTI during February, opening the prospect of more oil arrivals in March.

In products, **OECD distillates stocks** in January fell mainly in the US and Japan. More normal winter temperatures sustained deliveries of heating oil and kerosene, seasonally reducing primary stocks. Europe saw milder temperatures putting less strain on gasoil stocks. Demand remained sidelined and local production met requirements, putting a damper on barge trade out of ARA into the traditional French, German and Swiss markets. Germany, Europe's main heating oil market saw consumers drawing further on end-user stocks. European distillate stocks gained 2 mb, though availabilities of jet likely tightened. Draws in US "other products" of some 520 kb/d, reflected both demand strength and greater use of unfinished products as crude distillation units were taken offline for maintenance. **In gasoline**, US stocks declined into February with strong demand for finished product, depressed output and weak imports in first half of January. Europe, which is structurally long in gasoline, saw its stocks rise in January despite a late month uptake of exports to the US. Stocks increased on weak demand and sustained output as refinery runs, supported by strong margins, remained high on a yearly basis.

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

Revisions to industry oil stocks adjusted OECD December figures down 5.2 mb and up 7.6 mb in November (mainly European crude stocks). Upward revisions to December crude stocks (11.6 mb) were centred in North America and the Pacific. Out of an anticipated 6mb upward adjustment for Korea last month, 4mb were allocated to industry while 2mb were added to government stocks. Japanese crude stocks were also raised 4mb, to account for tankers in ports. Canadian crude stocks were raised 4 mb and an upward January revision, associated with lower exports, is possible. Mexico, where production kept high and crude runs and exports eased, is also likely to see higher crude stocks.

Revisions Versus 11 February 2004 Oil Market Report
(million barrels)

	North America		Europe		Pacific		OECD	
	Nov 03	Dec 03	Nov 03	Dec 03	Nov 03	Dec 03	Nov 03	Dec 03
Crude Oil	2.2	4.9	7.2	-0.9	-0.8	7.7	8.6	11.6
Gasoline	-1.2	-5.1	0.7	0.4	0.0	-0.3	-0.5	-5.0
Distillates	-2.8	-5.5	1.9	4.2	0.0	0.5	-0.8	-0.8
Residual Fuel Oil	-0.3	-2.4	1.2	3.5	0.0	0.4	0.9	1.6
Other Products	-0.3	2.4	-0.2	-3.3	0.0	-1.5	-0.6	-2.4
Total Products	-4.6	-10.6	3.5	4.8	0.0	-0.8	-1.0	-6.6
Other Oils ¹	0.0	-8.6	0.1	-1.5	0.0	0.0	0.1	-10.2
Total Oil	-2.3	-14.3	10.7	2.4	-0.8	6.8	7.6	-5.2

¹ other oils includes NGLs, feedstocks and other hydrocarbons

Offsetting higher crude stocks was a reduction of 10.2 mb in NGLs and feedstocks inventories and a 6.6 mb downward revision to product inventories. Revisions to products stocks came essentially in US distillates and gasoline inventories, reflecting the 660 kb/d upward revision made to December US demand. Europe also saw products shifted upwards, mainly in distillates on weak heating demand, but also in residual fuel oil on lower utility buying and a heavy influx of Russian supplies.

Year-on-Year Industry Stock Comparisons for January 2004

	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	-2.3	21.0	11.5	30.2	Total Oil	0.6	3.2	2.0	1.7
Total Products	11.9	26.3	-1.7	36.4	<i>Versus 2002</i>	-6.3	-2.0	-3.0	-4.4
Other Oils ¹	5.4	3.1	-2.4	6.1	<i>Versus 2001</i>	-1.1	0.3	-1.8	-0.8
Total Oil	15.0	50.4	7.4	72.8	Total Products	0.5	1.6	0.3	0.9
<i>Versus 2002</i>	-122.7	-14.7	-18.0	-155.4	<i>Versus 2002</i>	-3.1	-1.1	-2.4	-2.4
<i>Versus 2001</i>	-7.6	19.7	-18.5	-6.4	<i>Versus 2001</i>	-0.1	-0.7	-1.7	-0.5

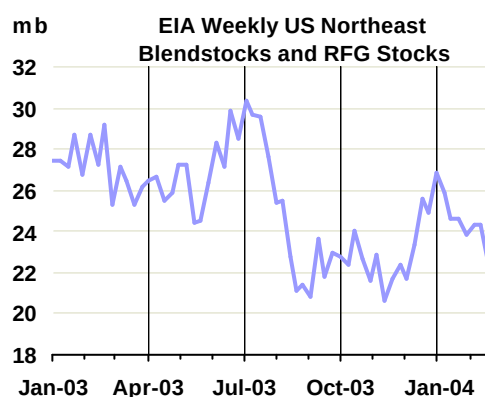
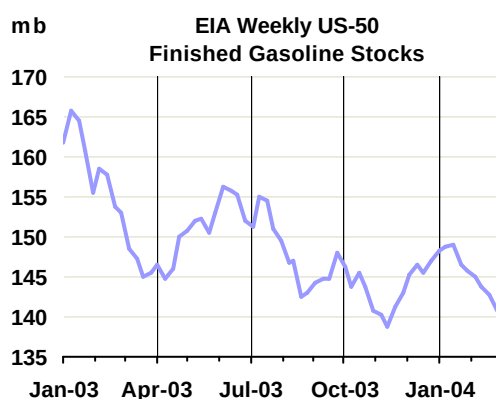
1 other oils includes NGLs, feedstocks and other hydrocarbons

January forward demand cover by OECD oil stocks held flat for a third consecutive month at 51 days. Cover in North America, Europe and the Pacific was respectively 47, 61 and 47 days, posting improvements across all regions compared to the depressed levels of January 2003. But greater cover occurred more so in Europe and the Pacific where crude stocks were at comfortable levels. But overall, draws in distillates and "other products" kept the level of OECD stock cover flat from December.

OECD Regional Stock Developments

North America

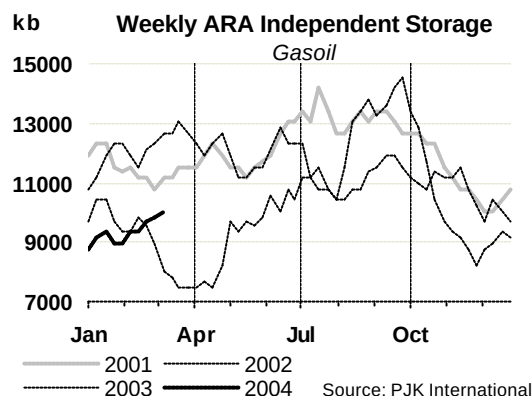
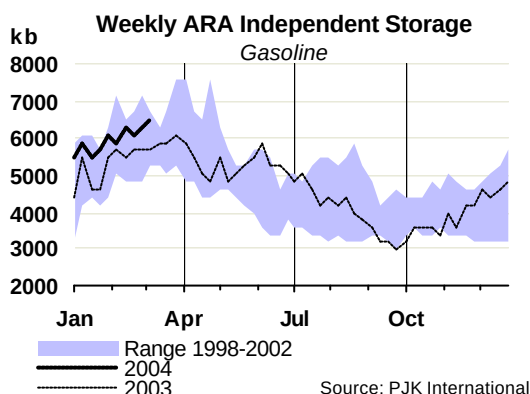
US-50 crude stocks added 3 mb in January to close at 271 mb, below the low levels seen following the Venezuelan crisis last year. The gain came on the back of average crude runs falling faster than imports as refiners headed into scheduled maintenance. February saw crude stocks rise 5 mb to 276 mb, though this was less than anticipated. Stocks increased. The 4-week import average was within expectations at end-month, though weekly volumes were erratic. However, refinery activity was sustained only slightly weaker compared to January to capture strong crack spreads on gasoline. End-February crude stocks are likely to turn out higher but the potential for significant replenishing in March may be financially constrained. Stocks in the mid-continent, which houses the delivery point for the NYMEX WTI futures contract, declined in February to 54 mb and backwardation in the contract's near-months deepened by over a dollar a barrel. While the cash price spreads on the Gulf Coast against WTI softened markedly in February on ample offers, mostly on the sour side, buying interest was thin with refinery maintenance ongoing for another month. However, easing dirty freight rates and further discounting of foreign light sweet grades (as seen in the widening LLS-Bonny light spread), is likely to encourage more imports.



US-50 heating oil stocks declined seasonally, but mild February weather, weakening deliveries, and rising imports, left inventories ample as the end of winter approached. Market focus shifted to gasoline stocks. Finished product demand was strong at 200 kb/d above February last year and domestic supply was capped by refinery maintenance. **US-50 finished gasoline stocks** fell 5 mb from end-January to just under 141 mb in the last week of February, though part of the draw captures reductions of winter quality material in tanks. High European exports mid-January onwards will support gasoline stock levels into March, just as refiners will be exiting turnarounds. By then, the base from which US refiners will have to re-build stocks for summer is likely to be low. Potential for tightness in regional markets has attracted greater attention with the elimination of the additive MTBE in reformulated gasoline (RFG) in California, Connecticut and New York. Instead, ethanol will be added to blendstock material RBOB to produce RFG. The Northeast, which is heavily dependent on imports, is more exposed. The area saw combined RFG and blendstocks fall in the previous two months, albeit gasoline imports from mid-January into early February were weak. But looking towards summer, swing supplies from Europe will depend on a reduced number of refiners there capable of producing blendstock that meets specifications, bringing greater focus to traditional suppliers like Venezuela, Canada and the Caribbean.

Europe

European industry crude stocks rose to 320 mb in January, 21 mb above last year. Excluding Norway, inventories ended virtually flat, high crude runs apparently balanced with supplies. Germany and France each added 1.5 mb to stocks, but the Netherlands surprisingly kept even from a downward revised December level. Price signals continued to point to ample sour availability. Urals was discounted as much as \$2.90 a barrel against dated Brent in Northwest Europe in January and nearly \$3.50 in early February. With new capacity at Primorsk, loadings from the Baltics reached record levels in January and again in February while deliveries through pipelines were also high. Though the January build could be revised higher, stock changes in February look flat to down. Runs have likely remained high on strong margins for gasoline and jet and regional crude arbitrage opportunities opened, aided by falling freight rates. More North Sea crude went to the US in February, whereas outlets into Asia opened for Urals.



January saw industry stocks of main products flat to rising, with **gasoline stocks** driving an overall build. Gasoline rose on high output and structurally weak demand. Exports to the US from ARA and also from the UK failed to markedly reduce the region's net-long physical position, days of forward cover still rising. The Mediterranean also saw firm demand from Lebanon, Italy, and Nigeria. Volumes leaving Europe in January and February were estimated upwards of 1.5 million tonnes, close to last year's summer peaks. Yet, despite US demand-pull, swap prices for barge gasoline stayed in contango, with March discounted \$4.50 a tonne against April, prompting additions to independent storage in ARA.

Industry distillate stocks rose 2 mb in January, but the direction of components was mixed. High **jet** premiums against IPE gasoil futures, alongside Asian demand for US, Caribbean, and Middle Eastern material would suggest that jet supplies tightened. **Gasoil** more likely was flat to rising, as heating demand was sidelined by mild temperatures. Inventories look to remain at ample levels in February. Jet premiums fell with supply rising on refinery yield switching. Gasoil will be buoyed by Russian inflows. Arbitrage to the US in February was limited and Russian material was directed to Northwest Europe. As well, the reported high level of Russian domestic supplies will curtail the usual seasonal first quarter drop off in exports. Gasoil in independent storage rose in February, though the market remained backwardated. Storage was bolstered by a high physical delivery into the IPE's February gasoil contract. Physical delivery fob ARA in the second half of the month came to 499 thousand tonnes, second in volume to the amount observed in November 1996 of 865 thousand tonnes. **Fuel oil** continued to pile up in independent storage in ARA on inflows of Russian material. While bunker demand firmed on arbitrage activity, exports to Asia were limited in February, but 3 VLCCs are expected to lift in March. High year-on-year volumes of fuel oil held in independent ARA storage also owe to investments in the area aimed at increasing tankage and handling capacity of vessels and barges.

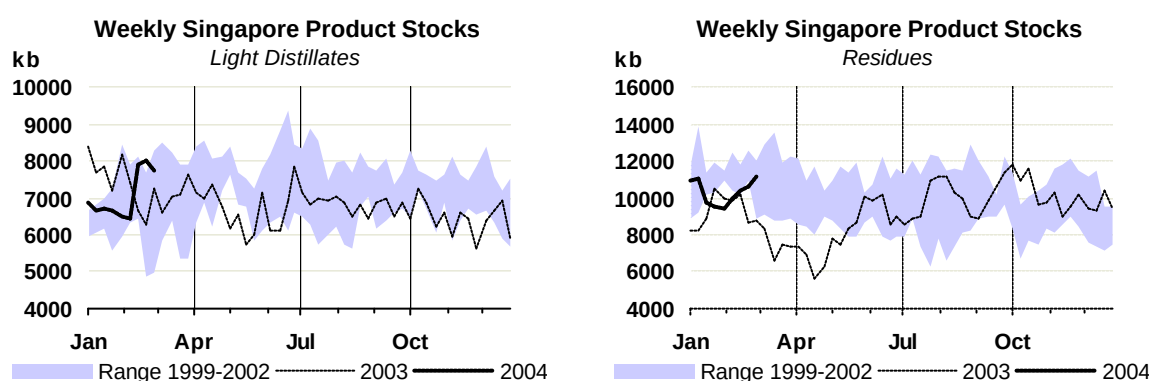
Pacific

After building in December, **Pacific crude stocks** turned south in January on strong refinery activity, falling 6 mb to 175 mb. The fall came with an 8 mb draw in Korea. Japan's onshore stocks gained 3 mb, but the high level of crude held on tankers in the previous two months, suggest lower January volumes and more likely a decline. Yet, Japanese crude stocks will keep at ample levels. Refiners optimise their inventory mix, minimising winter product stocks as demand winds down through March while increasing crude holdings to meet domestic stock cover obligations. In **distillates**, Japanese stocks fell just over 7 mb on draws in kerosene but also gasoil, which saw increased exports to China. Korean distillates were marginally off. **"Other product" inventories** (which include naphtha and LPG) in both countries were down, in part motivated by strong petrochemical demand. **Korea's bunker 'C' stocks** held level on the month, though demand weakened, and monthly production rose. Unlike for gasoil, where Korean January exports were cut to boost domestic availabilities, fuel oil exports rose, with China absorbing a greater proportion of these volumes.

Singapore Stock Developments in February

Total product stocks in Singapore, surveyed by International Enterprise, were markedly higher in February. The rise came with late month gains in all product categories, reflecting softer fundamentals as supply conditions improved and Chinese demand, while strong, took a breather.

Residual fuel oil stocks built steadily over February despite increased deliveries into China's key Huangpu terminal. It would seem that Korean availabilities turned out more ample than previously thought, leaving Singapore to absorb arrivals of arbitrage supplies from Europe and the Caribbean. In previous years, fuel oil stocks have typically fallen by the end of the first quarter. Though the first half of March may witness a decline, late month arrivals of supplies are likely to support inventories around the current levels into April. Outside of China, whose demand is expected to ebb on high inventories in Huangpu, Vietnam's demand for March barrels was reported below tendered volumes. On the supply side, cheaper freight and relative price weakness on the US Gulf Coast led to a March build-up of Caribbean VLCCs headed for Singapore and due in April. HSFO sourced from Northwest Europe also picked up against February with some 3 VLCCs scheduled. At the time of writing, the Singapore fuel oil swap price for March delivery was level with April and at a discount to second quarter paper. The likely widening of the contango for the second quarter would support moving surplus supplies into storage.



Light products stocks jumped in early February, before edging slightly lower. Pressure on **gasoline** eased with higher than expected exports from China's PetroChina and matching volumes from Sinopec. March, however, may see gasoline stocks come down with refinery maintenance, China holding back on exports compared to February and a rebound in spot regional demand. Indonesia's Pertamina was seen securing additional 88-octane material, with its March purchases rising back to January levels or well above average volumes. Although arbitrage opportunities to the US West Coast opened, volumes were marginal and reportedly sourced from Korea and Taiwan. **Middle distillate stocks** rose with improved gasoil availabilities. **Gasoil** prices were backwardated as the prompt price was supported by strong spot purchases and little or no Chinese exports. However, it would seem that Chinese demand, drawing regional supplies prior to the Lunar New Year, eased in February while Korean exports rebounded. March should see adequate supplies as regional refiners switch product yield away from jet/kerosene. Although Chinese demand for gasoil is strong on private power generation needs, domestic refiners are running at record levels. Imports through Hong Kong may ease as storage tanks there are reportedly full. Supporting loosening supply conditions will be increased spot offers of Middle Eastern material; noticeably, Korean fob gasoil premiums over Singapore quotes fell in end-February for March loading.

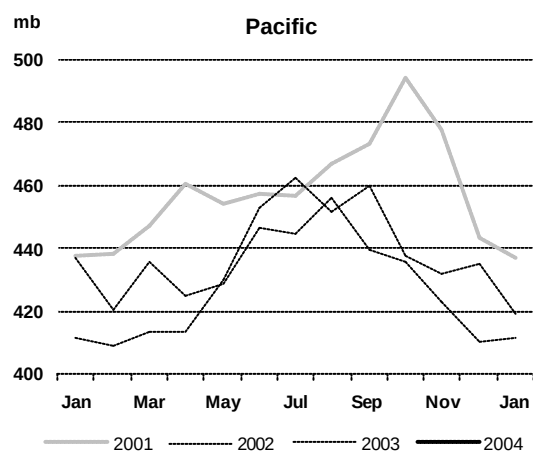
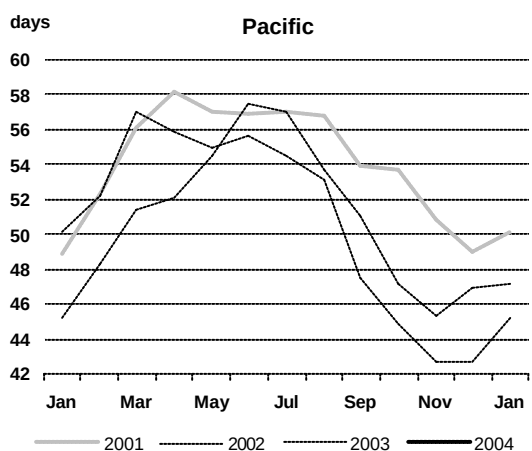
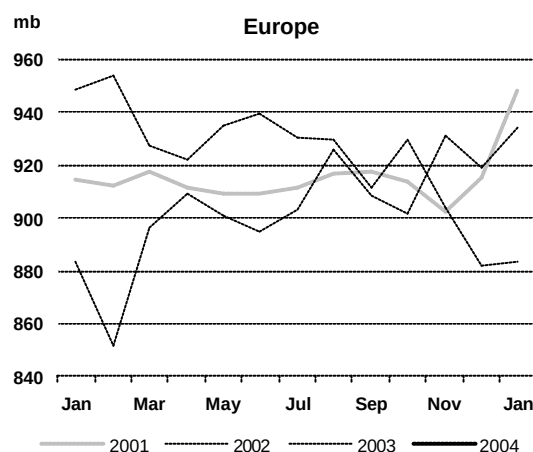
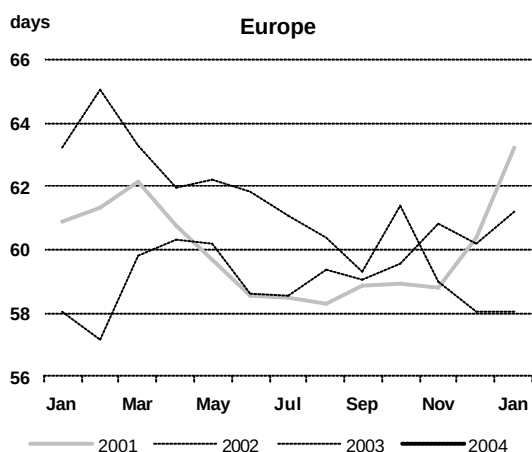
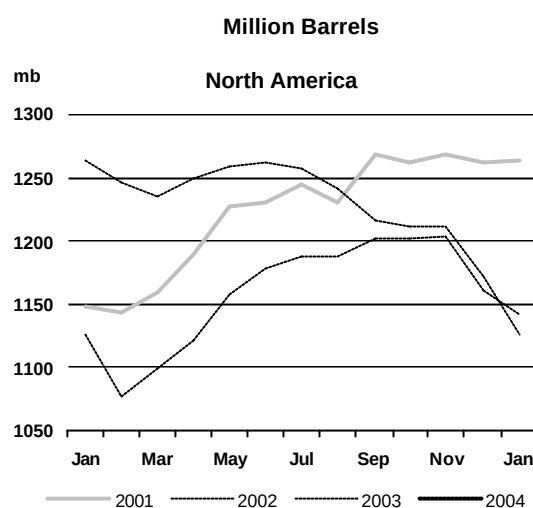
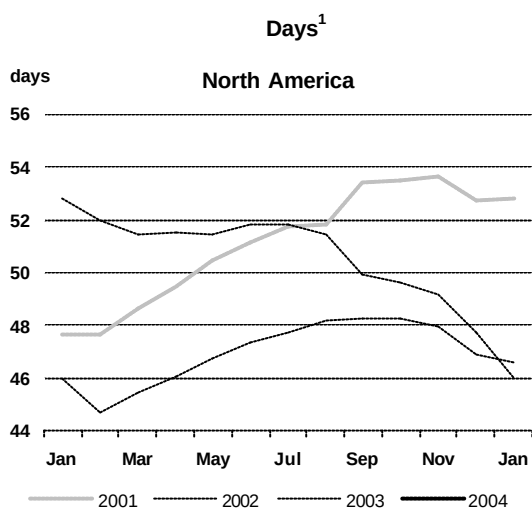
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 03	Latest month vs. Dec 03	Jan 02
Crude Oil	819	755	885	892	593	654	546	800	677	-122	-245
Products & Feedstocks	-35	-96	-158	-119	-93	-18	-15	-42	-86	-44	100
Gasoil/Diesel	-154	-170	-175	-171	-174	-161	-110	-248	-184	64	26
Gasoline	-81	-83	-76	-95	-67	-96	-85	-114	-99	15	-11
Heavy Fuel Oil	334	320	314	304	323	341	273	433	321	-112	-43
LPG	-19	-22	-24	-26	-19	-19	-20	-21	-23	-2	5
Naphtha	6	13	-22	18	5	49	53	65	72	7	91
Jet & Kerosene	-65	-99	-124	-93	-103	-77	-74	-83	-115	-32	39
Other	-57	-55	-51	-56	-58	-54	-53	-74	-58	15	-6
Total	784	659	727	774	501	636	531	757	591	-166	-145

Source: International Enterprise, IEA estimates

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

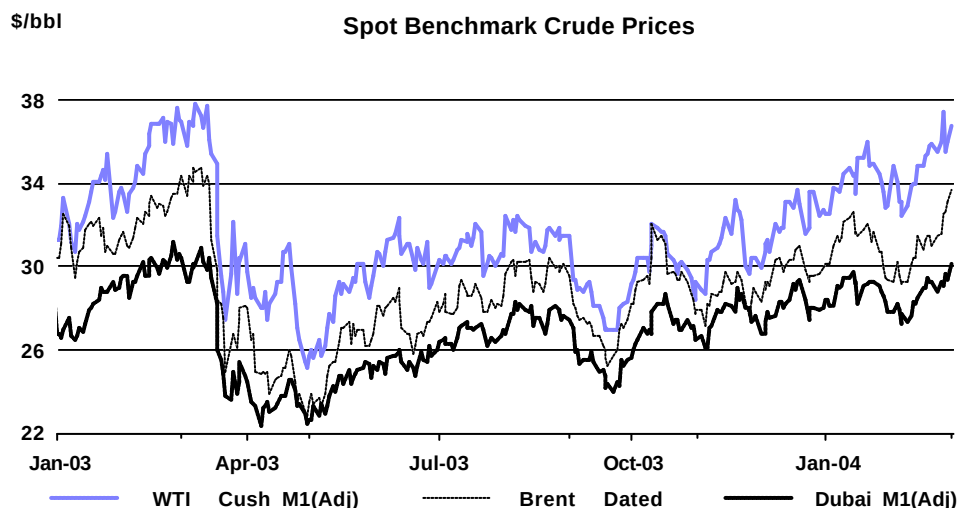


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- Fears of OPEC supply cuts, tight US gasoline supplies, tensions in Venezuela, strong global demand and low US stocks lifted **benchmark crude prices** to their highest levels since Q1 2003. Dated Brent ended February over \$4 higher than the start of the month, while WTI Cushing was over \$3 higher, albeit after early-month weakness. A sharp fall in dirty freight rates offset some of the impact of these higher prices to end users, leaving some delivered crude prices for foreign crude to the US and Far East at below January 2004 peaks.
- US **gasoline** differentials widened against European and Far Eastern markets, leading to a surge in arbitrage shipments to the US towards the end of February and early March. Low stocks and strong blending demand helped to keep US **jet/kerosene** prices firm into March. The spread between Northwest Europe (NWE) and US **gasoil** prices narrowed by the end of February as temperatures in the Northeast rose, having earlier facilitated significant movement from Europe to bolster low US stocks. **Low sulphur fuel oil** followed a similar pattern in the US, although ample availability caused a more dramatic closure of the US arbitrage. Far Eastern LSFO values however recovered throughout February on strong Japanese and regional utility demand.
- **Non-Commercials** (funds and large speculators) added to (already) large net-long positions on NYMEX WTI futures throughout February, reaching 4-year highs of 82,451 lots by 2 March, the highest level since September 1999 on both a nominal basis and as a percentage of open interest. The net speculative gasoline long also reached a new record of 48,723 lots by 2 March, with non-commercial longs outweighing shorts by a ratio of nearly 9:1.
- Strong gasoline and middle distillate prices helped keep **cracking refinery margins** firm in February, albeit slightly below January levels. Depressed fuel oil cracks however caused a significant deterioration in simple **hydroskimming** margins in Europe and the Far East, further enhancing the value of gasoline-rich sweet over sour crudes. Weaker global bunker demand, coupled with reduced utility burn as temperatures moderate in the spring is likely to weigh on fuel oil prices.
- **OECD refinery throughputs** fell to 38.9 mb/d in January from 39.5 mb/d in December as refinery maintenance in North America more than offset a sharp increase in OECD Pacific throughput. Attractive margins have prompted US, European and Asian refiners to maximise throughputs where possible in February according to preliminary data, with Asian maintenance generally concentrated in the second quarter of the year.
- Expectations of a fall in OPEC production together with an easing of congestion in the Turkish Straits, refinery maintenance and expectations of lower seasonal demand contributed to a sharp decline in **dirty freight** (crude and fuel oil) rates from the middle of February. However, the sharp increase in demand for gasoline and other light distillate fuels lead to a steepening of the rally in **clean freight** (products) rates at the end of the month.



February Overview

The rebound in crude oil prices from their early February dip was sparked by the surprise OPEC decision on 10 February to rein-in over production and cut targets by a further 1 mb/d, effective 1 April. Continued low crude stocks in the US and a switch in focus towards gasoline with the end of peak winter demand helped to provide additional support as has continued strong Far Eastern demand and, more recently, political tensions in Venezuela.

With memories of the supply disruption caused by the Venezuelan oil workers' strike in late 2002/early 2003 still fresh, recent civil unrest and political uncertainty adds to the nervousness in the oil market.

OPEC production policy provides further upward pressure. While it remains questionable whether the OPEC 10 will move close to full compliance with the 23.5 mb/d targets agreed at the Algiers meeting on 10 February, indications of possible cutbacks have been reported by term buyers of Iranian, UAE Nigerian and Saudi crude. Physical buyers are wary of any indications of lower supplies, particularly with WTI prices well above \$35/bbl.

Iraqi supplies also fell on weather-related issues in February, helping to tighten the oil market. Recent announcements of the reopening of the Khor al-Amaya export terminal in the south of the country, coupled with the first tenders to sell Kirkuk crude from the Turkish port of Ceyhan have largely been overshadowed by other events. Following several false dawns since last summer, traders have adopted a "wait and see" attitude to Iraqi exports, but the price impact of any additions to supplies is also uncertain if OPEC implements output cuts to compensate.

Expectations of lower OPEC output have been a major factor behind the halving of dirty freight rates on some routes in February. Seasonally freight rates tend to fall at this time of year, but the pivotal factor this time around appears to have been the pressure on midsized vessels from the easing of congestion in the Turkish Straits. This latter factor is likely to lead to a reduction in the volume of oil-on-water in the coming weeks. Conversely, cold weather in early February and the recent surge in European gasoline exports to the US have caused a sharp increase in clean freight rates since January.

Temperatures in the densely populated US Northeast trended warmer towards the end of February allowing the market to switch its focus from heating oil to gasoline stocks. Traders have been perturbed by the early start to the seasonal decline in US gasoline stocks, which are now more than 5 mb below year ago levels and well below the five-year average. NYMEX gasoline prices have risen over 10 cents per gallon as a result of lower stocks and the potential for supply dislocations due to the switch to MTBE-free gasoline in several states. However, a surge in imports in the coming weeks and higher domestic throughput could help to mitigate seasonal trends and the recent increase in demand.

High prices for light-end products continue to support regional refining margins, particularly for sweet crudes and favouring cracking refineries over simpler hydroskimming facilities. Understandably, high returns are leading to higher throughput levels in Europe and OECD Pacific and even maintenance-constrained US refiners are clearly maximising throughput where possible. If margins remain strong, this could clearly maintain the demand for crude at high levels as refiners maximise throughput to rebuild gasoline stocks. However, while high crude prices and demand in early January were based on the strength of a number of products, from a physical perspective the market would now appear to be reliant predominantly on the continued strength of US gasoline.

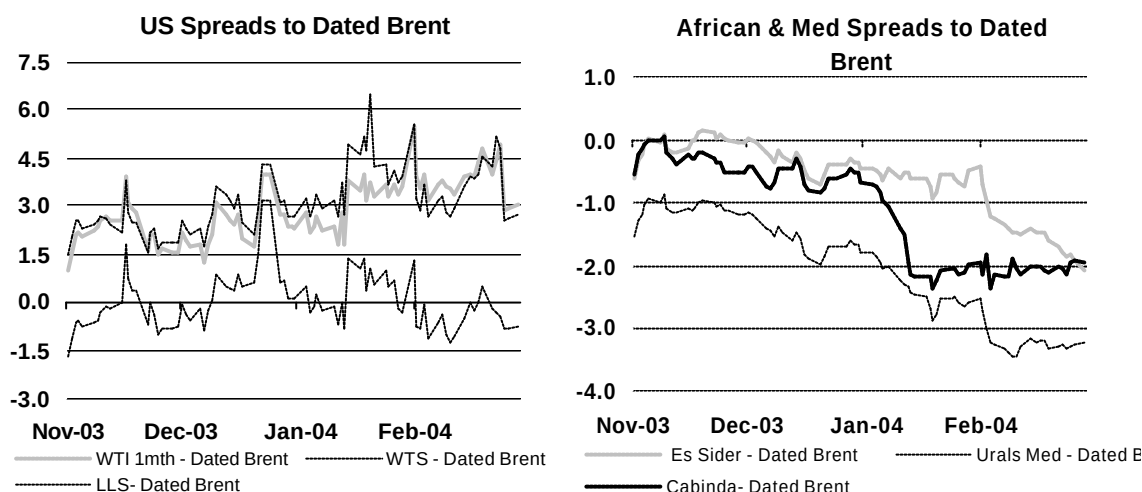
Crude Oil Prices

Spot Crude Prices and Differentials in February

The strength of light product cracks maintained the outperformance of benchmark sweet crudes over sour varieties in February and early March, although *average* February prices for all crudes were depressed by the early-month dip in values.

The tightness of the US gasoline market and high freight rates caused WTI Cushing crude to outperform Dated Brent in February, with the valuation of the spread fluctuating between \$3.17 and \$5.52 during the month. Taking into account the relative freight rates from some North Sea terminals to Rotterdam, the transatlantic arbitrage has been open since the middle of January, but making an assessment exclusively using US freight rates, arbitrage opportunities were only clearly available between the middle and end of February. Towards the end of the month, a surge in demand for North Sea sweets from European refiners helped to tighten availability and further reduce the attractiveness of Brent related grades to US refiners.

Lower dirty freight rates helped to facilitate crude movement both East and West. The effective delivered crude price (crude + freight cost) of Bonny Light to the US Gulf Coast and Far East remained below the January peak despite post Iraqi war highs recorded on spot markets. Competition for West African crudes between the US and the Far East picked up towards the end of February as freight rates fell and the North Sea market tightened. Initial indications suggest that Nigeria may reduce crude availability in April in line with tighter OPEC targets, but there is a wide variety of estimates. Traders' forecasts have varied between a cut of 125kb/d to 400 kb/d in exports next month, but most stressed that these estimates were very tentative at this stage. The cuts are likely to come from a higher base as March exports are expected to rise from February levels.



Heavier West African grades have been predominantly shipped to the Far East market, but are now encountering competition from Urals crude. The clearing of the Black Sea congestion has helped to improve both the flow and transit times for Mediterranean (Med) Urals supplies, and several cargoes were heard to be moving eastwards. Urals crude in the Med remains vulnerable to the restart of Kirkuk crude sales from the Turkish port of Ceyhan. A resumption of Kirkuk shipments in March would also coincide with European maintenance, which is likely to depress demand.

Spot Crude Oil Prices and Differentials*

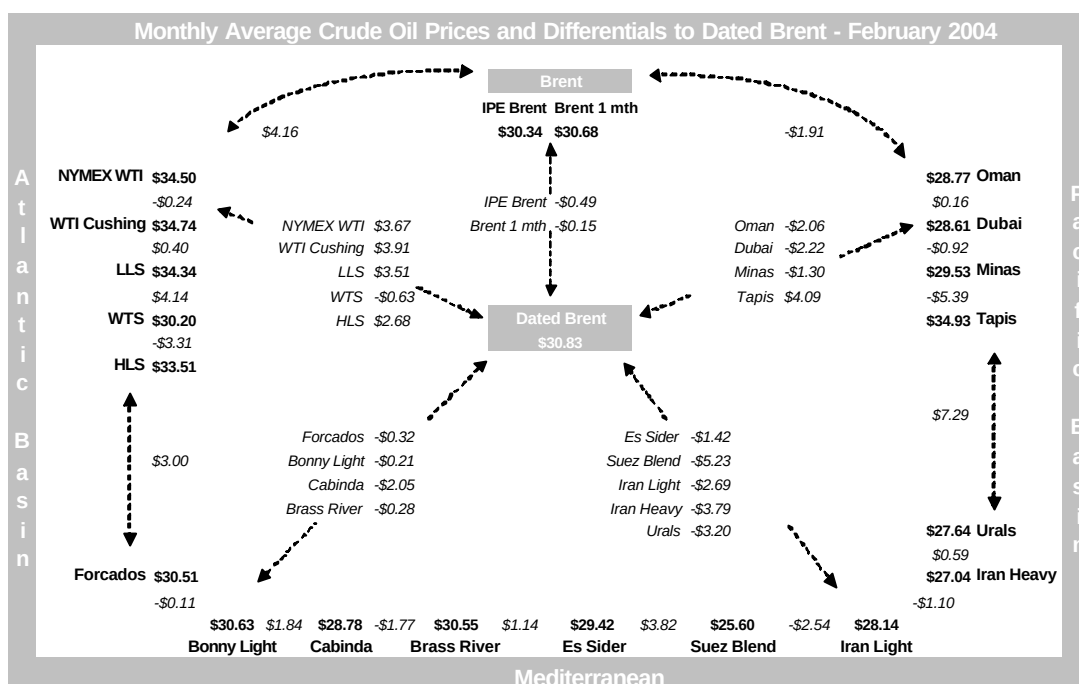
(monthly and weekly averages, \$/bbl)

	Dec 03	Jan 04	Feb 04	Feb-Jan		Week Commencing:				
				Change	%	02 Feb	09 Feb	16 Feb	23 Feb	01 Mar
Crudes										
Brent Dated	29.87	31.23	30.83	-0.40	-1.3	29.51	30.34	31.22	32.28	33.72
WTI Cushing 1 month (adjusted)	32.14	34.24	34.74	0.50	1.5	33.52	33.92	35.59	36.12	36.77
Urals (Mediterranean)	28.34	28.88	27.64	-1.24	-4.3	26.57	26.96	28.02	29.00	30.52
Dubai 1 month (adjusted)	28.10	28.88	28.61	-0.27	-0.9	27.77	28.03	29.22	29.26	30.16
Tapis	31.34	33.63	34.93	1.29	3.8	34.26	34.28	35.54	35.50	36.65
Differential to Dated Brent										
WTI Cushing 1month (adjusted)	2.27	3.01	3.91	0.90		4.02	3.58	4.37	3.84	3.05
Urals (Mediterranean)	-1.53	-2.35	-3.20	-0.84		-2.94	-3.38	-3.20	-3.27	-3.21
Dubai	-1.76	-2.35	-2.22	0.13		-1.73	-2.31	-1.99	-3.01	-3.56
Tapis	1.47	2.40	4.09	1.69		4.76	3.94	4.32	3.23	2.93
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.26	0.28	0.26	-0.02		0.18	0.27	0.41	0.35	0.35
WTI Cushing 1mth-2mth (adjusted)	0.13	0.57	1.07	0.75		0.71	1.10	1.28	0.75	0.75

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

Spot Far Eastern crude demand remains difficult to assess on a day-to-day basis, with most deals either being kept very quiet or taking place through tender. The post Lunar New Year holiday lull coincided with a reluctance to take crude ahead of the OPEC meeting and led to a dip in values. However, activity picked up following the OPEC meeting, and although Singapore refining margins

are currently well below their January peaks, cracking margins remain at levels which should encourage run maximisation.



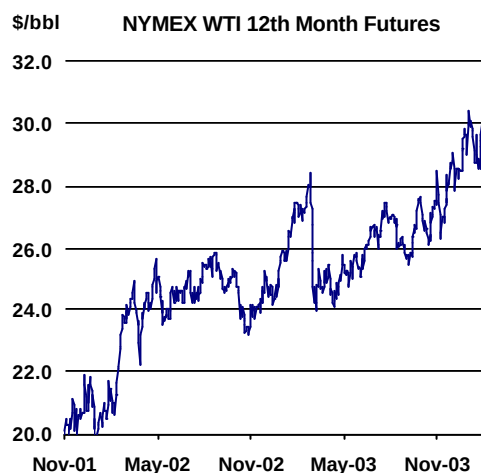
Minas crude remains at a significant discount to Tapis, suggesting declining direct-burn crude demand from Japanese utilities, which is consistent with warmer spring temperatures and the restart of an additional nuclear power plant. Preliminary data would suggest that utility demand for crude and fuel oil is falling back to 2002 levels, but it should be noted that the reviving domestic economy is encouraging Japanese refiners to talk about maintaining high run levels throughout 2004.

Chinese demand however continues apace as domestic refiners run flat out to meet internal product needs. Although there might be some cooling of product demand during the shoulder season, the increasing car population coupled with dramatic increases in private power generation capacity leaves the potential for an upward surge in demand once temperatures increase.

Crude Futures in February

The steadily increasing backwardation in both NYMEX WTI second - third month and in the IPE Brent front - second month futures contracts is indicative of the increasing tightness of the sweet crude markets in February. There also seems to be considerable confidence that despite the pending seasonal downturn in demand, crude prices will remain firm.

The chart of 12-month forward NYMEX WTI shows a steady increase in the medium term price of crude from under \$25/bbl to over \$30/bbl since May 2003. NYMEX also lists a December WTI contract from 2006 out to 2010. Taking the 2009 contract since the start of 2003 shows a steady rise in the longer term price from under \$22/bbl to just under \$28/bbl. While the relatively low volume in the far forward contracts means that price inferences have to be taken with extreme caution (the December 2009 contract has an open interest of under 5000 lots and tends to trade only when there is a significant spread or associated swap/OTC trade), the conclusion remains that traders are anticipating a higher long-term price of crude.



Delivered Crude Prices in December

Delivered prices for crude oil imported into IEA countries rose by \$0.88 in December from November to \$29.31/bbl, with the shorter delivery periods to Europe and North America making those regions more responsive to changes in the physical market than the Pacific region. IEA Europe prices rose by 91 cents and IEA North American prices rose by 98 cents/bbl to \$29.54 and \$28.39/bbl respectively. IEA Pacific prices rose by a more modest 0.55 cents to \$30.25/bbl, continuing to partially reflect the drop in wholesale benchmark crude prices in September. However the impact of rising wholesale crude prices and high freight rates between November and February is likely to push Far Eastern delivered crude prices much higher than European and North American prices in the first quarter of 2004.

Product Prices

Spot Product Prices in February

Gasoline dominated the product markets in February and early March as fears of supply tightness in the US grew as weekly demand numbers surged amidst a background of low stocks, refinery maintenance and changing specifications. The West Coast gasoline market was particularly tight due to scheduled and unplanned maintenance, opening up theoretical arbitrage opportunities from the Far East. However, anecdotal evidence would suggest that there was very little trade actually conducted due to the tight, MTBE-free specifications of the Californian market. Arbitrages from Europe and the Caribbean to the East and Gulf Coasts however offered substantial room to move gasoline across the Atlantic. Market assessments suggested that around 1.8 mt of gasoline moved from Europe to the US in February, with at least two thirds of the volume moving in the last two weeks of the month. Around 600,000 tonnes was expected to be shipped in the first week of March, although a reduced arbitrage and high clean freight rates might have reduced that figure. US refiners were also seeking summer grade gasoline but are finding such grades much harder to source.

Spot Product Prices (monthly and weekly averages, \$/bbl)

	Dec	Jan	Feb	Feb-Jan		Week Commencing:					Dec	Jan	Feb
				Change	%	02 Feb	09 Feb	16 Feb	23 Feb	01 Mar			
Rotterdam, Barges FOB											Differential to Brent		
Premium Unleaded (Cargo)	34.45	38.41	39.25	0.84	2.2	38.14	38.26	40.28	40.32	42.78	4.58	7.18	8.42
Regular Unleaded	33.93	37.83	38.63	0.80	2.1	37.52	37.63	39.70	39.68	42.45	4.07	6.60	7.80
Naphtha	33.19	36.18	33.99	-2.19	-6.0	32.91	33.09	34.43	35.54	37.56	3.33	4.95	3.16
Jet/Kerosene	39.18	40.46	38.64	-1.82	-4.5	38.47	38.65	38.20	39.24	40.57	9.32	9.23	7.81
Gasoil	35.57	37.15	34.70	-2.46	-6.6	33.89	34.21	34.78	35.91	37.77	5.71	5.92	3.86
Fuel Oil 1.0%S	21.45	22.93	21.55	-1.37	-6.0	21.25	20.78	21.85	22.33	23.40	-8.42	-8.31	-9.28
Fuel Oil 3.5%	20.39	21.63	21.18	-0.45	-2.1	19.87	20.61	21.81	22.43	22.95	-9.48	-9.60	-9.65
Mediterranean – Basis Italy, Cargoes FOB											Differential to Urals		
Premium Leaded (0.15 g/l)	34.39	38.43	39.31	0.88	2.3	38.14	38.51	40.62	39.95	41.62	6.06	9.55	11.67
Premium Unleaded	33.67	37.71	38.59	0.88	2.3	37.43	37.80	39.90	39.23	40.90	5.34	8.83	10.95
Naphtha	31.68	34.18	31.81	-2.37	-6.9	30.69	30.91	32.27	33.36	35.43	3.35	5.30	4.17
Jet/Kerosene	37.46	38.63	37.13	-1.50	-3.9	37.60	36.87	36.28	37.77	37.56	9.13	9.75	9.49
Gasoil	34.40	36.36	33.50	-2.87	-7.9	32.33	32.31	34.15	35.20	37.30	6.06	7.49	5.86
Fuel Oil 1.0%S	22.46	24.08	22.25	-1.83	-7.6	22.37	21.28	21.92	23.41	23.79	-5.88	-4.80	-5.39
Fuel Oil 3.5%S	17.39	20.22	20.40	0.18	0.9	20.11	20.25	20.35	20.87	21.34	-10.95	-8.66	-7.24
NY Harbour, Barges											Differential to WTI		
Super Unleaded *	38.62	43.85	46.94	3.09	7.0	44.81	46.06	48.24	48.90	51.64	6.48	9.61	12.19
Regular Unleaded *	37.18	41.98	43.97	1.99	4.7	42.37	43.12	45.46	45.21	46.68	5.04	7.73	9.22
Jet/Kerosene	38.49	43.10	42.64	-0.46	-1.1	42.92	42.89	41.54	43.00	44.12	6.35	8.86	7.90
No.2 Heating Oil	37.38	41.19	38.36	-2.83	-6.9	38.00	38.22	38.65	38.64	40.35	5.24	6.95	3.62
Fuel Oil 1.0%S (Cargo)	25.78	28.16	26.26	-1.90	-6.8	28.20	25.86	25.72	25.14	24.75	-6.36	-6.08	-8.49
Fuel Oil 3.0%S (Cargo)	22.64	23.61	22.79	-0.82	-3.5	23.18	22.68	22.66	22.63	22.38	-9.50	-10.63	-11.95
Singapore, Cargoes											Differential to Dubai		
Premium Unleaded 95	39.52	44.25	39.87	-4.39	-9.9	38.19	37.25	40.56	43.13	44.58	11.42	15.37	11.25
Naphtha	34.67	39.49	34.15	-5.34	-13.5	33.18	32.76	34.41	36.06	37.08	6.56	10.61	5.53
Jet/Kerosene	37.50	39.60	37.46	-2.15	-5.4	36.46	37.02	38.38	37.78	38.08	9.40	10.72	8.84
Gasoil	35.10	39.35	37.84	-1.51	-3.8	37.00	37.32	38.56	38.31	38.50	7.00	10.46	9.22
LSWR (0.3%S)	30.13	27.88	30.14	2.26	8.1	28.44	30.20	30.66	30.92	31.15	2.02	-1.00	1.52
HSFO (3.5%S 180cst)	24.85	26.29	26.19	-0.10	-0.4	26.60	26.12	26.35	25.77	26.10	-3.25	-2.59	-2.42
HSFO 4%S	24.93	26.18	26.10	-0.08	-0.3	26.42	25.95	26.39	25.70	25.94	-3.17	-2.70	-2.51

* From 1 November 2003 assessments for NYH are for Max 0.3% MTBE

European gasoline demand into the UK and Germany was said to be strong in February, in part due to refinery maintenance, helping to support NWE values. Refinery maintenance is also expected to be relatively heavy in March and April, encouraging stockbuilding to help satisfy customer requirements during the shutdown period. It was a similar picture in the Mediterranean market, with good demand still reported into the East Med and West Africa, supplementing movement to the US.

In the Far East, China returned as a net exporter of gasoline in February and March, having reduced exports in January to just 35,818 tonnes from a 2003 monthly average of over 628,000 tonnes. Volumes picked up in February, with trade sources suggesting that around 550,000 tonnes was shipped. Refinery maintenance is expected to reduce exports in March to around 400,000-450,000 tonnes, and local refiners expect annual exports to remain relatively close to last year's 7.5 mt volume as refiners maximise throughput to meet growing gasoil demand.

Northwest European and Mediterranean gasoil prices recovered dramatically from their early February lows as a transatlantic arbitrage both East and West helped clear surplus material out of the region. Refiners, attracted by the high premiums on the jet/kerosene market biased refinery operations away from gasoil to maximise returns. Mediterranean producers found good demand from the east of the region. Diesel prices were also supportive as a relatively heavy maintenance programme emerged. Much of the work is expected to focus on meeting 2005 European diesel specifications and could therefore impinge particularly on low sulphur middle distillate production.

US heating oil demand remained firm throughout February as cold weather helped maintain primary distillate offtake close to last year's high levels. However, towards the end of the month temperatures moderated towards normal levels. March still has the propensity to deliver cold weather, although average March temperatures in New York of 6°C are generally 4°C higher than February averages. Current forecasts suggests relatively normal monthly temperatures, but stocks, while at the lower end of the five-year range, should be sufficient to carry over to warmer spring weather.

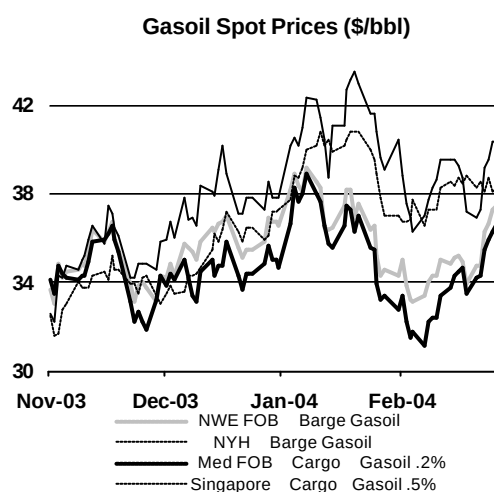
Gasoil trade in the Far East has been dominated by heavy buying by one regional trader who is reported to have taken around 10 million barrels of gasoil since late March. This has more than offset the 3.0-4.0 mb of gasoil reported to be arriving from India and the Middle East. The final destination for this material remains unclear, but reports suggest that the power shortages in China last year have led to a surge in diesel generation power, and demand could be very high in the summer months.

Despite a relatively positive performance by gasoil late in the month, crack spreads against sweet crudes have generally trended lower. Jet/kerosene prices fluctuated around \$38/bbl in February in both the Mediterranean and North West Europe, before surging at the end of the month. Like gasoil, jet crack spreads have performed poorly relative to sweet crude prices.

Jet premiums to gasoil narrowed during February, particularly in NWE where they moved close to parity. This was partly due to the tightness in Far Eastern gasoil that has been in place since January, but also due to refiners switching from gasoil to jet in order to maximise refinery margins. Increased availability of Middle Eastern jet has dampened sentiment, although the sharp decline in the premium, coupled with sharply increasing clean freight rates, is limiting arbitrage flows.

The US market however tends to see a broad seasonality in jet fuel prices, which typically reach their peak in Q1. Refiners use jet/kero for blending with imported Russian gasoil to meet domestic sulphur requirements. As refiners switch emphasis from gasoil production to gasoline or undergo maintenance at the tail-end of winter, the reliance on imported fuel increases, thus bolstering jet fuel prices. There has also been considerable fuel switching of natural gas with low sulphur jet/kero by utilities. This year US jet premiums over gasoil would appear to be following the usual seasonal trend, but the current spread is around \$1 higher than 2002 peaks and \$1.50 over 2001 peaks.

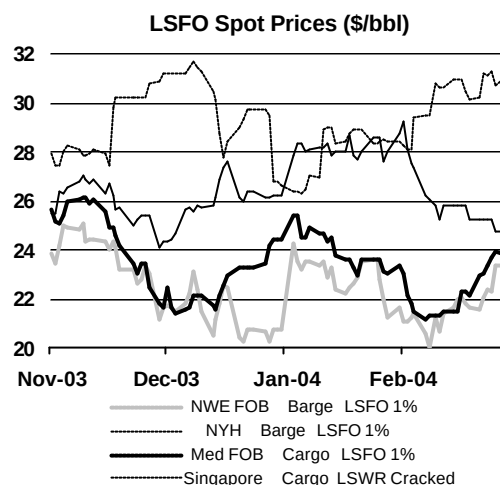
Japanese and Korean jet/kero stocks have fallen sharply, in line with seasonal trends, with the tightness in the gasoil market dominating sentiment. Jet/kero has therefore traded at a discount to



gasoil since January. However, although seasonality is working against jet/kero prices, refiner emphasis on gasoil production coupled with tail-end heating season demand could tighten the market in March.

The Singapore low sulphur waxy residue spread against Dubai was the only crack spread that held its own in February, with the high and low sulphur fuel oil cracks in the US, NWE and Mediterranean regions severely underperforming regional benchmark crudes and the other products. With refineries continuing to operate at high levels and producing more fuel oil and the switch of utilities from fuel oil to natural gas or lighter product alternatives, it is understandable that the fuel oil market is depressed. High freight rates are a sign of healthy bunker demand, but this is insufficient to lift the market, leaving crack spreads largely negative at the end of March – as milder weather returns.

In the Far East, prices have been depressed by arbitrage movements from Europe and the Caribbean. A number of cargoes are believed to have been booked from the Caribbean, Europe and the Middle East to Singapore in March. Up to 5 cargoes were provisionally reported to have been moving from Europe to the Far East in February, but all but one failed to be confirmed due to high freight rates and a dip in local prices. Similarly, it remains unclear how successful the recent bookings will prove. With Chinese refineries running flat out, there is high domestic production of fuel oil to meet utility and feedstock demand from smaller refiners. Although early February imports picked up significantly, there were reports of brimming storage at the main fuel oil import terminal of Huangpu during the month – hardly a scenario conducive for further high fuel oil imports. Japanese 'C' fuel oil stocks, although trending lower, are above year ago levels, which together with the restart of further nuclear capacity and warmer weather are less of an issue for the market.



Product Futures in February

The most significant feature of product futures trade over the past month is the moderation of the forward price declines for both gasoline and heating oil from the end of January. This flattening of the curve implies expectations of higher refinery returns throughout the remainder of 2004.

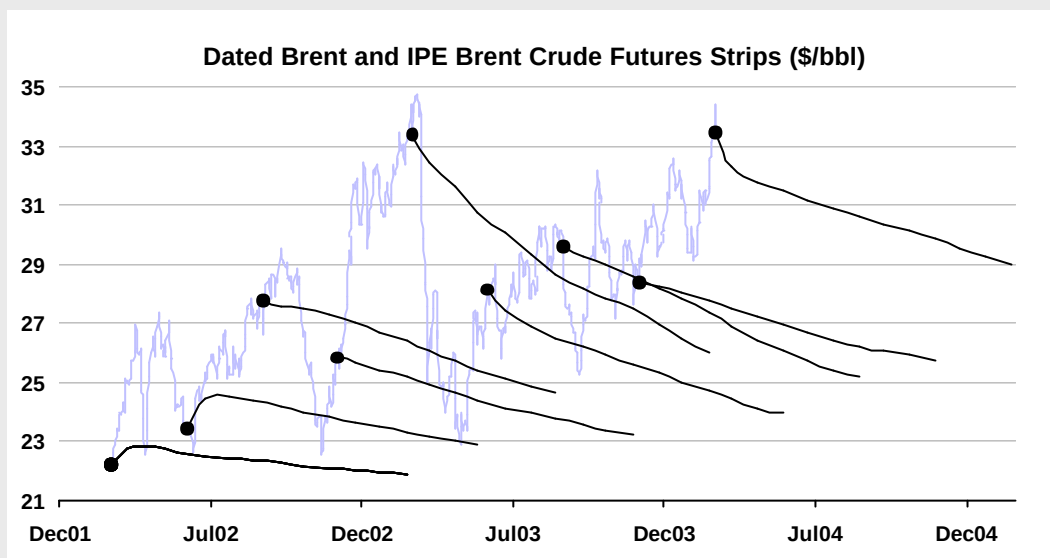
Product and crude prices are inextricably intertwined via refinery activity, which means that the movement of any single component has a pricing implication for the rest of the barrel. During winter the market focus can be on heating oil for example, meaning developments in this market can sway prices of crude and other products. At the moment, the focus is on gasoline and tightness in the crude market. From a futures perspective, the implications of shifts in forward product prices are often examined through the crack spread – a paper proxy for spot refining margins.

The synthetic futures refinery margin contract compiled using NYMEX futures only has three components, light crude (WTI), gasoline and heating oil. This compares with the multitude of crude and product specifications that are available on the spot market. Nevertheless, the two NYMEX products themselves account for over 80% of the output of a typical cracking refinery and often have strong price correlations to other middle to light distillate products. The futures crack spread therefore provides a good (if simple) basis for hedging gross refinery margins.

The NYMEX crack spread is generally used in two forms, the 321 crack in the ratio of 3 units of crude, 2 of gasoline and 1 unit of heating oil, or 211, with 2 units of crude to 1 unit each of the products.

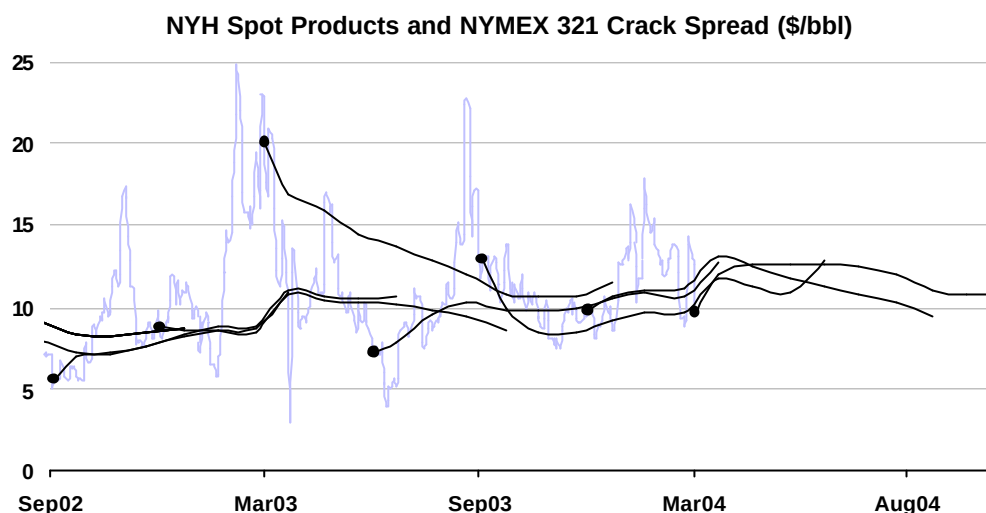
Futures Strip Charts

Futures strip charts display a time series of the underlying spot price (or front month future) displayed as thick continuous line, against snapshots of forward prices throughout this time series (thin black tails). This provides a useful barometer to compare the predictive nature of futures prices at a certain point in time with the actual evolution of spot prices (in crude this has been pretty poor of late). It can also show shifts in the forward structure of markets over time.



The forward structure of the crude market is predominantly in backwardation (lower forward prices). Backwardations generally occur when supplies are tight or there is an expectation of a large future increase of supply. In this condition the futures market provides the market's "best guess" of the future evolution of prices at a specific time interval. However, when a commodity market is in contango (higher forward prices) there may or may not be a predictive implication for prices. Contango markets are associated "normal to abundant" supplies and stocks. However, while a backwardation is in theory limitless in magnitude, contango forward structures are limited by the "cost of carry" i.e. the cost of buying a commodity, financing that purchase and paying associated storage costs. Therefore a contango market does not necessarily imply that there are expectations that prices will rise in the future, but possibly represents the existence (or expected existence) of abundant supplies.

In the oil futures markets the gasoline and heating oil tend to exhibit opposing seasonal trends. Heating oil prices tend to show an upwards swing in the third quarter to the end of the year (contango structure) to encourage refiners to produce material to put into storage to meet winter requirements and also to reflect the higher end-user demand. Prices then generally move into backwardation in the first quarter reflecting an expectation of lower spring demand and also the fact that refiners will wind down heating oil production in favour of higher gasoline yields ahead of the driving season. Gasoline typically follows an opposite seasonal pattern.



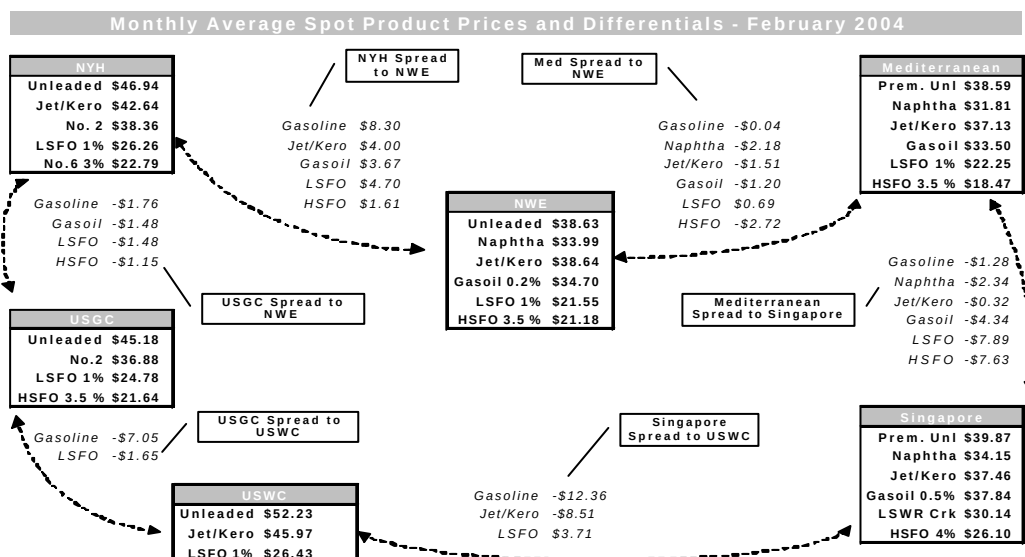
The strip chart of the 321 NYMEX crack spread highlights a number of factors.

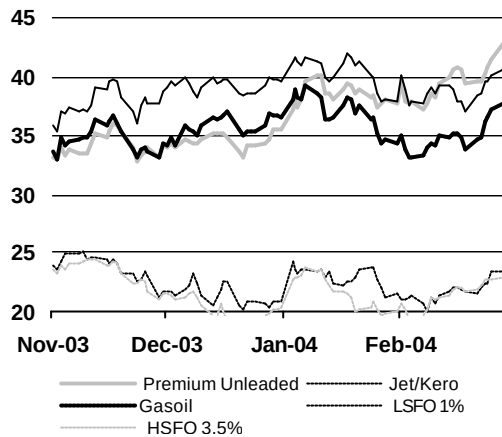
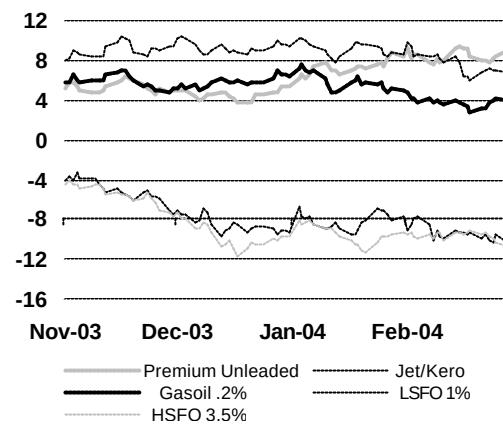
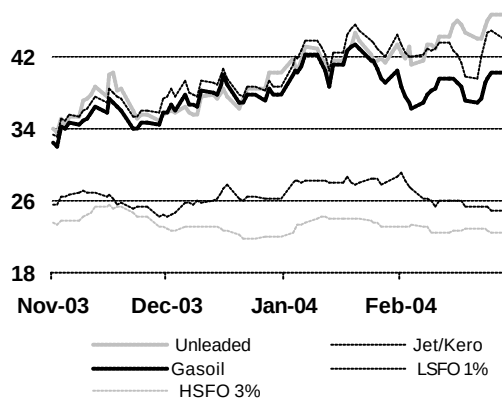
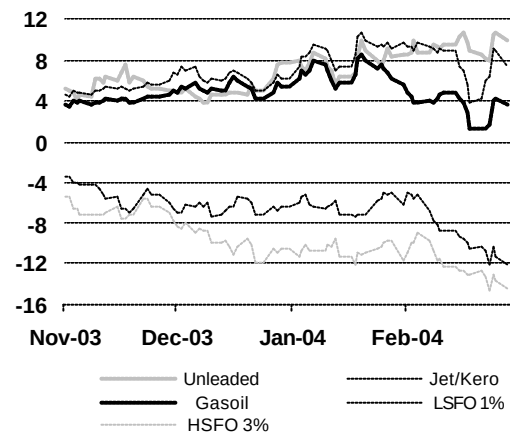
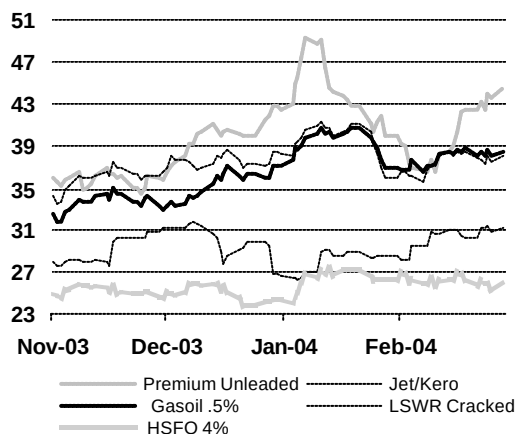
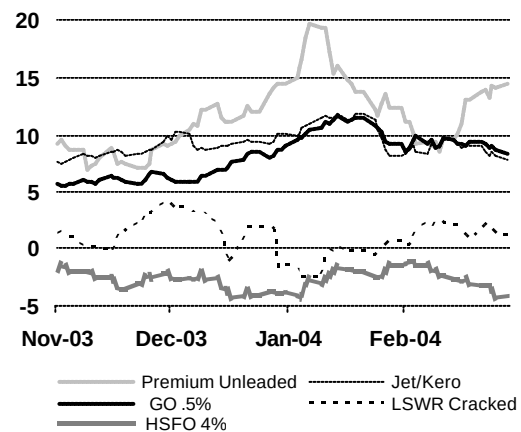
- ? Despite considerable upside volatility over the past few years, there appears to be reversion of the front-end crack spread towards normal levels, despite the persistently high price of crude.
- ? There is a general uptrend in the crack spread both in the nearby month and the forward strips.
- ? The forward strip curves over long periods often merge.

Bearing in mind that the NYMEX futures market represents domestic US contracts, it is not surprising that the spreads should revert to a “normal” refining margin pattern. Given a competitive market, refining profits should only be excessive when there is a clear disruption to supply and demand. Hence the tendency for both mean reversion of the near month and the convergence of the forward futures strips. The general uptrend in the crack spread also reflects the reduction in surplus capacity as demand increases and refiners use more complex and costly equipment to meet higher product specifications.

End-User Product Prices in February

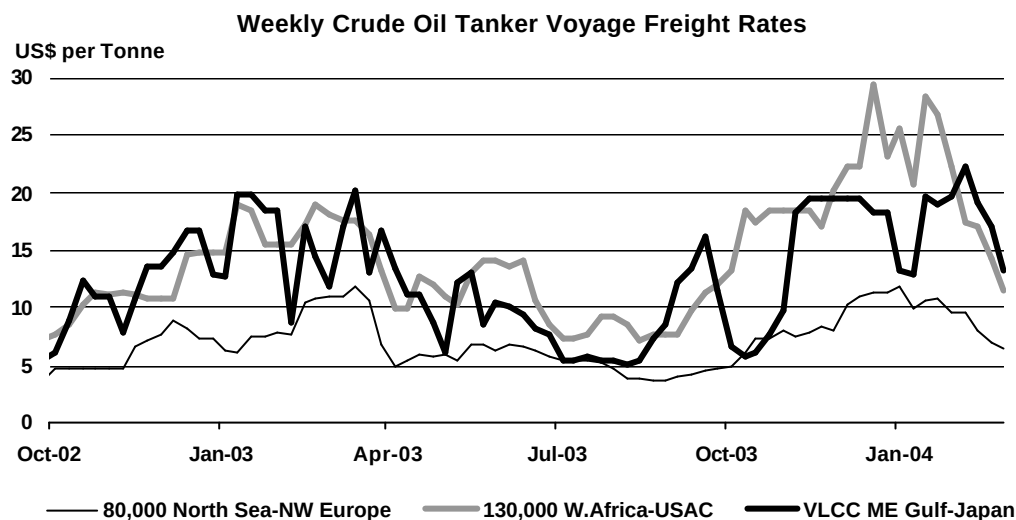
End user retail gasoline prices rose in February, reflecting the increase in spot prices, with the US market, which is at the heart of the tightness seeing the largest rises. The strength of the euro over the past year is however highlighted by the sharp year-on-year fall in European prices from a year ago, while US year-on-year prices are higher. The latest EIA weekly survey shows US retail gasoline prices at \$1.738/gallon, just 0.9 cents below the highest ever level. Diesel and heating oil trended higher in most regions, but the weakness in fuel oil prices saw broadly lower prices in Europe, Italy aside. Japanese fuel oil prices to industry were unchanged from January, but down 5.7% on the year.



\$/bbl Rotterdam Spot Product Prices**\$/bbl Rotterdam Spreads to Dated Brent****\$/bbl New York Harbour Spot Product Prices****\$/bbl New York Harbour Spreads to WTI****\$/bbl Singapore Spot Product Prices****\$/bbl Singapore Spreads to Dubai**

Freight

Dirty freight rates on some routes more than halved their January peaks by the end of February. Central to the tightness experienced at the turn of the year appeared to be the congestion problems in the Turkish Straits. Similarly, the easing of the congestion (which has now virtually cleared) and an improvement in loading weather helped to free up Aframax tankers which had been bottlenecked in the region. Regional freight rates had also been starting to come under pressure following an influx of tankers into the Mediterranean to take advantage of high rates. This in turn took pressure off the VLCC market, where some volumes had been moved to counter the shortage of smaller vessels.



The OPEC decision to reduce exports effective 1 April also increased uncertainty in the freight market. While it remains unclear how much volume the producer group will cut from current output, initial indications suggest that some output will indeed be cut.

Seasonality also tends to favour lower freight rates in the spring, with Far Eastern maintenance tending to impact tanker demand. However, offsetting these factors are the continued adjustments needed to comply with European double hull regulations.

While recent fixtures tend to imply a small pick-up in dirty freight rates in early March it appears likely that January's spike will prove to be the seasonal peak.

While dirty freight collapsed, clean tanker rates surged on a flurry of distillate movement to the Far East and US in early February and a surge in transatlantic gasoline movement from Europe towards the end of April/early March.

European refinery maintenance over the next few months could prove a double-edged sword. On the one hand the return of US refineries from maintenance and the movement of European refineries into maintenance, could mean both lower supply and demand for product shipments. However, it also means that should there be a surge in US demand for gasoline ahead of the driving season, supplies might have to come from further afield.

Refining Margins in February

Refinery margins trended lower in all regions in February, reflecting the end of the light product tightness (naphtha, gasoline and jet/kero) in the Far East towards the end of January. However fuel oil cracks continued to trend lower, further widening the spread between simple hydroskimming refineries and cracking facilities that produce higher yields of middle distillate and gasoline. Similarly sweet crudes continued to outperform sour.

Despite the downtrend, cracking margins remained at attractive levels, encouraging a maximisation of throughput where possible.

European refinery margins hit their nadir in mid-February as the support from high naphtha and jet premiums unwound, but recovered towards the end of the month as high gasoline prices prompted the movement of large volumes westwards to the US.

Refining Margins in Major Refining Centres

(\$/bbl)

	Monthly Averages			Feb-Jan		Week Ending:				
	Dec	Jan	Feb	Change	%	30 Jan	06 Feb	13 Feb	20 Feb	27 Feb
Refining Margins										
NW Europe										
Brent (Hydroskimming)	-1.02	-0.70	-1.58	-0.88		-0.29	-1.20	-2.47	-2.26	-1.74
Brent (Cracking)	0.84	1.60	0.91	-0.69		1.94	1.10	0.15	0.37	0.96
Mediterranean										
Urals (Hydroskimming)	-0.38	1.36	1.22	-0.14		1.61	1.74	0.55	1.21	0.80
Urals (Cracking)	1.74	3.80	3.79	-0.01		3.72	4.16	3.24	4.11	3.42
US Gulf Coast										
WTI (Cracking)	1.26	4.14	3.07	-1.08		3.94	3.63	3.56	1.32	3.56
Brent (Cracking)	0.50	3.41	4.11	0.70		3.78	3.20	3.75	3.53	4.43
Singapore										
Dubai (Hydroskimming)	1.61	3.55	2.39	-1.15		3.18	2.82	2.36	2.31	1.87
Dubai (Cracking)	4.89	7.76	5.78	-1.98		6.51	5.75	5.50	6.20	6.05
Gross Product Worth										
NW Europe										
Brent (Hydroskimming)	30.58	32.31	30.71	-1.60	-5.0	30.83	29.67	30.56	30.15	32.59
Brent (Cracking)	32.55	34.71	33.30	-1.41	-4.1	33.16	32.07	33.27	32.88	35.39
Mediterranean										
Urals (Hydroskimming)	28.14	30.42	29.04	-1.38	-4.5	28.59	27.94	28.91	29.11	30.79
Urals (Cracking)	30.36	32.96	31.71	-1.25	-3.8	30.80	30.47	31.69	32.12	33.51
US Gulf Coast										
WTI (Cracking)	34.50	39.48	38.91	-0.57	-1.5	38.02	37.14	39.42	38.28	40.71
Brent (Cracking)	34.20	39.01	38.38	-0.62	-1.6	37.55	36.67	38.87	37.77	40.14
Singapore										
Dubai (Hydroskimming)	30.23	32.95	31.52	-1.43	-4.3	31.50	31.05	31.44	32.19	31.79
Dubai (Cracking)	33.61	37.26	35.01	-2.25	-6.0	34.94	34.08	34.67	36.18	36.07

For the purposes of this Report, refining margins are calculated on the basis of an 'average' refinery that is running a 'typical' crude slate in a specific refining centre. 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.

Even the 8% gains in gasoline and gasoil prices in Northwest Europe between the end of January and end of February look modest compared with the 13% surge in Brent prices. Taken on an average basis the comparisons look less volatile, with cracking refinery net product worth in NWE losing 4% in February over the prior month, while Dated Brent fell by just 1% on average. It was a similar picture in the Med, with losses less severe due to the sharp fall in Urals differentials.

Brent cracking margins calculated at the US Gulf Coast outperformed their WTI equivalents as lower freight rates helped to reduce the cost of delivered crude. However, despite this, only gasoline outperformed WTI and Brent crudes on either a month-end or monthly average comparison. However the rise in prices was sufficiently large to offset underperformance by the other products.

Singapore cracking margins recovered sharply from early February lows, with gasoline once more the prime driving force. Average product net worth however suffered severe losses as the peak naphtha surge in January abated with word of fresh deliveries from the Middle East. Nevertheless margins remain extremely attractive in the region, but could come under pressure as the heating season wanes and gasoil and jet prices turn lower on a seasonal basis.

OECD Refinery Throughput in January

OECD refinery throughput dipped slightly to 38.9 mb/d from 39.5 mb/d in December. However, throughput remained 240 kb/d higher than January 2003 in the OECD, with the OECD Pacific as the only region to register year-on-year losses.

Heavy maintenance in the US refining industry lowered average January throughput to 14.8 mb/d from 15.3 mb/d in December 2003. Preliminary data shows US throughput falling to 14.7 mb/d in February, with most of the further decrease in runs taking place in the Gulf Coast region. Given turn of year predictions of a relatively heavy maintenance schedule, similar in scale to 2003, the relatively high level of runs would suggest either that the workload was overestimated, or domestic refiners are running virtually flat out with operable capacity. Given that average refinery margins in February 2003 were higher than typical prevailing returns, overestimation would appear the most likely cause. Maintenance was predicted to lighten to around 1 mb/d in March from around 1.1-1.3 mb/d in February, but there is little sign of a spill over of February work depressing throughput further.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day					Change from Jan 03			Utilisation rate ²	
	Aug 03	Sep 03	Oct 03	Nov 03	Dec 03	Jan 04	mb/d	%	Jan 04	Jan 03
OECD North America										
US ³	15.69	15.44	15.34	15.45	15.34	14.81	0.47	3.3	88.1	85.3
Canada	1.72	1.72	1.66	1.86	1.88	1.78	-0.03	-2.9	91.5	94.2
Mexico	1.27	1.25	1.21	1.16	1.21	1.19	-0.07	-1.7	76.4	70.7
Total	18.68	18.41	18.22	18.48	18.43	17.77	0.33	2.3	87.6	85.6
OECD Europe										
France	1.79	1.82	1.86	1.86	1.88	1.81	0.03	6.3	95.6	89.9
Germany	2.26	2.34	2.34	2.34	2.29	2.28	0.00	1.0	100.8	99.8
Italy	1.84	1.66	1.83	1.94	1.85	1.80	0.12	0.1	79.0	79.0
Netherlands	1.04	1.07	0.94	0.93	1.07	1.15	0.11	17.6	95.3	81.0
Spain	1.16	1.11	1.14	1.16	1.13	1.14	0.10	4.2	88.1	84.6
UK	1.62	1.46	1.43	1.59	1.65	1.53	-0.17	-3.3	85.5	88.4
Other OECD Europe	4.06	4.07	3.88	4.05	3.92	3.93	-0.04	2.3	85.4	83.5
Total	13.77	13.53	13.42	13.87	13.77	13.64	0.16	2.9	89.0	86.5
OECD Pacific										
Japan	3.89	3.78	3.91	4.10	4.25	4.36	-0.26	-1.1	87.8	88.9
Korea	1.83	1.93	2.23	2.31	2.31	2.38	0.08	3.8	93.1	89.7
Other OECD Pacific	0.71	0.70	0.73	0.68	0.73	0.76	-0.07	-11.6	79.9	90.4
Total	6.44	6.42	6.87	7.08	7.30	7.51	-0.24	-0.8	88.5	89.3
OECD Total	38.89	38.36	38.51	39.43	39.50	38.92	0.24	1.9	88.3	86.6

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US\$0

While refinery maintenance is due to lighten in the US, peak seasonal European maintenance of up to 1.2 mb/d is likely to be seen in March and April in preparation for the second phase of tighter EU particulate and sulphur regulations on diesel. Although some (predominantly NWE) refiners are already producing to the lower specification, refineries in UK, France, and the Mediterranean regions will be next to phase in equipment to meet the new specifications. This could have the effect of tightening the diesel product markets over the coming months, and forcing refiners to draw heavily on gasoline and distillate stocks to meet demand in Europe and call from the US.

Although OECD Pacific throughput remained at the lower end of the five-year range in January, some Japanese and Korean refiners remain positive about throughput levels this year, given a relatively buoyant economy, but stress the need to remain flexible. Attractive refining margins continue to persuade refiners to maintain throughput at high levels, but there is concern that the shoulder period between winter heating demand and summer cooling demand will lead to a glut of middle distillate fuel.

China remains the focal point of the region, although the general opacity of its refining and stock situation leaves most observers working from an incomplete picture. Refiners would appear to be working flat out, and the tightness in the gasoline and gasoil markets that was apparent at the turn of the year appears to have eased. China returned as a net-exporter of gasoline in February and plans to export slightly lower volumes in March. However, after a brief pick-up in fuel oil imports in early February, there were reports of brimming stocks at the main terminal of Huangpu. Although smaller Chinese refiners use fuel oil as a feedstock, the lack of demand from utilities in the early spring could act as a continued depressant on the regional crack spread. If the current high light product prices also dip, then there could be a sharp reversal in refinery run rates in the OECD Pacific region.

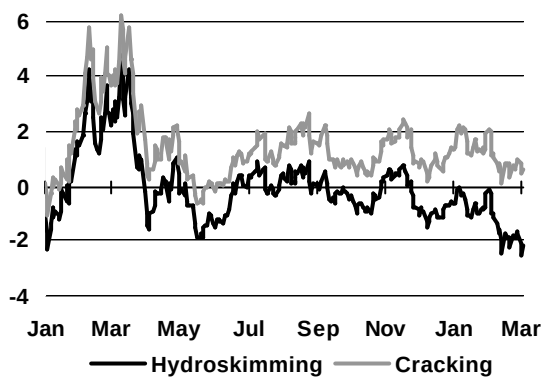
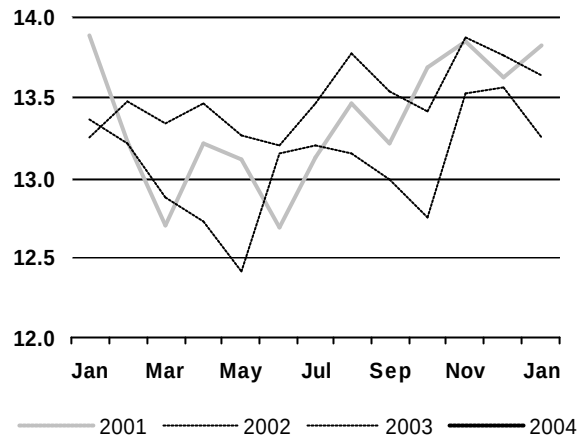
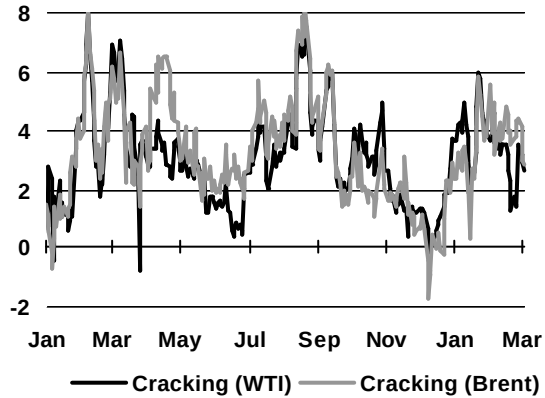
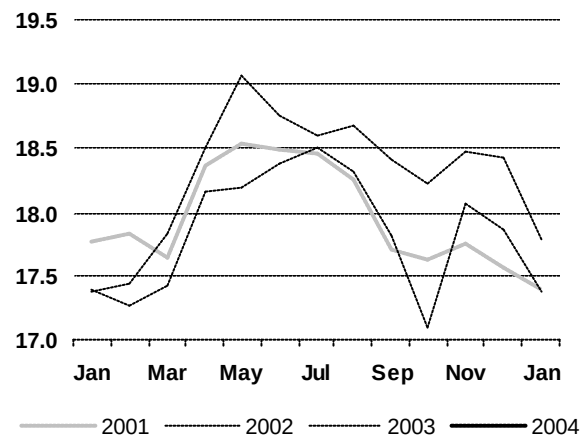
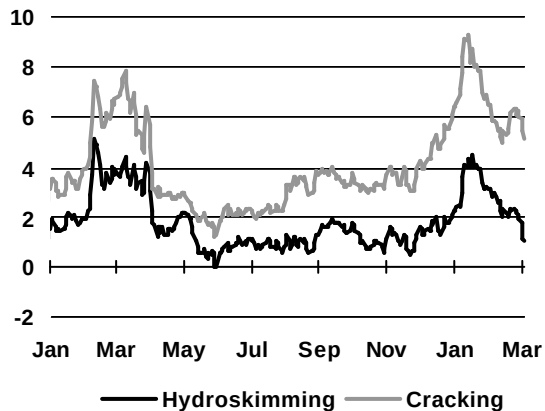
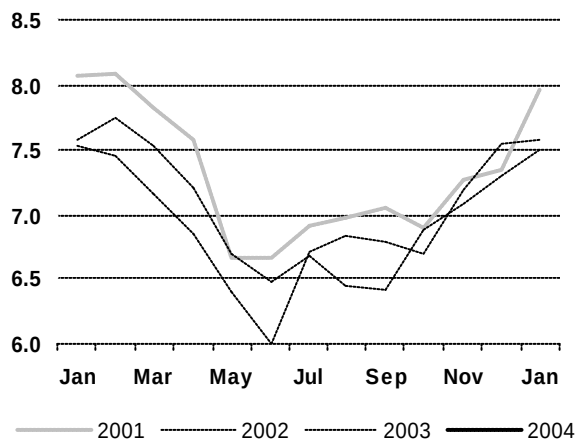
\$/bbl Rotterdam Refining Margins (Brent)**mb/d OECD Europe Crude Throughput****\$/bbl US Gulf Coast Refining Margins****mb/d OECD North America Crude Throughput****\$/bbl Singapore Refining Margins (Dubai)****mb/d OECD Pacific Crude Throughput**

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

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	24.1	24.0	23.9	24.0	24.3	24.3	24.2	24.6	24.2	24.9	24.9	24.6	24.7	24.3	25.3	25.3	24.9
Europe	15.1	15.3	15.2	14.6	15.2	15.4	15.1	15.2	15.0	15.3	15.4	15.2	15.3	15.2	15.4	15.6	15.4
Pacific	8.6	8.5	9.1	7.6	8.0	9.3	8.5	9.6	8.0	7.9	9.0	8.6	9.3	7.9	7.9	8.9	8.5
Total OECD	47.8	47.8	48.1	46.3	47.6	49.0	47.7	49.4	47.2	48.0	49.3	48.5	49.3	47.4	48.6	49.8	48.8
NON-OECD DEMAND																	
FSU	3.7	3.7	3.5	3.1	3.4	3.8	3.5	3.8	3.1	3.4	3.9	3.6	3.6	3.1	3.5	3.9	3.5
Europe	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
China	4.6	4.7	4.6	5.0	4.9	5.2	4.9	5.2	5.2	5.7	5.8	5.5	6.0	6.0	6.1	6.2	6.1
Other Asia	7.4	7.6	7.6	7.7	7.6	7.9	7.7	7.7	7.6	7.8	8.3	7.8	8.1	8.1	8.2	8.6	8.3
Latin America	4.9	4.9	4.7	4.8	4.9	4.7	4.8	4.5	4.6	4.8	4.7	4.7	4.5	4.7	4.8	4.8	4.7
Middle East	4.7	4.9	5.0	4.9	5.1	5.1	5.1	5.2	5.0	5.3	5.3	5.2	5.4	5.4	5.6	5.5	5.5
Africa	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.5	2.6	2.6	2.7	2.7	2.6	2.7	2.6
Total Non-OECD	28.4	29.0	28.8	28.9	29.1	30.1	29.2	29.8	28.9	30.3	31.5	30.1	31.1	30.7	31.5	32.5	31.4
Total Demand¹	76.2	76.8	76.9	75.2	76.7	79.1	77.0	79.1	76.1	78.3	80.7	78.6	80.4	78.0	80.1	82.3	80.2
OECD SUPPLY																	
North America	14.3	14.4	14.6	14.6	14.4	14.4	14.5	14.7	14.5	14.7	14.9	14.7	14.9	14.9	14.9	15.0	14.9
Europe	6.8	6.7	6.7	6.7	6.2	6.8	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.3	6.1	6.3	6.3
Pacific	0.9	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
Total OECD	21.9	21.8	22.1	22.1	21.4	21.9	21.9	22.1	21.3	21.4	21.9	21.7	22.0	21.7	21.6	21.9	21.8
NON-OECD SUPPLY																	
FSU	7.9	8.6	9.0	9.2	9.5	9.8	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.0	11.1	11.3	11.0
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Other Asia	2.3	2.3	2.4	2.4	2.4	2.5	2.4	2.5	2.5	2.4	2.5	2.5	2.6	2.6	2.6	2.6	2.6
Latin America	3.8	3.8	3.9	3.9	3.9	3.8	3.9	3.9	3.8	4.0	4.0	3.9	4.0	4.0	4.1	4.2	4.1
Middle East	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9
Africa	2.8	2.8	3.0	3.0	3.0	2.9	3.0	2.9	3.0	3.1	3.3	3.1	3.3	3.4	3.5	3.6	3.5
Total Non-OECD	22.4	23.1	23.9	24.2	24.6	24.7	24.3	24.8	25.1	25.5	26.1	25.4	26.3	26.5	26.7	27.2	26.7
Processing Gains ²	1.7	1.7	1.8	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8
Total Non-OPEC	46.0	46.6	47.8	48.0	47.7	48.4	48.0	48.8	48.2	48.7	49.8	48.9	50.1	50.1	50.1	50.9	50.3
OPEC																	
Crude ³	27.8	27.0	24.9	24.3	25.3	25.8	25.1	26.7	26.2	26.6	27.7	26.8					
NGLs	2.8	3.1	3.4	3.4	3.6	3.5	3.5	3.3	3.7	3.8	4.0	3.7	4.0	4.1	4.1	4.2	4.1
Total OPEC	30.7	30.2	28.3	27.7	28.9	29.3	28.6	29.9	29.8	30.4	31.7	30.5					
Total Supply⁴	76.7	76.8	76.1	75.7	76.6	77.7	76.5	78.7	78.0	79.1	81.5	79.3					
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	0.3	-0.3	0.6	-0.9	-1.1	-0.4	-0.6	1.3	0.5	-0.6	0.1					
Government	-0.1	0.0	0.2	0.1	0.1	0.3	0.2	0.2	0.0	0.2	0.3	0.2					
Total	0.2	0.3	-0.1	0.7	-0.8	-0.9	-0.3	-0.5	1.3	0.7	-0.3	0.3					
Floating Storage/Oil in Transit	0.1	-0.1	0.1	-0.3	0.2	-0.2	0.0	0.3	0.0	0.0	0.4	0.2					
Miscellaneous to balance ⁵	0.2	-0.3	-0.9	0.1	0.5	-0.4	-0.2	-0.3	0.5	0.2	0.6	0.3					
Total Stock Ch. & Misc	0.5	-0.1	-0.9	0.5	-0.1	-1.4	-0.5	-0.4	1.9	0.8	0.7	0.8					
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.4	27.1	25.7	23.8	25.4	27.2	25.5	27.1	24.2	25.8	27.0	26.0	26.2	23.9	25.8	27.2	25.8
Total Demand ex. FSU	72.5	73.2	73.5	72.1	73.3	75.2	73.5	75.4	73.0	74.9	76.9	75.0	76.8	75.0	76.6	78.4	76.7
Total demand exc. FSU (% ch) ⁷	0.9	0.9	-0.7	-0.2	0.8	1.9	0.5	2.6	1.2	2.1	2.2	2.0	1.9	2.7	2.4	2.0	2.3

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

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

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

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

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

⁶ Equals total demand minus total non-OPEC supply minus OPEC NGLs and thus includes "Miscellaneous to balance" for historical time periods

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

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

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	0.3	0.1	0.1	-	-	0.2	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-	-	0.1	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	0.1	-	-	-	-	-0.2	-	-	-	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.2	0.3	0.2	0.2
Other Asia	-	-	-	-	-	-	-	-	-	0.1	0.1	-	0.1	0.1	0.1	0.1	0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	0.1	-	0.1	0.2	0.1	0.1	0.3	0.4	0.4	0.3
Total Demand	-	-	-	-	-	-	-	0.1	-	0.1	0.3	0.1	-	0.3	0.4	0.4	0.3
OECD SUPPLY																	
North America	-	-	-	-	-	-0.2	-0.1	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-0.2	-0.1	-	-	-	-	-	-	-	-	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	-	0.1	0.1	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-0.2	-	-	-	-	-	-	-	0.1	0.1	-	-
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Supply	-	-	-	-	-	-0.2	-	-	-	-	-	-	-	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	0.1	-0.1	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-	-	-	-0.2	-0.1	-0.1	0.1	-0.1	-0.2	-0.1	-	-	-	-	-
Total Stock Ch. & Misc	-	-	-	-	-	-0.2	-0.1	-0.1	0.1	-	-0.3	-0.1	-	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	0.2	0.1	0.1	-0.1	-	0.3	0.1	-	0.3	0.4	0.4	0.3
Total Demand ex. FSU	-	-	-	-	-	-	-	-	-	0.1	0.3	0.1	0.3	0.3	0.4	0.4	0.4

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
OECD REGIONAL OIL DEMAND¹
(million barrels per day)

	August			September			Third Quarter			October			November		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%
North America															
LPG	2.77	2.78	0.3	2.81	2.86	2.1	2.76	2.71	-2.0	2.98	2.86	-3.9	3.08	2.97	-3.6
Naphtha	0.41	0.41	-1.0	0.45	0.44	-1.8	0.44	0.45	1.7	0.39	0.43	10.9	0.43	0.41	-4.3
Motor Gasoline	10.69	10.79	1.0	9.96	10.27	3.1	10.39	10.56	1.7	10.14	10.42	2.7	10.13	10.27	1.4
Jet/Kerosene	1.87	1.89	1.2	1.82	1.84	1.1	1.87	1.86	-0.3	1.90	1.87	-1.5	1.89	1.89	0.0
Gasoil	4.55	4.51	-0.7	4.55	4.74	4.1	4.53	4.59	1.4	4.74	4.91	3.4	4.81	4.69	-2.6
Residual Fuel Oil	1.29	1.58	22.4	1.29	1.29	0.0	1.29	1.45	12.0	1.32	1.33	0.9	1.38	1.30	-5.6
Other Products	3.13	3.21	2.3	2.92	3.12	6.7	3.07	3.23	5.4	2.76	2.94	6.4	2.70	2.88	6.9
Total	24.71	25.17	1.9	23.79	24.55	3.2	24.34	24.85	2.1	24.22	24.74	2.1	24.41	24.41	0.0
Europe															
LPG	0.89	0.95	6.5	0.83	0.96	16.0	0.87	0.96	10.2	0.92	0.95	3.1	0.95	1.00	4.9
Naphtha	1.09	1.11	1.6	1.10	1.17	6.3	1.09	1.11	2.5	1.12	1.10	-2.1	1.13	1.12	-0.6
Motor Gasoline	3.02	2.88	-4.8	2.88	2.93	1.6	3.01	2.94	-2.1	2.93	2.83	-3.6	2.82	2.64	-6.2
Jet/Kerosene	1.15	1.20	4.0	1.16	1.22	5.3	1.16	1.19	3.0	1.16	1.20	3.9	1.05	1.12	6.8
Gasoil	5.31	5.00	-6.0	5.91	6.13	3.8	5.67	5.60	-1.2	6.08	6.27	3.1	6.06	5.75	-5.1
Residual Fuel Oil	1.97	1.89	-3.8	1.90	1.96	2.8	1.96	1.92	-1.6	1.99	2.02	1.6	1.99	1.92	-3.7
Other Products	1.35	1.50	11.0	1.49	1.53	2.2	1.45	1.53	5.7	1.42	1.52	6.6	1.31	1.47	11.6
Total	14.80	14.53	-1.8	15.28	15.90	4.0	15.19	15.26	0.5	15.61	15.87	1.7	15.31	15.02	-1.9
Pacific															
LPG	0.79	0.73	-8.1	0.79	0.76	-4.2	0.80	0.76	-5.6	0.85	0.77	-8.7	0.97	0.83	-14.0
Naphtha	1.51	1.53	1.1	1.51	1.48	-1.9	1.54	1.50	-2.5	1.46	1.52	4.1	1.55	1.59	2.2
Motor Gasoline	1.75	1.71	-2.4	1.62	1.64	1.2	1.68	1.66	-0.9	1.55	1.60	3.4	1.60	1.62	1.7
Jet/Kerosene	0.73	0.70	-4.2	0.86	0.74	-14.6	0.76	0.69	-8.3	0.97	1.02	5.2	1.38	1.12	-18.6
Gasoil	1.83	1.79	-1.8	1.87	1.84	-1.7	1.82	1.80	-1.1	1.92	1.97	2.5	2.02	1.96	-3.0
Residual Fuel Oil	0.96	0.96	-0.4	1.04	1.05	1.1	1.00	1.01	0.7	1.06	1.15	8.4	1.23	1.16	-5.8
Other Products	0.43	0.44	2.9	0.47	0.49	3.4	0.44	0.46	5.4	0.48	0.44	-8.0	0.59	0.49	-16.1
Total	8.00	7.85	-1.8	8.16	7.99	-2.1	8.03	7.88	-1.9	8.28	8.46	2.3	9.33	8.77	-6.0
OECD															
LPG	4.46	4.46	0.1	4.43	4.59	3.6	4.44	4.43	-0.2	4.74	4.58	-3.4	5.00	4.80	-4.0
Naphtha	3.01	3.04	1.0	3.06	3.09	1.1	3.07	3.06	-0.1	2.96	3.04	2.6	3.11	3.12	0.3
Motor Gasoline	15.46	15.38	-0.5	14.46	14.84	2.6	15.07	15.17	0.6	14.62	14.84	1.5	14.54	14.54	0.0
Jet/Kerosene	3.75	3.79	1.0	3.84	3.80	-1.1	3.78	3.74	-0.9	4.02	4.09	1.7	4.32	4.13	-4.3
Gasoil	11.68	11.30	-3.3	12.32	12.70	3.1	12.01	11.99	-0.2	12.74	13.14	3.1	12.89	12.40	-3.8
Residual Fuel Oil	4.22	4.43	5.0	4.23	4.29	1.5	4.25	4.38	3.1	4.37	4.50	3.1	4.60	4.37	-4.8
Other Products	4.91	5.15	4.8	4.88	5.13	5.0	4.95	5.22	5.5	4.66	4.90	5.0	4.60	4.84	5.3
Total	47.50	47.55	0.1	47.23	48.44	2.6	47.56	47.99	0.9	48.12	49.08	2.0	49.06	48.20	-1.7

¹ Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada. Data based on Monthly Oil Questionnaire submitted by OECD countries in tonnes, and converted to barrels. Data may differ slightly from Table 1.

Table 3
OIL DEMAND AND % GROWTH IN DEMAND IN SELECTED OECD COUNTRIES¹
(million barrels per day)

	Third Quarter			October			November			December			Fourth Quarter		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%
United States²															
LPG	2.02	1.96	-2.9	2.20	2.04	-7.2	2.25	2.16	-4.1	2.34	2.47	5.1	2.27	2.22	-1.9
Naphtha	0.32	0.34	4.6	0.25	0.31	20.6	0.31	0.32	5.7	0.30	0.28	-5.0	0.28	0.30	6.4
Motor Gasoline	9.05	9.18	1.5	8.81	9.04	2.5	8.83	8.95	1.4	8.89	9.00	1.2	8.85	9.00	1.7
Jet/Kerosene	1.65	1.65	-0.2	1.68	1.63	-2.9	1.68	1.68	-0.1	1.80	1.78	-1.2	1.72	1.69	-1.4
Gasoil	3.71	3.74	0.8	3.81	3.97	4.1	3.93	3.78	-3.7	3.93	4.06	3.3	3.89	3.94	1.3
Residual Fuel Oil	0.62	0.78	26.9	0.65	0.71	9.7	0.79	0.70	-10.7	0.83	0.82	-1.7	0.76	0.74	-1.4
Other Products	2.54	2.63	3.3	2.28	2.36	3.6	2.21	2.36	6.7	1.84	2.31	25.0	2.11	2.34	11.0
Total	19.92	20.29	1.8	19.68	20.05	1.9	19.99	19.95	-0.2	19.94	20.72	3.9	19.87	20.24	1.9
Japan³															
LPG	0.47	0.45	-4.4	0.50	0.46	-8.5	0.61	0.48	-21.7	0.65	0.62	-3.8	0.58	0.52	-11.2
Naphtha	0.84	0.81	-4.5	0.84	0.84	-0.4	0.86	0.88	2.5	0.90	0.95	5.2	0.87	0.89	2.5
Motor Gasoline	1.12	1.09	-2.3	1.01	1.04	2.9	1.04	1.04	0.2	1.10	1.13	3.0	1.05	1.07	2.1
Jet/Kerosene	0.50	0.45	-10.1	0.61	0.68	11.8	0.98	0.75	-24.2	1.26	1.15	-8.4	0.95	0.86	-9.4
Diesel	0.67	0.63	-5.5	0.68	0.67	-0.5	0.69	0.64	-6.7	0.69	0.67	-2.7	0.69	0.66	-3.3
Other Gasoil	0.50	0.49	-1.7	0.51	0.54	5.9	0.60	0.53	-10.9	0.68	0.65	-4.7	0.60	0.58	-3.7
Residual Fuel Oil	0.56	0.57	2.4	0.59	0.64	8.4	0.67	0.63	-5.9	0.73	0.64	-12.6	0.66	0.64	-4.1
Direct use of Crude Oil	0.06	0.08	22.5	0.09	0.06	-35.3	0.13	0.07	-43.2	0.23	0.08	-65.3	0.15	0.07	-53.2
Other Products	0.30	0.30	-1.4	0.29	0.29	0.8	0.35	0.32	-10.2	0.35	0.26	-26.4	0.33	0.29	-12.8
Total	5.03	4.87	-3.1	5.11	5.21	2.0	5.93	5.34	-9.9	6.59	6.15	-6.6	5.87	5.57	-5.2
Germany															
LPG	0.09	0.09	-2.3	0.07	0.07	1.1	0.07	0.08	7.0	0.08	0.08	-10.7	0.07	0.07	-1.5
Naphtha	0.40	0.37	-7.7	0.42	0.39	-8.2	0.38	0.40	6.6	0.41	0.43	5.1	0.40	0.41	0.9
Motor Gasoline	0.65	0.61	-5.2	0.65	0.61	-5.5	0.62	0.58	-5.9	0.60	0.58	-4.5	0.62	0.59	-5.3
Jet/Kerosene	0.16	0.16	1.1	0.16	0.16	6.0	0.14	0.16	12.3	0.13	0.13	0.2	0.14	0.15	6.3
Diesel	0.55	0.61	9.8	0.55	0.61	10.7	0.57	0.61	7.5	0.49	0.53	8.2	0.54	0.58	8.8
Other Gasoil	0.73	0.54	-26.2	0.65	0.59	-8.7	0.68	0.48	-30.4	0.69	0.58	-16.6	0.68	0.55	-18.6
Residual Fuel Oil	0.18	0.18	-0.1	0.18	0.18	4.4	0.20	0.18	-5.6	0.18	0.19	5.9	0.18	0.19	1.4
Other Products	0.12	0.09	-21.1	0.10	0.12	20.8	0.09	0.12	28.6	0.04	0.07	58.6	0.08	0.10	31.0
Total	2.88	2.65	-7.9	2.77	2.74	-1.0	2.75	2.61	-5.0	2.64	2.59	-2.0	2.72	2.65	-2.7
Italy															
LPG	0.10	0.10	4.7	0.12	0.11	-4.8	0.12	0.12	4.9	0.16	0.17	5.7	0.13	0.13	2.3
Naphtha	0.07	0.09	26.0	0.07	0.08	2.7	0.07	0.07	-8.7	0.07	0.05	-20.9	0.07	0.07	-8.7
Motor Gasoline	0.40	0.41	1.7	0.40	0.37	-5.4	0.36	0.37	4.1	0.38	0.36	-5.4	0.38	0.37	-2.5
Jet/Kerosene	0.07	0.10	42.3	0.07	0.09	21.8	0.07	0.08	19.2	0.07	0.08	13.6	0.07	0.08	18.2
Diesel	0.42	0.48	15.5	0.46	0.57	23.0	0.44	0.52	18.3	0.43	0.46	6.3	0.45	0.52	16.0
Other Gasoil	0.14	0.09	-39.8	0.20	0.12	-38.7	0.18	0.12	-31.6	0.21	0.14	-35.0	0.20	0.13	-35.2
Residual Fuel Oil	0.47	0.43	-8.4	0.43	0.42	-2.7	0.37	0.36	-1.0	0.41	0.41	-0.7	0.40	0.40	-1.5
Other Products	0.15	0.15	-1.1	0.16	0.14	-12.2	0.17	0.13	-20.0	0.12	0.16	38.4	0.15	0.15	-1.7
Total	1.82	1.85	1.5	1.91	1.90	-0.5	1.77	1.79	0.8	1.85	1.83	-1.2	1.84	1.84	-0.3
France															
LPG	0.09	0.09	5.0	0.12	0.11	-4.1	0.13	0.12	-3.7	0.14	0.16	15.4	0.13	0.13	3.1
Naphtha	0.17	0.22	29.5	0.15	0.20	31.4	0.14	0.21	45.0	0.15	0.23	53.2	0.15	0.21	43.0
Motor Gasoline	0.33	0.30	-8.0	0.31	0.28	-8.3	0.29	0.24	-15.8	0.26	0.27	1.0	0.29	0.27	-7.9
Jet/Kerosene	0.15	0.16	8.6	0.13	0.15	14.9	0.14	0.15	8.3	0.14	0.15	5.0	0.14	0.15	9.3
Diesel	0.62	0.62	0.6	0.65	0.65	-0.2	0.62	0.57	-7.7	0.55	0.60	8.1	0.61	0.61	-0.1
Other Gasoil	0.34	0.34	-0.9	0.38	0.42	11.1	0.36	0.32	-9.6	0.38	0.46	20.0	0.37	0.40	7.7
Residual Fuel Oil	0.10	0.10	5.5	0.13	0.13	2.9	0.13	0.11	-14.1	0.14	0.12	-15.1	0.13	0.12	-8.9
Other Products	0.19	0.23	19.8	0.19	0.23	21.7	0.17	0.20	15.3	0.15	0.19	26.5	0.17	0.21	21.1
Total	1.99	2.07	4.3	2.07	2.20	6.0	1.98	1.93	-2.5	1.91	2.16	13.1	1.99	2.10	5.5
United Kingdom															
LPG	0.16	0.16	-1.9	0.15	0.15	-5.7	0.16	0.16	0.6	0.16	0.18	11.1	0.16	0.16	2.1
Naphtha	0.04	0.05	41.8	0.05	0.06	30.1	0.07	0.05	-27.4	0.06	0.04	-29.9	0.06	0.05	-13.0
Motor Gasoline	0.45	0.45	-1.4	0.44	0.42	-5.2	0.46	0.42	-9.0	0.43	0.44	1.8	0.45	0.43	-4.2
Jet/Kerosene	0.29	0.29	-2.9	0.33	0.33	-2.4	0.30	0.30	0.2	0.35	0.36	4.0	0.33	0.33	0.7
Diesel	0.35	0.35	-0.9	0.37	0.35	-5.4	0.37	0.36	-3.9	0.32	0.34	8.2	0.35	0.35	-0.7
Other Gasoil	0.16	0.15	-6.1	0.16	0.16	1.4	0.15	0.15	-1.6	0.15	0.15	-3.6	0.16	0.15	-1.3
Residual Fuel Oil	0.08	0.08	10.9	0.08	0.10	16.9	0.10	0.10	5.7	0.10	0.11	8.6	0.09	0.10	10.0
Other Products	0.16	0.13	-16.3	0.13	0.13	-2.3	0.12	0.15	22.9	0.12	0.13	4.6	0.12	0.13	7.8
Total	1.69	1.66	-1.9	1.72	1.69	-1.9	1.75	1.70	-2.6	1.69	1.75	3.3	1.72	1.71	-0.4
Canada															
LPG	0.29	0.30	2.6	0.31	0.35	11.5	0.35	0.34	-3.7	0.36	0.32	-10.4	0.34	0.34	-1.4
Naphtha	0.08	0.07	-8.0	0.07	0.09	15.5	0.08	0.07	-9.8	0.08	0.07	-11.3	0.08	0.08	-2.2
Motor Gasoline	0.73	0.73	0.8	0.69	0.71	2.3	0.68	0.68	0.5	0.66	0.69	3.1	0.68	0.69	2.0
Jet/Kerosene	0.12	0.12	-1.5	0.12	0.14	17.3	0.12	0.12	1.8	0.10	0.10	4.4	0.11	0.12	8.2
Diesel	0.18	0.18	1.2	0.19	0.19	2.3	0.18	0.18	1.6	0.15	0.16	4.3	0.17	0.18	2.7
Other Gasoil	0.28	0.29	4.8	0.35	0.33	-6.1	0.34	0.34	1.3	0.35	0.38	10.1	0.35	0.35	1.7
Residual Fuel Oil	0.13	0.16	23.5	0.14	0.17	19.9	0.17	0.19	9.9	0.18	0.22	25.4	0.16	0.19	18.5
Other Products	0.32	0.31	-2.1	0.29	0.29	-1.4	0.27	0.25	-7.6	0.24	0.28	16.5	0.27	0.27	2.1
Total	2.13	2.17	2.1	2.18	2.27	4.2	2.17	2.16	-0.5	2.12	2.23	4.9	2.16	2.22	2.9

¹ Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. Data based on Monthly Oil Questionnaire submitted by OECD countries in tonnes, and converted to barrels. Data may differ slightly from Table 1.

² US figures exclude US territories.

³ In Japan, the breakdown between Diesel and Other Gasoil in the latest month is estimated.

Table 4
WORLD OIL PRODUCTION
(million barrels per day)

	2002	2003	2004	3Q03	4Q03	1Q04	2Q04	3Q04	Dec 03	Jan 04	Feb 04
OPEC											
Crude Oil											
Saudi Arabia	7.38	8.48		8.29	8.24				8.25	8.25	8.25
Iran	3.40	3.79		3.86	3.98				3.95	3.90	3.95
Iraq	2.01	1.33		1.07	1.82				1.97	2.04	1.94
UAE	1.99	2.29		2.28	2.26				2.35	2.28	2.28
Kuwait	1.60	1.87		1.84	1.97				2.00	1.95	1.95
Neutral Zone	0.54	0.61		0.60	0.61				0.61	0.61	0.60
Qatar	0.64	0.74		0.73	0.74				0.75	0.75	0.75
Nigeria	1.97	2.15		2.17	2.28				2.31	2.35	2.32
Libya	1.32	1.42		1.42	1.45				1.46	1.47	1.48
Algeria	0.85	1.11		1.14	1.15				1.15	1.13	1.13
Venezuela	2.29	2.01		2.24	2.21				2.22	2.19	2.16
Indonesia	1.11	1.01		1.00	1.00				0.98	0.98	0.99
Total Crude Oil	25.08	26.80		26.63	27.72				27.99	27.88	27.79
Total NGLs ¹	3.47	3.67	4.10	3.81	3.96	4.01	4.05	4.11	3.97	4.00	4.01
Total OPEC	28.55	30.47		30.43	31.68				31.95	31.88	31.80
NON-OPEC²											
OECD											
North America	14.50	14.70	14.93	14.72	14.86	14.95	14.88	14.86	14.93	14.89	15.00
United States	8.06	7.92	8.04	7.86	7.90	8.00	8.05	8.02	7.85	7.93	8.02
Mexico	3.59	3.79	3.80	3.83	3.84	3.84	3.81	3.77	3.89	3.85	3.83
Canada	2.86	3.00	3.09	3.04	3.12	3.11	3.01	3.08	3.18	3.12	3.15
Europe	6.61	6.32	6.28	6.01	6.41	6.44	6.27	6.13	6.48	6.48	6.43
UK	2.50	2.28	2.19	2.13	2.25	2.28	2.16	2.14	2.28	2.32	2.24
Norway	3.33	3.25	3.27	3.10	3.35	3.35	3.29	3.17	3.41	3.36	3.38
Others	0.78	0.79	0.82	0.78	0.81	0.81	0.83	0.83	0.79	0.81	0.81
Pacific	0.76	0.65	0.61	0.66	0.59	0.62	0.60	0.61	0.64	0.63	0.60
Australia	0.71	0.61	0.56	0.62	0.55	0.57	0.55	0.56	0.58	0.59	0.56
Others	0.05	0.05	0.05	0.05	0.04	0.05	0.05	0.05	0.06	0.04	0.05
Total OECD	21.88	21.68	21.81	21.39	21.86	22.00	21.74	21.60	22.04	22.01	22.04
NON-OECD											
Former USSR	9.37	10.31	11.04	10.48	10.74	10.83	10.97	11.11	10.79	10.78	10.86
Russia	7.66	8.49	9.09	8.68	8.82	8.91	9.01	9.16	8.85	8.89	8.93
Others	1.71	1.83	1.96	1.80	1.92	1.92	1.96	1.95	1.94	1.90	1.93
Asia	5.80	5.90	6.01	5.82	5.95	6.00	6.00	5.99	6.02	6.02	5.98
China	3.39	3.41	3.40	3.38	3.41	3.41	3.40	3.39	3.44	3.42	3.41
Malaysia	0.79	0.83	0.86	0.82	0.85	0.87	0.86	0.86	0.87	0.87	0.86
India	0.78	0.78	0.79	0.76	0.81	0.80	0.79	0.78	0.81	0.81	0.80
Others	0.85	0.88	0.96	0.86	0.88	0.92	0.95	0.96	0.91	0.92	0.92
Europe	0.18	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Latin America	3.90	3.93	4.08	3.98	4.01	4.01	4.02	4.07	3.99	3.97	4.03
Brazil	1.72	1.77	1.84	1.80	1.76	1.78	1.80	1.82	1.76	1.74	1.80
Argentina	0.80	0.78	0.76	0.79	0.77	0.77	0.77	0.76	0.77	0.77	0.77
Colombia	0.59	0.55	0.53	0.56	0.54	0.53	0.53	0.52	0.53	0.54	0.53
Ecuador	0.40	0.43	0.54	0.44	0.53	0.53	0.53	0.55	0.53	0.53	0.53
Others	0.39	0.40	0.41	0.41	0.40	0.39	0.40	0.41	0.40	0.40	0.39
Middle East³	2.10	1.99	1.91	1.97	1.98	1.95	1.92	1.89	1.99	1.95	1.96
Oman	0.90	0.83	0.79	0.81	0.84	0.82	0.80	0.78	0.85	0.82	0.82
Syria	0.55	0.53	0.50	0.52	0.52	0.51	0.50	0.49	0.51	0.51	0.51
Yemen	0.45	0.44	0.42	0.44	0.44	0.43	0.43	0.42	0.44	0.43	0.43
Africa	2.98	3.07	3.46	3.09	3.26	3.32	3.44	3.50	3.31	3.30	3.32
Egypt	0.75	0.75	0.73	0.74	0.74	0.73	0.73	0.73	0.74	0.73	0.73
Angola	0.90	0.88	0.98	0.88	0.91	0.94	0.95	0.98	0.95	0.95	0.94
Gabon	0.25	0.24	0.24	0.24	0.25	0.24	0.24	0.23	0.25	0.24	0.24
Others	1.09	1.20	1.51	1.23	1.36	1.41	1.52	1.56	1.38	1.38	1.41
Total Non-OECD	24.33	25.38	26.67	25.52	26.10	26.29	26.51	26.72	26.27	26.20	26.31
Processing Gains ⁴	1.76	1.80	1.83	1.78	1.82	1.85	1.81	1.81	1.82	1.85	1.85
TOTAL NON-OPEC	47.97	48.86	50.32	48.70	49.79	50.15	50.07	50.14	50.14	50.06	50.20
TOTAL SUPPLY	76.52	79.33		79.13	81.47				82.09	81.94	82.00

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

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

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

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

Table 4A
OIL SUPPLY IN OECD COUNTRIES¹
(thousand of barrels per day)

	2002	2003	2004	3Q03	4Q03	1Q04	2Q04	3Q04	Dec-03	Jan-04	Feb-04
United States											
Alaska	986	979	933	941	969	963	946	895	961	980	939
California	790	760	728	757	752	743	733	723	752	745	743
Texas	1129	1118	1090	1122	1118	1108	1096	1084	1119	1111	1108
Federal Gulf of Mexico ²	1568	1677	1843	1653	1632	1710	1815	1887	1645	1671	1706
Other US Lower 48	1288	1243	1184	1233	1235	1215	1194	1173	1235	1221	1214
NGLs ³	1881	1717	1871	1706	1795	1867	1875	1860	1724	1810	1920
Other Hydrocarbons	417	421	393	444	397	392	393	393	415	390	390
Total	8059	7916	8040	7855	7898	7998	8052	8015	7851	7929	8020
Canada											
Alberta Light/Medium/Heavy	659	629	609	624	621	616	596	615	616	618	617
Alberta Bitumen	301	347	372	377	351	367	354	373	350	363	368
Saskatchewan	421	417	421	416	427	426	411	425	428	426	426
Other Crude	366	411	410	398	412	411	423	382	397	388	424
NGLs	672	674	673	630	702	690	655	655	725	710	690
Synthetic Crudes	440	518	605	590	604	599	572	625	669	610	625
Total	2858	2996	3090	3036	3118	3110	3011	3075	3184	3115	3149
Mexico											
Crude	3177	3371	3368	3414	3411	3408	3383	3341	3455	3417	3400
NGLs	408	418	430	415	430	430	430	430	437	431	430
Total	3585	3789	3798	3830	3842	3839	3813	3771	3892	3848	3830
UK Offshore⁴											
Brent Fields	243	217	190	210	180	189	191	191	184	189	179
Forties Fields	794	730	699	695	728	731	689	690	726	744	719
Ninian Fields	107	90	96	87	80	96	95	98	85	99	97
Flotta Fields	132	108	99	103	114	107	98	97	112	111	104
Other Fields	963	911	839	851	905	871	822	820	881	891	855
NGLs	211	183	225	137	194	240	220	200	249	240	240
Total	2450	2239	2149	2081	2202	2234	2115	2096	2237	2274	2194
Norway⁴											
Ekofisk-Ula Area	490	479	447	458	486	480	459	401	484	487	482
Oseberg-Troll Area	754	756	749	751	793	768	756	728	818	782	771
Statfjord-Gullfaks Area	874	869	820	848	881	869	821	794	900	873	882
Haltenbanken Area	716	582	525	546	545	553	524	505	552	553	562
Sleipner-Frigg Area	157	173	320	142	209	275	324	339	225	255	274
NGLs	335	388	404	356	436	406	401	402	428	410	409
Total	3325	3247	3265	3101	3349	3350	3285	3169	3407	3359	3380
Other OECD Europe											
Other N Sea Crude/NGLs ⁵	437	443	449	432	452	453	452	448	440	450	456
UK Onshore	54	45	41	47	46	44	42	40	46	45	44
Italy	84	90	112	90	88	95	113	120	85	90	95
Turkey	47	45	44	45	44	44	44	44	44	44	44
Other	159	160	163	162	164	164	163	162	168	163	164
NGLs (excl. North Sea)	27	22	24	18	23	24	24	24	27	23	25
Non-Conventional Oils	29	31	30	34	36	31	30	29	23	36	28
Total	837	837	862	827	854	855	868	867	832	851	856
Australia											
Gippsland Basin	140	117	95	121	109	103	98	93	106	106	102
Cooper-Eromanga Basin	25	24	24	25	24	24	24	24	24	24	24
Carnarvon Basin	359	314	290	319	284	307	286	290	316	330	299
Other Crude	104	70	56	64	58	55	55	55	57	56	54
NGLs	79	81	96	89	74	79	85	97	80	74	79
Total	707	605	561	617	549	569	547	558	582	590	558
Other OECD Pacific											
New Zealand	31	24	23	25	22	23	23	23	29	22	23
Japan	5	6	6	6	6	6	6	6	6	6	6
NGLs	18	17	17	15	17	17	17	17	20	17	17
Synthetic Fuels	0	0	0	0	0	0	0	0	0	0	0
Total	53	47	47	45	45	46	47	47	55	45	46
OECD											
Crude Oil	17351	17197	17036	16951	17138	17217	17028	16858	17233	17251	17173
NGLs	3639	3509	3747	3374	3682	3762	3715	3693	3701	3723	3818
Non-Conventional Oils	886	971	1028	1068	1037	1023	995	1048	1107	1036	1043
Total	21876	21677	21812	21393	21857	22002	21738	21598	22040	22010	22034

¹ Subcategories refer to crude oil only unless otherwise noted

² Only production from Federal waters is included

³ When possible, condensates from natural gas processing plants are included with NGLs, while field condensates are counted as crude oil

⁴ North Sea production is grouped by area including all fields being processed through the named facility, i.e. not just the field of that name

⁵ Other North Sea NGLs is included

Table 5
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Sep2003	Oct2003	Nov2003	Dec2003	Jan2004*	Jan2001	Jan2002	Jan2003	1Q2003	2Q2003	3Q2003	4Q2003
North America												
Crude	388.0	400.1	395.2	376.0	378.0	401.8	429.8	380.3	0.08	-0.01	-0.04	-0.13
Motor Gasoline	226.4	220.8	232.9	235.6	235.1	236.2	256.3	244.3	-0.09	0.05	-0.11	0.10
Middle Distillate	205.3	204.6	211.4	213.1	203.0	196.4	216.4	184.5	-0.47	0.19	0.25	0.08
Residual Fuel Oil	41.0	44.2	45.5	46.7	45.2	45.7	49.5	39.9	0.01	0.03	-0.03	0.06
Total Products ³	652.2	645.5	661.9	654.7	626.6	617.4	685.2	614.7	-0.83	0.66	0.16	0.03
Total⁴	1201.3	1201.7	1203.8	1161.4	1141.1	1148.7	1263.7	1126.0	-0.82	0.88	0.25	-0.43
Europe												
Crude	303.9	319.0	323.2	312.5	320.4	306.3	333.3	299.4	0.35	-0.09	-0.10	0.09
Motor Gasoline	108.5	108.0	115.5	116.3	122.4	124.7	136.1	121.1	0.03	-0.09	-0.01	0.09
Middle Distillate	249.1	230.8	238.5	239.9	241.8	227.8	234.9	232.2	-0.24	0.17	0.19	-0.10
Residual Fuel Oil	71.5	69.8	76.2	78.0	78.1	85.8	68.6	67.6	-0.06	-0.03	0.05	0.07
Total Products ³	531.6	510.7	535.4	536.0	543.9	546.0	551.5	517.6	-0.28	0.10	0.20	0.05
Total⁴	908.3	901.9	931.5	919.1	934.1	914.4	948.8	883.7	0.16	-0.02	0.15	0.12
Pacific												
Crude	183.9	167.4	160.6	180.1	174.6	166.1	166.0	163.1	0.24	0.07	-0.05	-0.04
Motor Gasoline	24.0	23.7	23.1	22.2	23.7	24.8	25.7	24.9	0.02	0.00	-0.02	-0.02
Middle Distillate	83.7	79.8	82.0	73.9	65.2	73.1	78.0	64.8	-0.09	0.17	0.13	-0.11
Residual Fuel Oil	23.1	22.5	22.9	22.8	22.6	24.1	22.8	22.8	0.00	0.03	-0.02	0.00
Total Products ³	204.6	198.0	197.0	183.3	173.3	189.4	191.2	175.1	-0.15	0.29	0.15	-0.23
Total⁴	459.6	437.3	431.9	435.0	418.8	437.3	436.8	411.5	0.03	0.44	0.07	-0.27
Total OECD												
Crude	875.8	886.5	879.1	868.7	873.0	874.2	929.2	842.7	0.67	-0.04	-0.19	-0.08
Motor Gasoline	358.9	352.5	371.5	374.1	381.2	385.7	418.0	390.3	-0.04	-0.05	-0.14	0.17
Middle Distillate	538.1	515.2	531.9	526.9	510.0	497.3	529.3	481.5	-0.80	0.53	0.56	-0.12
Residual Fuel Oil	135.5	136.5	144.6	147.5	145.9	155.7	140.8	130.3	-0.05	0.03	0.00	0.13
Total Products ³	1388.4	1354.2	1394.3	1374.0	1343.8	1352.8	1427.9	1307.4	-1.26	1.05	0.51	-0.16
Total⁴	2569.2	2540.9	2567.2	2515.4	2494.0	2500.4	2649.3	2421.2	-0.63	1.30	0.47	-0.58

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Sep2003	Oct2003	Nov2003	Dec2003	Jan2004*	Jan2001	Jan2002	Jan2003	1Q2003	2Q2003	3Q2003	4Q2003
North America												
Crude	624.4	630.9	633.6	638.4	641.7	541.7	554.6	599.3	0.00	0.10	0.17	0.15
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	150.8	152.3	153.5	156.7	156.7	138.4	140.8	154.2	0.02	-0.05	-0.03	0.06
Products	207.9	207.6	208.5	211.5	211.5	216.5	208.6	198.3	0.09	-0.01	0.06	0.04
Pacific												
Crude	382.8	382.8	382.8	384.7	384.7	367.0	375.2	380.3	0.04	0.00	0.00	0.02
Products	10.3	10.3	10.7	11.0	11.0	6.7	7.3	9.5	0.00	0.00	0.01	0.01
Total OECD												
Crude	1157.9	1166.0	1169.8	1179.8	1183.1	1047.1	1070.6	1133.7	0.06	0.05	0.14	0.24
Products	220.2	219.9	221.1	224.6	224.6	225.2	217.9	209.9	0.09	-0.01	0.06	0.05
Total⁴	1379.1	1386.9	1392.0	1405.3	1408.6	1273.3	1289.4	1344.6	0.15	0.04	0.20	0.29

* 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 6
INDUSTRY STOCKS¹ ON LAND IN SELECTED COUNTRIES

(million barrels)															
	August			September			October			November			December		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%
United States ²															
Crude	296.2	278.3	-6.0	270.6	284.5	5.1	291.5	293.7	0.8	288.1	280.3	-2.7	277.6	268.0	-3.5
Motor Gasoline	204.0	192.2	-5.8	206.5	196.2	-5.0	193.5	191.7	-0.9	205.9	203.3	-1.3	209.1	206.6	-1.2
Middle Distillate	174.5	172.3	-1.3	172.6	175.9	1.9	167.9	177.7	5.8	172.2	182.1	5.7	178.7	181.1	1.3
Residual Fuel Oil	31.9	30.2	-5.3	33.0	31.7	-3.9	33.6	34.6	3.0	35.6	36.7	3.1	31.3	37.8	20.8
Other Products	168.6	150.6	-10.7	166.2	146.6	-11.8	156.5	142.2	-9.1	146.1	136.5	-6.6	135.8	123.1	-9.4
Total Products	579.0	545.3	-5.8	578.3	550.4	-4.8	551.5	546.2	-1.0	559.8	558.6	-0.2	554.9	548.6	-1.1
Other ³	138.9	129.8	-6.6	137.9	133.1	-3.5	140.5	133.1	-5.3	134.7	125.7	-6.7	116.3	112.0	-3.7
Total	1014.1	953.4	-6.0	986.8	968.0	-1.9	983.5	973.0	-1.1	982.6	964.6	-1.8	948.8	928.6	-2.1
Japan															
Crude	126.8	133.1	5.0	120.6	134.5	11.5	121.5	124.5	2.5	116.0	115.5	-0.4	121.5	130.9	7.7
Motor Gasoline	12.3	13.7	11.4	12.9	12.7	-1.6	12.6	12.7	0.8	12.7	13.1	3.1	12.2	12.3	0.8
Middle Distillate	49.2	52.5	6.7	50.5	56.7	12.3	49.9	54.3	8.8	45.3	56.6	24.9	40.2	48.9	21.6
Residual Fuel Oil	10.4	12.2	17.3	8.7	11.1	27.6	8.8	12.1	37.5	9.2	11.6	26.1	9.8	12.3	25.5
Other Products	48.1	53.1	10.4	50.1	54.2	8.2	52.2	53.4	2.3	49.1	51.5	4.9	49.3	47.0	-4.7
Total Products	120.0	131.5	9.6	122.2	134.7	10.2	123.5	132.5	7.3	116.3	132.8	14.2	111.5	120.5	8.1
Other ³	68.9	65.3	-5.2	67.7	63.2	-6.6	65.9	64.0	-2.9	66.1	66.5	0.6	64.5	63.8	-1.1
Total	315.7	329.9	4.5	310.5	332.4	7.1	310.9	321.0	3.2	298.4	314.8	5.5	297.5	315.2	5.9
Germany															
Crude	18.9	24.1	27.5	21.0	21.8	3.8	15.5	23.0	48.4	16.5	20.8	26.1	14.6	20.7	41.8
Motor Gasoline	10.9	9.2	-15.6	9.9	7.8	-21.2	9.1	8.4	-7.7	8.5	9.6	12.9	9.1	9.1	0.0
Middle Distillate	19.7	17.2	-12.7	15.5	12.4	-20.0	16.0	13.6	-15.0	14.6	15.0	2.7	14.3	13.7	-4.2
Residual Fuel Oil	9.1	10.8	18.7	9.6	10.7	11.5	9.4	10.1	7.4	9.9	9.7	-2.0	10.2	10.7	4.9
Other Products	11.7	11.2	-4.3	10.5	10.6	1.0	10.9	10.3	-5.5	10.9	10.9	0.0	11.0	10.8	-1.8
Total Products	51.4	48.4	-5.8	45.5	41.5	-8.8	45.4	42.4	-6.6	43.9	45.2	3.0	44.6	44.3	-0.7
Other ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	70.3	72.5	3.1	66.5	63.3	-4.8	60.9	65.4	7.4	60.4	66.0	9.3	59.2	65.0	9.8
Italy															
Crude	41.3	38.3	-7.3	34.6	39.2	13.3	37.5	37.7	0.5	35.2	34.5	-2.0	32.2	35.4	9.9
Motor Gasoline	21.6	19.2	-11.1	21.6	19.5	-9.7	21.9	19.4	-11.4	23.2	20.4	-12.1	19.2	19.8	3.1
Middle Distillate	39.8	38.5	-3.3	39.8	37.1	-6.8	37.5	37.2	-0.8	40.5	36.5	-9.9	40.8	36.3	-11.0
Residual Fuel Oil	11.0	10.1	-8.2	12.0	11.7	-2.5	14.5	11.3	-22.1	15.2	15.1	-0.7	14.3	13.8	-3.5
Other Products	17.9	19.2	7.3	17.5	17.4	-0.6	17.4	18.4	5.7	17.5	18.6	6.3	17.5	15.9	-9.1
Total Products	90.3	87.0	-3.7	90.9	85.7	-5.7	91.3	86.3	-5.5	96.4	90.6	-6.0	91.8	85.8	-6.5
Other ³	10.5	14.4	37.1	10.5	15.6	48.6	11.3	14.7	30.1	11.4	14.3	25.4	13.6	14.0	2.9
Total	142.1	139.7	-1.7	136.0	140.5	3.3	140.1	138.7	-1.0	143.0	139.4	-2.5	137.6	135.2	-1.7
France															
Crude	36.1	39.3	8.9	38.5	38.1	-1.0	38.8	36.0	-7.2	34.0	37.0	8.8	34.2	38.2	11.7
Motor Gasoline	11.9	10.2	-14.3	12.0	11.6	-3.3	11.6	11.9	2.6	12.2	12.9	5.7	13.0	11.7	-10.0
Middle Distillate	34.6	38.1	10.1	32.7	35.1	7.3	34.9	33.3	-4.6	32.5	38.0	16.9	34.8	36.5	4.9
Residual Fuel Oil	7.3	6.2	-15.1	7.9	5.2	-34.2	6.9	5.2	-24.6	7.2	5.1	-29.2	7.3	5.5	-24.7
Other Products	9.1	8.8	-3.3	8.5	8.4	-1.2	7.8	8.5	9.0	8.4	9.1	8.3	9.0	9.2	2.2
Total Products	62.9	63.3	0.6	61.1	60.3	-1.3	61.2	58.9	-3.8	60.3	65.1	8.0	64.1	62.9	-1.9
Other ³	12.2	14.8	21.3	13.5	14.4	6.7	13.7	14.4	5.1	13.4	14.0	4.5	13.0	13.3	2.3
Total	111.2	117.4	5.6	113.1	112.8	-0.3	113.7	109.3	-3.9	107.7	116.1	7.8	111.3	114.4	2.8
United Kingdom															
Crude	36.5	35.3	-3.3	37.0	33.8	-8.6	43.8	34.6	-21.0	44.8	44.7	-0.2	39.0	40.9	4.9
Motor Gasoline	9.7	9.2	-5.2	9.7	9.3	-4.1	9.8	7.8	-20.4	9.0	9.5	5.6	9.0	9.9	10.0
Middle Distillate	20.7	19.5	-5.8	20.1	19.2	-4.5	20.9	17.7	-15.3	20.4	18.8	-7.8	18.7	19.2	2.7
Residual Fuel Oil	4.4	5.1	15.9	4.3	4.7	9.3	4.4	5.1	15.9	5.0	5.7	14.0	4.7	5.0	6.4
Other Products	17.4	15.8	-9.2	17.1	15.9	-7.0	16.0	15.0	-6.3	15.0	16.0	6.7	15.5	16.3	5.2
Total Products	52.2	49.6	-5.0	51.2	49.1	-4.1	51.1	45.6	-10.8	49.4	50.0	1.2	47.9	50.4	5.2
Other ³	12.0	10.1	-15.8	10.6	10.1	-4.7	11.5	11.6	0.9	11.3	11.2	-0.9	10.1	10.3	2.0
Total	100.7	95.0	-5.7	98.8	93.0	-5.9	106.4	91.8	-13.7	105.5	105.9	0.4	97.0	101.6	4.7
Canada															
Crude	78.0	81.3	4.2	75.8	77.5	2.2	76.4	77.3	1.2	75.1	78.6	4.7	76.6	80.4	5.0
Motor Gasoline	15.5	15.1	-2.6	15.8	15.7	-0.6	16.1	15.7	-2.5	15.7	16.5	5.1	15.5	17.1	10.3
Middle Distillate	20.4	20.1	-1.5	20.3	19.3	-4.9	18.7	18.3	-2.1	19.4	20.7	6.7	19.4	22.6	16.5
Residual Fuel Oil	4.2	4.9	16.7	3.8	4.3	13.2	4.4	4.7	6.8	3.6	4.6	27.8	3.3	4.5	36.4
Other Products	20.2	24.2	19.8	22.1	25.1	13.6	21.5	25.7	19.5	21.7	27.1	24.9	20.6	28.4	37.9
Total Products	60.3	64.3	6.6	62.0	64.4	3.9	60.7	64.4	6.1	60.4	68.9	14.1	58.8	72.6	23.5
Other ³	20.9	26.2	25.4	22.4	28.1	25.4	22.2	23.0	3.6	21.4	21.0	-1.9	18.6	18.6	0.0
Total	159.2	171.8	7.9	160.2	170.0	6.1	159.3	164.7	3.4	156.9	168.5	7.4	154.0	171.6	11.4

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 US figures exclude US territories.

³ Other includes NGLs, refinery feedstocks, additives/oxygenates and other hydrocarbons.

Table 7
TOTAL STOCKS ON LAND IN OECD COUNTRIES¹
('millions of barrels' and 'days')

	End December 2002		End March 2003		End June 2003		End September 2003		End December 2003 ³	
	Stock Level	DaysFwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	DaysFwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	154.0	71	149.3	71	161.8	75	169.9	77	171.7	-
Mexico	47.3	23	51.5	25	44.2	21	41.4	20	39.0	-
United States ⁴	1549.9	77	1476.8	75	1561.0	77	1594.3	79	1568.9	-
Total ⁵	1773.4	72	1699.7	70	1789.1	72	1827.7	74	1801.8	73
Pacific										
Australia	34.0	40	39.8	46	38.1	43	36.0	39	32.4	-
Japan	615.4	99	619.0	124	646.7	133	653.6	117	636.3	-
Korea	140.4	58	137.0	67	152.1	77	154.5	65	154.5	-
New Zealand	9.5	64	9.8	66	8.5	60	8.5	57	7.5	-
Total	799.3	83	805.6	100	845.4	107	852.6	95	830.7	90
Europe⁶										
Austria	18.7	70	17.6	60	18.5	62	18.7	67	20.7	-
Belgium	25.8	38	29.1	48	27.5	47	29.1	48	28.2	-
Czech Republic	15.5	91	15.3	82	13.5	72	13.4	71	15.2	-
Denmark	17.3	87	15.4	85	15.5	85	16.3	86	16.8	-
Finland	24.4	113	24.7	121	23.9	112	23.2	103	26.5	-
France	174.5	83	175.0	89	173.3	84	179.2	85	184.6	-
Germany	253.4	100	258.6	95	260.7	98	258.6	98	264.9	-
Greece	31.6	66	29.3	75	32.3	85	30.9	70	32.8	-
Hungary	16.1	127	17.9	136	17.6	130	18.3	120	16.8	-
Ireland	11.3	56	10.9	60	11.0	62	11.9	61	12.0	-
Italy	137.6	74	136.3	75	134.6	73	140.7	77	135.2	-
Luxembourg	1.0	17	0.9	17	0.8	14	0.8	16	1.0	-
Netherlands	104.9	120	95.4	103	106.5	115	111.1	117	99.6	-
Norway	19.4	76	33.2	141	21.1	82	23.1	98	27.2	-
Poland	26.2	69	27.2	67	27.9	61	26.9	60	28.7	-
Portugal	21.4	69	24.0	74	24.7	72	25.6	79	25.3	-
Spain	120.8	78	122.8	81	121.1	79	121.4	77	122.4	-
Sweden	29.4	87	34.3	114	34.0	113	33.2	111	37.6	-
Switzerland	36.7	144	36.1	146	37.2	144	37.3	143	36.1	-
Turkey	51.9	85	55.6	89	54.8	77	55.2	83	55.1	-
United Kingdom	97.1	57	99.8	60	95.7	58	92.9	54	101.6	-
Total	1235.1	81	1259.4	84	1252.3	82	1268.0	82	1288.3	84
Total OECD	3807.7	77	3764.7	80	3886.9	81	3948.3	80	3920.7	80
DAYS OF IEA Net Imports⁷	-	111	-	110	-	114	-	115	-	112

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 December 2003 forward demand figures are IEA Secretariat forecasts.

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled	Industry	Total	Government ¹ controlled	Industry
	Millions of Barrels			Days of Fwd. Demand ²		
4Q2000	3798	1268	2530	78	26	52
1Q2001	3794	1270	2524	81	27	54
2Q2001	3864	1268	2597	81	27	55
3Q2001	3925	1265	2660	82	26	55
4Q2001	3906	1284	2622	81	27	54
1Q2002	3900	1302	2598	84	28	56
2Q2002	3962	1314	2648	83	28	56
3Q2002	3886	1319	2567	79	27	52
4Q2002	3808	1343	2465	77	27	50
1Q2003	3765	1357	2408	80	29	51
2Q2003	3887	1361	2526	81	28	53
3Q2003	3948	1379	2569	80	28	52
4Q2003	3921	1405	2515	80	29	51

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 4Q2003 (when latest forecasts are used).

Table 8
AVERAGE IEA CIF CRUDE COST AND SPOT CRUDE AND PRODUCT PRICES
(\$/bbl)

	2001	2002	2003	1Q03	2Q03	3Q03	4Q03	Sep 03	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04
CRUDE OIL PRICES													
<i>IEA CIF Average Import ¹</i>													
IEA North America	22.30	23.71	27.82	30.76	25.82	27.48	27.62	26.35	27.12	27.41	28.39		
IEA Europe	23.92	24.27	28.40	31.10	25.52	27.86	29.07	27.15	29.00	28.63	29.54		
IEA Pacific	25.05	24.74	29.12	30.91	27.96	28.44	28.79	28.88	27.94	29.70	30.25		
IEA Total	23.65	24.19	28.34	30.94	26.21	27.84	28.43	27.20	28.03	28.43	29.31		
<i>FOB Spot</i>													
Brent (Dated)	24.44	25.02	28.83	31.49	26.03	28.38	29.43	27.08	29.65	28.73	29.87	31.23	30.83
WTI (1st month)	25.93	26.16	31.06	34.00	29.02	30.19	31.15	28.25	30.30	31.06	32.14	34.24	34.74
Urals (del. Med.)	22.97	23.73	27.04	29.24	23.86	27.05	27.99	25.64	27.99	27.63	28.34	28.88	27.64
Dubai (1st month)	22.80	23.85	26.76	28.39	24.44	26.57	27.67	25.37	27.27	27.66	28.10	28.88	28.61
Tapis (1st month)	25.32	25.72	30.06	32.34	27.19	29.53	31.26	29.45	31.74	30.61	31.34	33.63	34.93
OPEC Basket	23.12	24.34	28.13	30.45	25.87	27.43	28.79	26.15	28.35	28.48	29.57	30.26	29.67
PRODUCT PRICES													
<i>Rotterdam, Barges FOB</i>													
Premium Unleaded	29.86	29.09	35.46	37.44	33.79	36.26	34.30	34.31	34.31	34.14	34.45	38.41	39.25
Unleaded	28.83	28.57	34.87	36.88	33.06	35.68	33.80	33.80	33.81	33.66	33.93	37.83	38.63
Naphtha	23.69	24.23	29.99	34.99	25.19	28.12	31.54	27.48	30.03	31.55	33.19	36.18	33.99
Jet/Kerosene	30.82	29.24	35.83	40.89	31.32	33.29	37.73	32.32	36.45	37.67	39.18	40.46	38.64
Gasoil .2 %	29.16	27.81	33.99	39.18	30.21	31.58	34.92	30.31	34.46	34.75	35.57	37.15	34.70
LSFO 1%	19.52	21.81	25.79	29.20	24.26	26.06	23.59	24.78	25.19	24.00	21.45	22.93	21.55
HSFO 3.5%	17.79	20.65	23.37	25.65	21.05	24.16	22.52	22.57	23.60	23.52	20.39	21.63	21.18
<i>Mediterranean - Cargoes FOB</i>													
Premium .15 g/l	30.43	29.21	34.56	36.62	31.34	35.79	34.34	33.63	34.49	34.10	34.39	38.43	39.31
Premium Unleaded	29.70	28.49	33.84	35.91	30.62	35.07	33.62	32.91	33.78	33.38	33.67	37.71	38.59
Naphtha	22.47	23.51	28.68	33.37	23.69	27.17	30.35	26.60	29.25	30.23	31.68	34.18	31.81
Jet/Kerosene ²	27.52	27.97	33.60	37.99	28.76	31.69	35.82	30.86	34.44	35.69	37.46	38.63	37.13
Gasoil .2 %	27.50	27.08	33.13	38.67	28.38	30.57	34.79	29.93	35.55	34.32	34.40	36.36	33.50
LSFO 1%	18.73	21.50	26.39	30.56	23.51	26.99	24.41	23.82	25.79	24.88	22.46	24.08	22.25
HSFO 3.5%	16.06	19.08	21.90	24.04	20.04	23.08	20.38	21.36	22.40	21.19	17.39	20.22	20.40
<i>NY Harbour, Barges</i>													
Super Unleaded ³	34.16	33.71	40.23	41.33	36.68	43.71	39.08	44.44	38.94	39.69	38.62	43.85	46.94
Unleaded ³	31.00	30.33	37.07	39.50	33.08	38.80	36.78	37.72	36.45	36.72	37.18	41.98	43.97
Jet/Kerosene	31.18	29.83	36.29	42.43	32.48	33.82	36.69	31.95	35.46	36.15	38.49	43.10	42.64
No. 2 (Heating Oil)	29.82	28.56	35.51	42.00	31.99	32.69	35.60	30.83	34.41	35.06	37.38	41.19	38.36
LSFO 1%	20.70	22.55	27.46	32.74	24.57	26.74	25.94	24.88	25.93	26.14	25.78	28.16	26.26
HSFO 6 3%	17.36	20.99	24.41	27.91	20.93	25.21	23.67	23.05	24.02	24.43	22.64	23.61	22.79
<i>Singapore, Cargoes</i>													
Premium Unleaded	27.43	28.04	34.69	37.14	29.70	34.96	36.96	33.11	35.55	35.78	39.52	44.25	39.87
Naphtha	23.75	24.93	29.93	34.27	24.69	28.40	32.52	27.86	30.46	32.54	34.67	39.49	34.15
Jet/Kerosene	28.32	28.08	32.90	36.14	28.36	31.53	35.71	31.40	33.84	35.89	37.50	39.60	37.46
Gasoil .5%	27.32	27.55	32.31	36.12	28.79	30.78	33.71	31.22	32.41	33.68	35.10	39.35	37.84
LSWR Cracked	21.83	23.80	28.11	31.84	27.21	25.33	28.28	24.80	26.14	28.73	30.13	27.88	30.14
HSFO 180 CST	20.65	22.89	26.14	28.86	24.78	25.87	25.09	24.59	25.38	25.01	24.85	26.29	26.19
HSFO 4%	20.38	22.95	26.25	28.88	24.74	26.19	25.23	24.94	25.56	25.17	24.93	26.18	26.10

¹ IEA CIF Average Import price for December is an estimate

² Following change of assessment, Jet Aviation Fuel for Mediterranean - Cargo FOB from 2002

³ From November 2003 assessments for NYH are for Max 0.3% MTBE

Table 9
MONTHLY AVERAGE END USER PRICES FOR PETROLEUM PRODUCTS
February 2004

NATIONAL CURRENCY *							US DOLLARS					
Total Price	% change from		Ex-Tax Price	% change from		Total Price	% change from		Ex-Tax Price	% change from		
	Jan-04	Feb-03		Jan-04	Feb-03		Jan-04	Feb-03		Jan-04	Feb-03	
GASOLINE ¹ (Price per Litre)												
France	1.005	0.8	- 6.3	0.251	2.4	-18.5	1.271	1.1	9.9	0.317	2.7	-4.4
Germany	1.074	0.8	- 5.5	0.271	3.0	-16.4	1.358	1.1	10.9	0.343	3.3	-1.9
Italy	1.063	1.4	- 2.5	0.327	4.1	-10.7	1.344	1.7	14.4	0.413	4.4	4.8
Spain	0.810	1.8	- 4.3	0.302	4.1	-9.3	1.024	2.0	12.3	0.382	4.4	6.4
UK	0.750	0.5	- 2.0	0.180	1.7	-6.7	1.402	3.0	14.0	0.336	4.2	8.4
Japan	105.0	-	-	46.2	-	-	0.985	-0.3	12.0	0.433	-0.3	12.0
Canada	0.767	3.6	- 3.8	0.465	5.7	-5.7	0.577	1.1	9.5	0.350	3.1	7.3
USA	0.435	6.1	2.1	0.332	8.1	2.2	0.435	6.1	2.1	0.332	8.1	2.2
AUTOMOTIVE DIESEL ² (Price per Litre)												
France	0.672	-	- 4.3	0.255	-1.9	-17.7	0.850	0.3	12.3	0.322	-1.7	-3.5
Germany	0.745	0.3	- 6.5	0.275	0.7	-15.9	0.942	0.5	9.7	0.348	1.0	-1.3
Italy	0.727	- 0.3	- 3.8	0.324	-0.6	-8.2	0.919	-0.0	12.8	0.410	-0.4	7.7
Spain	0.588	- 1.5	- 6.2	0.294	-3.0	-11.7	0.743	-1.3	10.0	0.372	-2.7	3.6
UK	0.651	0.3	- 1.7	0.193	1.0	-5.4	1.217	2.7	14.3	0.361	3.5	10.0
Japan	85.1	-	-	48.9	-	-	0.798	-0.3	12.0	0.459	-0.3	12.0
Canada	0.713	2.7	- 6.7	0.488	3.6	-9.0	0.536	0.2	6.2	0.367	1.0	3.6
USA	0.418	2.7	- 4.3	0.298	3.8	-6.6	0.418	2.7	-4.3	0.298	3.8	-6.6
DOMESTIC HEATING OIL (Price per 1000 Litres)												
France	380.05	-2.9	-13.9	261.17	-3.5	-16.4	480.5	-2.7	1.0	330.2	-3.3	-1.9
Germany	339.82	-5.1	-17.3	231.60	-6.4	-20.9	429.6	-4.9	-3.0	292.8	-6.1	-7.2
Italy	831.49	-1.6	-7.5	289.70	-3.8	-16.2	1051.2	-1.4	8.5	366.2	-3.6	-1.7
Spain	370.99	-1.5	-12.0	235.11	-2.0	-15.7	469.0	-1.2	3.2	297.2	-1.7	-1.1
UK	205.24	-3.9	-6.1	153.47	-4.9	-13.4	383.6	-1.5	9.2	286.9	-2.6	0.7
Japan ³	46550	-	-1.2	44333	-	-1.2	436.7	-0.3	10.6	415.9	-0.3	10.6
Canada	607	3.7	-12.0	546	3.7	-12.0	456.8	1.1	0.1	410.5	1.1	0.1
USA	-	-	-	-	-	-	-	-	-	-	-	-
LOW SULPHUR FUEL OIL FOR INDUSTRY ² (Price per Metric Ton)												
France	167.96	-2.1	-30.0	149.46	-2.4	-32.5	212.3	-1.9	-17.9	189.0	-2.1	-20.9
Germany	155.43	-3.3	-26.1	130.43	-3.9	-29.7	196.5	-3.0	-13.3	164.9	-3.6	-17.5
Italy	209.98	-3.0	-19.9	178.59	-3.5	-22.6	265.5	-2.8	-6.0	225.8	-3.3	-9.2
Spain	207.45	1.5	-24.3	193.02	1.6	-25.7	262.3	1.7	-11.2	244.0	1.8	-12.8
UK	141.59	-2.2	-18.0	103.59	-3.0	-28.4	264.7	0.2	-4.6	193.6	-0.6	-16.7
Japan	34378	-	-5.8	32741	-	-5.8	322.5	-0.3	5.5	307.1	-0.3	5.5
Canada	-	-	-	-	-	-	-	-	-	-	-	-
USA	-	-	-	-	-	-	-	-	-	-	-	-

1 Unleaded premium (95 RON) for France, Germany, Italy, Spain, UK; regular unleaded for Canada, Japan and the United States.

2 VAT excluded from prices for automotive diesel and heavy fuel oil when refunded to industry.

3 Kerosene for Japan.

* Prices for France, Germany, Italy and Spain are in Euro; UK in British Pounds, Japan in Yen, Canada in Canadian Dollars.

Table 10
Regional OECD Crude Imports by Source
(million barrels per day)

	2001	2002	2003	1Q03	2Q03	3Q03	4Q03	Oct 03	Nov 03	Dec 03	Year Earlier Dec 02	change
OECD North America												
Venezuela	1.67	1.58	1.58	0.93	1.81	1.74	1.85	1.88	1.83	1.84	0.77	1.07
Other Central & South America	0.54	0.61	0.58	0.52	0.56	0.65	0.60	0.65	0.48	0.66	0.58	0.07
North Sea	1.07	1.25	1.03	1.07	1.03	1.12	0.91	0.96	0.88	0.90	1.24	-0.35
Other OECD Europe	-	-	-	-	-	-	-	-	-	-	-	-
Non-OECD Europe	-	-	-	-	-	-	-	-	-	-	-	-
Former Soviet Union	-	0.09	0.16	0.11	0.20	0.31	0.02	0.03	-	0.02	0.11	-0.09
Saudi Arabia	1.70	1.60	1.82	1.79	2.16	1.74	1.58	1.48	1.76	1.49	1.85	-0.36
Kuwait	0.24	0.22	0.21	0.20	0.25	0.20	0.19	0.17	0.18	0.22	0.19	0.02
Iran	-	-	-	-	-	-	-	-	-	-	-	-
Iraq	0.94	0.58	0.56	0.84	0.34	0.22	0.83	0.87	0.81	0.82	0.50	0.32
Oman	0.02	0.02	0.04	-	0.04	0.06	0.04	0.06	0.07	-	0.03	-
United Arab Emirates	0.02	0.01	0.01	0.01	0.01	0.01	0.01	-	0.02	-	0.01	-
Other Middle East	0.02	0.04	0.01	0.02	0.02	-	-	-	-	-	0.01	-
West Africa ²	1.48	1.19	1.50	1.37	1.51	1.68	1.44	1.70	1.12	1.49	1.20	0.30
Other Africa	0.13	0.18	0.31	0.15	0.33	0.44	0.32	0.35	0.41	0.21	0.16	0.05
Asia	0.15	0.16	0.14	0.12	0.10	0.19	0.15	0.22	0.12	0.10	0.09	0.01
Other	0.03	0.06	0.08	0.04	0.08	0.12	0.08	0.07	0.09	0.09	0.06	0.02
Total	7.99	7.52	7.95	7.17	8.44	8.48	8.01	8.43	7.77	7.83	6.81	1.02
of which Non-OECD	6.92	6.28	6.97	6.08	7.39	7.31	7.08	7.43	6.87	6.93	5.52	1.41
OECD Europe												
Canada	-	-	-	-	-	-	-	-	-	-	-	-
Mexico + USA	0.18	0.19	0.18	0.17	0.18	0.23	0.13	0.13	0.15	0.12	0.24	-0.12
Venezuela	0.18	0.18	0.10	0.04	0.13	0.12	0.11	0.16	0.07	0.10	0.07	0.03
Other Central & South America	0.04	0.05	0.07	0.02	0.04	0.11	0.10	0.09	0.10	0.11	0.05	0.07
Non-OECD Europe	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Former Soviet Union	2.68	3.12	3.44	3.16	3.43	3.76	3.41	3.52	3.44	3.25	3.06	0.19
Saudi Arabia	1.25	1.16	1.29	1.14	1.54	1.38	1.09	1.23	1.11	0.93	0.94	-0.02
Kuwait	0.16	0.12	0.12	0.07	0.17	0.12	0.13	0.20	0.05	0.14	0.17	-0.03
Iran	0.74	0.62	0.83	0.69	0.90	0.99	0.73	0.83	0.73	0.64	0.71	-0.07
Iraq	0.40	0.31	0.20	0.44	0.07	0.10	0.20	0.12	0.20	0.28	0.60	-0.32
Oman	-	0.00	-	-	-	-	-	-	-	-	-	-
United Arab Emirates	0.01	-	-	-	-	-	-	-	-	-	-	-
Other Middle East	0.43	0.46	0.28	0.36	0.26	0.22	0.30	0.35	0.29	0.25	0.46	-0.21
West Africa ²	0.81	0.68	0.65	0.74	0.57	0.60	0.69	0.70	0.65	0.72	0.61	0.11
Other Africa	1.50	1.39	1.58	1.60	1.60	1.56	1.57	1.56	1.49	1.67	1.34	0.33
Asia	-	-	0.01	-	-	-	0.02	0.01	0.03	0.03	-	-
Other	0.22	0.36	0.24	0.23	0.09	0.03	0.61	0.36	0.77	0.69	0.18	0.50
Total	8.59	8.66	8.99	8.68	8.97	9.22	9.09	9.27	9.09	8.92	8.43	0.49
of which Non-OECD	8.41	8.47	8.81	8.51	8.79	8.98	8.96	9.13	8.94	8.80	8.20	0.61
OECD Pacific												
Canada	0.00	0.00	0.00	-	0.01	0.00	-	-	-	-	0.02	-
Mexico + USA	0.02	0.01	0.01	-	-	0.02	-	-	-	-	0.06	-
Venezuela	0.00	0.00	0.00	0.00	-	-	-	-	-	-	-	-
Other Central & South America	0.07	0.08	0.08	0.10	0.08	0.05	0.08	0.08	0.10	0.05	0.06	0.00
North Sea	0.01	0.03	0.01	0.04	-	0.01	-	-	-	-	-	-
Other OECD Europe	-	-	-	-	-	-	-	-	-	-	-	-
Non-OECD Europe	-	-	-	-	-	-	-	-	-	-	-	-
Former Soviet Union	0.05	0.07	0.06	0.04	0.03	0.09	0.09	0.06	0.12	0.08	0.13	-0.05
Saudi Arabia	1.84	1.72	1.80	1.97	1.90	1.59	1.74	1.55	1.73	1.94	2.05	-0.12
Kuwait	0.64	0.57	0.58	0.60	0.54	0.58	0.61	0.51	0.58	0.75	0.60	0.15
Iran	0.75	0.64	0.83	0.89	0.80	0.76	0.88	0.82	0.81	1.01	0.82	0.20
Iraq	0.01	0.02	0.03	-	-	-	0.11	-	0.13	0.19	-	-
Oman	0.41	0.37	0.31	0.42	0.36	0.23	0.25	0.32	0.20	0.21	0.40	-0.18
United Arab Emirates	1.42	1.28	1.44	1.47	1.50	1.47	1.32	1.41	1.17	1.38	1.33	0.05
Other Middle East	0.60	0.52	0.54	0.56	0.57	0.45	0.58	0.55	0.53	0.64	0.49	0.15
West Africa ²	0.11	0.21	0.17	0.28	0.11	0.14	0.15	-	0.19	0.25	0.25	0.00
Other Africa	0.04	0.05	0.05	0.09	0.07	0.04	0.02	-	-	0.06	0.11	-0.05
Non-OECD Asia	0.89	0.86	0.80	0.89	0.85	0.70	0.75	0.67	0.70	0.87	0.96	-0.09
Other	0.00	-	0.00	-	-0.09	-0.03	0.12	0.02	0.19	0.13	-	-
Total	6.89	6.42	6.71	7.36	6.81	6.13	6.57	5.98	6.26	7.45	7.27	0.18
of which Non-OECD	6.86	6.38	6.69	7.32	6.71	6.06	6.68	6.00	6.45	7.58	7.19	0.39
Total OECD Trade	23.47	22.61	23.65	23.21	24.23	23.82	23.67	23.68	23.12	24.20	22.52	1.69
of which Non-OECD	22.19	21.14	22.47	21.90	22.90	22.35	22.72	22.57	22.26	23.32	20.91	2.41

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes, and converted to barrels at 7.37 barrels per tonne. Data will differ from Table 11 which is based on submissions in barrels.

2. West Africa includes Angola, Nigeria, Gabon, Congo and Democratic Republic of Congo.

Table 11
IEA Member Country Destinations of Selected Crude Streams¹

(million barrels per day)

	2001	2002	2003	1Q03	2Q03	3Q03	4Q03	Oct 03	Nov 03	Dec 03	Year Earlier	
											Dec 02	change
Saudi Light & Extra Light												
North America	0.69	0.70	0.64	0.52	0.75	0.63	0.66	0.82	0.62	0.55	0.67	-0.11
Europe	0.92	0.92	0.97	0.94	1.14	0.95	0.83	0.95	0.83	0.71	0.80	-0.09
Pacific	1.22	1.22	1.18	1.39	1.16	1.04	1.12	0.99	1.10	1.27	1.42	-0.15
Saudi Medium												
North America	0.73	0.86	0.83	0.88	0.94	0.79	0.71	0.75	0.80	0.60	0.93	-0.33
Europe	0.15	0.11	0.11	0.10	0.13	0.14	0.07	0.09	0.08	0.06	0.10	-0.04
Pacific	0.17	0.16	0.24	0.21	0.26	0.20	0.30	0.28	0.34	0.28	0.16	0.12
Saudi Heavy												
North America	0.21	0.20	0.30	0.28	0.48	0.25	0.19	0.17	0.21	0.19	0.24	-0.04
Europe	0.14	0.09	0.19	0.11	0.26	0.21	0.16	0.19	0.17	0.12	0.05	0.07
Pacific	0.15	0.12	0.16	0.14	0.21	0.15	0.15	0.12	0.16	0.16	0.14	0.02
Iraqi Basrah Light²												
North America	0.65	0.35	0.44	0.50	0.24	0.20	0.82	1.01	0.65	0.78	0.26	0.52
Europe	0.15	0.08	0.09	0.10	0.05	0.04	0.15	0.09	0.17	0.19	0.16	0.03
Pacific	0.01	0.02	0.03	..	..	..	0.11	..	0.13	0.19	..	..
Iraqi Kirkuk												
North America	0.09	0.14	0.06	0.22	0.02	..	..	..	..	..	0.09	..
Europe	0.31	0.32	0.12	0.42	0.04	0.04	..	..	..	..	0.52	..
Pacific	0.01	0.00	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.16	0.17	0.18	0.18	0.24	0.17	0.14	0.12	0.10	0.19	0.21	-0.02
Pacific	0.13	0.12	0.17	0.18	0.16	0.16	0.17	0.16	0.15	0.21	0.18	0.02
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.53	0.44	0.57	0.52	0.57	0.70	0.49	0.55	0.55	0.37	0.47	-0.10
Pacific	0.63	0.54	0.69	0.75	0.67	0.58	0.74	0.75	0.69	0.79	0.67	0.12
Venezuelan Light & Medium												
North America	0.61	0.68	0.69	0.35	0.83	0.75	0.82	0.91	0.73	0.81	0.15	0.65
Europe	0.07	0.08	0.02	0.02	0.04	0.01	0.01	0.02	..	..	0.05	..
Pacific	0.00	0.00	0.00	0.00	..	0.00	0.00	0.00	..	0.00	..	..
Venezuelan 22 API and heavier												
North America	0.65	0.55	0.60	0.17	0.66	0.83	0.71	0.67	0.75	0.71	0.28	0.43
Europe	0.07	0.05	0.06	0.02	0.05	0.07	0.09	0.07	0.08	0.13	0.01	0.12
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92	1.32	1.12	1.31	1.46	1.37	1.29	1.40	1.43	0.97	0.46
Europe	0.14	0.17	0.16	0.14	0.17	0.21	0.13	0.14	0.14	0.12	0.18	-0.06
Pacific	0.01	0.00	0.00	..	..	0.01	..	..	..	..	0.02	..
Mexican Isthmus												
North America	0.04	0.01	0.00	0.01	0.00	..	..	..	..	..	..	..
Europe	0.03	0.01	0.00	0.00	0.00	..	0.00	0.00	..	..	0.04	..
Pacific	0.01	0.01	0.00	..	..	0.01	..	..	..	..	0.04	..
Russian Urals												
North America	..	0.03	0.14	..	0.23	0.33	..	..	..	..	..	..
Europe	1.10	1.32	1.58	1.51	1.50	1.65	1.66	1.38	1.74	1.87	1.33	0.53
Pacific	0.01	0.01	0.00	..	..	..	0.01	..	0.01	0.02	..	..
Nigerian Light⁴												
North America	0.50	0.39	0.63	0.47	0.59	0.78	0.67	0.73	0.57	0.71	0.41	0.29
Europe	0.38	0.32	0.41	0.42	0.38	0.44	0.38	0.38	0.45	0.30	0.33	-0.03
Pacific	0.02	0.06	0.08	0.13	0.03	0.05	0.09	..	0.12	0.16	0.09	0.07
Nigerian Medium												
North America	0.31	0.16	0.17	0.17	0.21	0.10	0.21	0.22	0.16	0.24	0.17	0.07
Europe	0.10	0.06	0.06	0.07	0.04	0.04	0.09	0.10	0.06	0.10	0.05	0.05
Pacific	0.00	0.01	0.01	0.04	..	..	..	..	..	..	..	..

¹ Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 21 of the Report.

IEA North America includes United States and Canada.

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

IEA Pacific data through 2000 includes Australia, New Zealand and Japan.

² Iraqi Total minus Kirkuk.

³ Iranian Total minus Iranian Light.

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

Table 12a
Regional OECD Gasoline Imports by Source¹
(million barrels per day)

	2001	2002	2003	1Q03	2Q03	3Q03	4Q03	Oct 03	Nov 03	Dec 03	Year Earlier	
											Dec 02	change
OECD North America												
Venezuela	0.11	0.08	0.07	0.00	0.10	0.07	0.09	0.11	0.07	0.09	0.07	0.02
Other Central & South America	0.11	0.10	0.10	0.10	0.10	0.12	0.07	0.09	0.08	0.04	0.09	-0.05
ARA (Belgium Germany Netherlands)	0.08	0.09	0.12	0.11	0.11	0.13	0.12	0.14	0.15	0.08	0.07	0.02
Other Europe	0.19	0.20	0.20	0.20	0.30	0.16	0.14	0.11	0.16	0.16	0.14	0.02
FSU	0.04	0.06	0.07	0.09	0.06	0.05	0.06	0.05	0.07	0.06	0.04	0.01
Saudi Arabia	0.06	0.06	0.07	0.06	0.08	0.08	0.05	0.10	0.04	0.02	0.05	-0.03
Algeria	0.00	0.00	0.00	-	0.01	0.00	0.00	-	-	0.01	-	-
Other Middle East & Africa	0.04	0.04	0.03	0.03	0.03	0.03	0.02	0.01	0.01	0.03	0.02	0.02
Singapore	0.01	0.01	0.01	0.00	0.02	0.00	-	-	-	-	0.00	-
OECD Pacific	0.02	0.01	0.01	0.01	0.01	0.01	-	-	-	-	0.00	-
Non-OECD Asia (excl. Singapore)	0.03	0.03	0.03	0.02	0.05	0.03	0.00	-	-	0.01	0.01	0.00
Other	0.00	-	0.00	0.00	0.00	-	-	-	-	-	-	-
Total²	0.67	0.68	0.69	0.62	0.89	0.69	0.57	0.61	0.58	0.50	0.49	0.01
of which Non-OECD	0.40	0.39	0.38	0.31	0.49	0.40	0.30	0.37	0.28	0.26	0.28	-0.02
OECD Europe												
OECD North America	0.00	0.00	0.00	0.00	-	0.00	0.00	0.00	0.00	0.00	0.01	-0.01
Venezuela	-	-	0.00	-	0.00	0.00	-	-	-	-	-	-
Other Central & South America	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-OECD Europe	0.03	0.04	0.04	0.04	0.04	0.04	0.04	0.03	0.04	0.04	0.03	0.01
FSU	0.02	0.03	0.03	0.02	0.03	0.03	0.04	0.03	0.04	0.04	0.04	-0.01
Saudi Arabia	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	-	0.00	0.00	0.00
Algeria	0.00	0.01	0.01	0.00	0.02	0.01	0.02	-	0.03	0.02	0.02	0.00
Other Middle East & Africa	0.01	0.02	0.02	0.01	0.03	0.04	0.02	0.03	0.01	0.03	0.03	0.00
Singapore	-	0.00	0.00	0.00	-	0.00	0.00	0.01	-	-	0.00	-
OECD Pacific	-	-	0.00	-	0.00	0.00	0.00	0.00	-	0.00	-	-
Non-OECD Asia (excl. Singapore)	0.00	-	0.00	-	0.00	0.00	-	-	-	-	-	-
Other	0.09	0.07	0.06	0.10	0.05	0.02	0.07	0.10	0.03	0.07	-0.02	0.10
Total²	0.15	0.18	0.17	0.18	0.17	0.15	0.19	0.20	0.15	0.21	0.12	0.09
of which Non-OECD	0.15	0.18	0.17	0.18	0.17	0.14	0.19	0.20	0.15	0.21	0.11	0.10
OECD Pacific												
OECD North America	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Venezuela	-	-	-	-	-	-	-	-	-	-	-	-
Other Central & South America	-	-	-	-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-
FSU	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Algeria	-	-	-	-	-	-	-	-	-	-	-	-
Other Middle East & Africa	-	-	-	-	-	-	-	-	-	-	-	-
Singapore	0.02	0.03	0.04	0.03	0.03	0.05	0.06	0.04	0.05	0.08	0.03	0.04
Non-OECD Asia (excl. Singapore)	0.00	0.02	0.03	0.03	0.04	0.03	0.02	0.02	0.03	0.02	0.05	-0.02
Other	-	0.00	-	-	-	-	-	-	-	-	-	-
Total²	0.04	0.06	0.07	0.06	0.07	0.08	0.08	0.06	0.08	0.10	0.08	0.02
of which Non-OECD	0.03	0.06	0.07	0.06	0.07	0.08	0.08	0.06	0.08	0.10	0.08	0.02
Total OECD Trade²	0.86	0.92	0.94	0.86	1.13	0.92	0.83	0.88	0.81	0.81	0.69	0.12
of which Non-OECD	0.58	0.62	0.62	0.55	0.73	0.63	0.57	0.64	0.51	0.56	0.47	0.09

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12b
Regional OECD Gasoil/Diesel Imports by Source¹
(million barrels per day)

	2001	2002	2003	1Q03	2Q03	3Q03	4Q03	Oct 03	Nov 03	Dec 03	Year Earlier	
											Dec 02	change
OECD North America												
Venezuela	0.06	0.03	0.03	0.01	0.02	0.03	0.06	0.06	0.06	0.06	0.02	0.03
Other Central & South America	0.03	0.02	0.02	0.01	0.02	0.01	0.02	0.03	0.01	0.02	0.01	0.01
ARA (Belgium Germany Netherlands)	0.01	0.00	0.01	0.03	-	0.00	-	-	-	-	0.03	-
Other Europe	0.02	0.00	0.01	0.02	0.01	0.00	-	-	-	-	0.01	-
FSU	0.03	0.02	0.04	0.13	0.02	0.02	0.01	0.02	-	-	0.14	-
Saudi Arabia	0.00	0.00	0.00	-	0.00	0.00	-	-	-	-	-	-
Algeria	0.00	0.00	0.00	0.00	-	0.00	-	-	-	-	0.01	-
Other Middle East & Africa	0.01	0.00	0.00	0.00	0.00	-	-	-	-	-	0.01	-
Singapore	0.00	0.00	0.00	0.00	0.01	0.01	-	-	-	-	-	-
OECD Pacific	0.01	0.01	0.01	0.00	0.00	0.02	-	-	-	-	0.00	-
Non-OECD Asia (excl. Singapore)	0.01	0.00	0.01	0.00	0.02	0.03	0.00	-	-	0.00	0.02	-0.02
Other	-	-	0.00	-	-	-	0.00	-	-	0.00	-	-
Total²	0.19	0.10	0.13	0.21	0.09	0.13	0.09	0.11	0.07	0.08	0.25	-0.17
of which Non-OECD	0.15	0.09	0.11	0.16	0.08	0.10	0.09	0.11	0.07	0.08	0.21	-0.13
OECD Europe												
OECD North America	0.02	0.03	0.01	0.00	0.01	0.01	0.03	0.03	0.04	0.02	0.02	0.00
Venezuela	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Other Central & South America	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.01
Non-OECD Europe	0.05	0.07	0.06	0.06	0.06	0.07	0.05	0.06	0.04	0.05	0.07	-0.02
FSU	0.36	0.42	0.49	0.43	0.57	0.53	0.45	0.39	0.42	0.53	0.48	0.05
Saudi Arabia	0.01	0.01	0.01	0.01	0.00	-	0.01	-	0.01	0.02	0.00	0.02
Algeria	0.04	0.02	0.02	0.02	0.02	0.03	0.01	0.00	0.03	0.01	0.04	-0.03
Other Middle East & Africa	0.02	0.02	0.01	0.02	0.01	0.01	0.01	0.00	0.00	0.01	0.02	-0.01
Singapore	0.00	0.02	0.00	0.00	-	0.00	0.00	0.01	-	0.00	0.03	-0.03
OECD Pacific	0.00	0.00	0.01	-	0.01	0.01	0.00	-	-	0.01	0.02	-0.01
Non-OECD Asia (excl. Singapore)	0.01	0.01	0.01	0.02	0.00	0.01	0.02	0.01	0.03	0.01	0.02	-0.01
Other	0.10	0.10	0.08	0.10	0.10	0.00	0.11	0.07	0.12	0.14	0.03	0.11
Total²	0.61	0.70	0.71	0.67	0.79	0.67	0.69	0.58	0.69	0.81	0.73	0.07
of which Non-OECD	0.59	0.67	0.69	0.67	0.77	0.65	0.66	0.55	0.66	0.78	0.69	0.09
OECD Pacific												
OECD North America	-	0.00	0.00	-	-	-	0.00	-	-	0.00	-	-
Venezuela	-	-	-	-	-	-	-	-	-	-	-	-
Other Central & South America	0.00	-	-	-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	0.00	0.00	0.00	-	-	-	0.00	0.00	-	-	-	-
Other Europe	-	0.00	0.00	-	-	0.00	-	-	-	-	-	-
FSU	0.00	0.01	0.01	0.01	0.01	0.00	0.01	0.01	0.00	0.01	0.01	0.00
Saudi Arabia	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Algeria	-	-	-	-	-	-	-	-	-	-	-	-
Other Middle East & Africa	-	0.00	-	-	-	-	-	-	-	-	-	-
Singapore	0.02	0.02	0.04	0.02	0.04	0.04	0.05	0.05	0.04	0.05	0.03	0.03
Non-OECD Asia (excl. Singapore)	0.01	0.02	0.03	0.05	0.04	0.02	0.02	0.02	0.01	0.04	0.06	-0.02
Other	0.00	0.00	0.00	-	0.00	-	-	-	-	-	-	-
Total²	0.03	0.05	0.07	0.07	0.08	0.07	0.08	0.08	0.06	0.10	0.09	0.01
of which Non-OECD	0.03	0.05	0.07	0.07	0.08	0.07	0.08	0.08	0.06	0.10	0.09	0.01
Total OECD Trade²	0.83	0.85	0.91	0.96	0.96	0.87	0.86	0.77	0.82	0.98	1.07	-0.09
of which Non-OECD	0.77	0.81	0.87	0.90	0.93	0.82	0.83	0.74	0.78	0.96	1.00	-0.04

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12c
Regional OECD Jet and Kerosene Imports by Source¹
(million barrels per day)

	2001	2002	2003	1003	2003	3003	4003	Oct 03	Nov 03	Dec 03	Year Earlier	
											Dec 02	change
OECD North America												
Venezuela	0.03	0.02	0.03	0.02	0.04	0.03	0.03	0.04	0.03	0.04	0.02	0.01
Other Central & South America	0.02	0.01	0.02	0.01	0.03	0.02	0.01	0.01	-	0.02	0.01	0.01
ARA (Belgium Germany Netherlands)	0.00	-	0.00	0.00	0.00	-	-	-	-	-	-	-
Other Europe	0.00	0.00	0.00	-	0.00	-	-	-	-	-	-	-
FSU	0.00	-	-	-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.00	0.00	0.00	-	-	0.00	0.01	-	-	-	-
Algeria	0.00	0.00	0.00	0.00	0.00	-	-	-	-	-	0.01	-
Other Middle East & Africa	0.02	0.01	0.01	0.04	0.01	0.01	-	-	-	-	0.02	-
Singapore	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-	-	0.00	-
OECD Pacific	0.05	0.04	0.02	0.01	0.02	0.05	0.01	0.02	0.01	0.01	0.02	-0.01
Non-OECD Asia (excl. Singapore)	0.01	0.01	0.00	0.01	-	0.00	0.00	-	-	0.01	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total²	0.14	0.10	0.10	0.10	0.11	0.11	0.07	0.09	0.04	0.07	0.08	-0.01
of which Non-OECD	0.09	0.06	0.07	0.09	0.08	0.06	0.05	0.07	0.03	0.06	0.06	0.00
OECD Europe												
OECD North America	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	-	0.00	-	-
Venezuela	0.01	0.02	0.01	0.00	0.01	0.01	0.01	0.02	0.01	0.00	0.00	0.00
Other Central & South America	0.01	0.00	0.01	0.00	0.01	0.00	0.02	0.03	0.01	0.00	0.00	0.00
Non-OECD Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FSU	0.02	0.03	0.02	0.02	0.02	0.02	0.02	0.01	0.04	0.02	0.02	0.00
Saudi Arabia	0.03	0.02	0.02	0.01	0.03	0.01	0.02	0.01	0.03	0.01	0.00	0.00
Algeria	0.01	0.01	0.01	0.01	0.01	0.02	0.01	-	0.02	0.00	0.02	-0.02
Other Middle East & Africa	0.13	0.10	0.11	0.11	0.11	0.15	0.09	0.11	0.10	0.07	0.11	-0.04
Singapore	-	0.01	0.00	0.00	-	0.00	0.00	0.00	-	-	0.00	-
OECD Pacific	-	-	0.00	-	0.00	0.00	0.00	-	-	0.00	-	-
Non-OECD Asia (excl. Singapore)	-	0.00	0.00	-	-	0.00	0.01	-	0.02	-	-	-
Other	0.04	0.02	0.03	0.01	0.02	0.02	0.05	0.04	0.04	0.06	0.02	0.04
Total²	0.25	0.22	0.21	0.17	0.20	0.25	0.22	0.22	0.29	0.16	0.18	-0.02
of which Non-OECD	0.25	0.21	0.21	0.17	0.20	0.25	0.22	0.22	0.29	0.16	0.18	-0.02
OECD Pacific												
OECD North America	-	-	0.00	0.01	-	-	-	-	-	-	-	-
Venezuela	-	-	-	-	-	-	-	-	-	-	-	-
Other Central & South America	-	-	-	-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.00	0.01	0.02	-	-	0.00	-	0.01	-	0.04	-
Algeria	-	-	-	-	-	-	-	-	-	-	-	-
Other Middle East & Africa	0.01	0.01	0.01	0.03	-	-	0.01	0.00	0.01	0.03	0.02	0.01
Singapore	0.01	0.01	0.01	0.02	0.01	0.01	0.02	0.01	0.01	0.03	0.02	0.01
Non-OECD Asia (excl. Singapore)	0.02	0.02	0.02	0.04	0.00	0.01	0.02	0.01	0.02	0.04	0.09	-0.06
Other	0.04	0.05	0.05	0.07	0.04	0.03	0.08	0.08	0.07	0.08	0.11	-0.03
Total²	0.07	0.10	0.10	0.18	0.05	0.05	0.13	0.11	0.12	0.17	0.28	-0.11
of which Non-OECD	0.07	0.10	0.10	0.18	0.05	0.05	0.13	0.11	0.12	0.17	0.28	-0.11
Total OECD Trade²	0.46	0.42	0.41	0.45	0.36	0.41	0.42	0.42	0.44	0.41	0.54	-0.14
of which Non-OECD	0.41	0.37	0.38	0.44	0.33	0.35	0.41	0.40	0.43	0.39	0.52	-0.13

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12d
Regional OECD Residual Fuel Oil Imports by Source¹
(million barrels per day)

	2001	2002	2003	1Q03	2Q03	3Q03	4Q03	Oct 03	Nov 03	Dec 03	Year Earlier	
											Dec 02	change
OECD North America												
Venezuela	0.07	0.04	0.04	0.03	0.06	0.04	0.05	0.06	0.04	0.05	0.01	0.04
Other Central & South America	0.13	0.14	0.15	0.18	0.14	0.14	0.13	0.18	0.09	0.13	0.16	-0.03
ARA (Belgium Germany Netherlands)	0.02	0.01	0.02	0.02	0.02	0.01	0.02	0.03	0.01	0.01	0.00	0.01
Other Europe	0.03	0.01	0.03	0.03	0.02	0.03	0.02	-	0.04	0.03	0.00	0.02
FSU	0.00	0.01	0.03	0.03	0.03	0.03	0.05	0.03	0.08	0.04	0.01	0.03
Saudi Arabia	0.00	-	0.00	-	0.00	0.00	-	-	-	-	-	-
Algeria	0.00	0.00	0.01	0.01	0.01	0.01	-	-	-	-	0.03	-
Other Middle East & Africa	0.04	0.02	0.03	0.05	0.03	0.02	0.04	0.03	0.04	0.05	0.02	0.03
Singapore	0.00	0.00	0.01	0.01	0.00	0.01	0.00	-	0.00	0.01	-	-
OECD Pacific	0.00	-	-	-	-	-	-	-	-	-	-	-
Non-OECD Asia (excl. Singapore)	0.01	0.00	0.01	-	0.00	0.01	0.01	0.01	0.02	0.01	-	-
Other	0.00	0.00	0.01	0.00	0.01	0.01	-	-	-	-	-	-
Total²	0.31	0.24	0.33	0.35	0.32	0.31	0.33	0.33	0.33	0.32	0.23	0.09
of which Non-OECD	0.26	0.22	0.29	0.30	0.28	0.27	0.29	0.31	0.28	0.29	0.23	0.06
OECD Europe												
OECD North America	0.02	0.02	0.00	0.00	-	-	0.01	-	0.03	0.01	0.01	0.00
Venezuela	0.01	0.00	0.00	0.00	-	-	-	-	-	-	-	-
Other Central & South America	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00
Non-OECD Europe	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.01	0.01	0.00
FSU	0.23	0.27	0.20	0.17	0.20	0.25	0.18	0.23	0.17	0.13	0.13	0.00
Saudi Arabia	0.00	-	-	-	-	-	-	-	-	-	-	-
Algeria	0.00	0.01	0.01	0.00	0.01	0.02	0.02	0.02	0.03	0.01	0.00	0.01
Other Middle East & Africa	0.06	0.06	0.06	0.04	0.06	0.06	0.07	0.06	0.07	0.08	0.06	0.02
Singapore	0.00	0.00	0.00	-	-	-	0.00	0.00	-	0.00	-	-
OECD Pacific	-	0.00	0.00	-	-	-	0.00	-	-	0.00	-	-
Non-OECD Asia (excl. Singapore)	-	0.01	0.01	0.01	0.01	0.02	0.01	-	0.02	0.02	-	-
Other	0.06	0.07	0.10	0.06	0.08	0.09	0.18	0.12	0.12	0.28	0.11	0.18
Total²	0.40	0.47	0.41	0.31	0.38	0.45	0.48	0.44	0.46	0.55	0.33	0.22
of which Non-OECD	0.38	0.45	0.40	0.31	0.38	0.46	0.48	0.44	0.43	0.55	0.32	0.23
OECD Pacific												
OECD North America	0.00	0.00	0.00	-	0.00	-	-	-	-	-	0.00	-
Venezuela	-	-	-	-	-	-	-	-	-	-	-	-
Other Central & South America	-	-	0.00	-	0.00	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	0.00	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	0.00	0.00	-	0.00	0.00	-	-	-	-	-	-
Saudi Arabia	-	0.00	-	-	-	-	-	-	-	-	-	-
Algeria	-	-	-	-	-	-	-	-	-	-	-	-
Other Middle East & Africa	-	0.00	-	-	-	-	-	-	-	-	-	-
Singapore	0.01	0.01	0.00	0.01	-	-	0.00	-	0.01	-	0.01	-
Non-OECD Asia (excl. Singapore)	0.05	0.06	0.06	0.07	0.07	0.05	0.05	0.04	0.05	0.07	0.08	-0.01
Other	0.02	0.02	0.02	0.01	0.03	0.02	0.03	0.04	0.00	0.03	0.01	0.03
Total²	0.08	0.09	0.09	0.10	0.10	0.07	0.08	0.08	0.06	0.11	0.11	0.00
of which Non-OECD	0.08	0.09	0.09	0.10	0.10	0.07	0.08	0.08	0.06	0.11	0.10	0.01
Total OECD Trade²	0.80	0.80	0.82	0.76	0.80	0.83	0.89	0.85	0.84	0.99	0.67	0.32
of which Non-OECD	0.72	0.75	0.78	0.71	0.76	0.80	0.85	0.83	0.77	0.95	0.65	0.29

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12e
Regional OECD Trade Balances^{1,2}
(million barrels per day)

OECD North America

Net Imports/(Exports) of										Latest month vs.	
	2002	2003	1Q03	2Q03	3Q03	4Q03	Oct 03	Nov 03	Dec 03	Nov 03	Dec 02
Crude Oil	7.20	7.62	6.71	8.06	8.08	7.62	8.11	7.39	7.36	-0.03	0.86
Products & Feedstocks	1.18	1.28	1.17	1.51	1.41	1.04	1.15	1.00	0.99	0.00	0.19
Gasoil/Diesel	0.00	0.03	0.08	-0.02	0.06	0.01	0.06	0.00	-0.04	-0.04	-0.16
Gasoline	0.56	0.56	0.48	0.74	0.56	0.45	0.45	0.50	0.40	-0.10	0.04
Heavy Fuel Oil	0.08	0.18	0.22	0.13	0.16	0.19	0.23	0.17	0.18	0.01	0.11
LPG	0.04	0.03	0.04	0.02	0.02	0.03	0.03	0.03	0.03	0.00	-0.05
Naphtha	0.04	0.07	0.03	0.09	0.09	0.06	0.07	0.07	0.06	-0.01	0.05
Jet & Kerosene	0.09	0.09	0.08	0.09	0.11	0.06	0.09	0.04	0.06	0.02	-0.02
Other	0.37	0.34	0.24	0.45	0.41	0.24	0.22	0.19	0.31	0.12	0.21
Total	8.38	8.91	7.88	9.57	9.49	8.67	9.26	8.39	8.35	-0.04	1.04

OECD Europe

Net Imports/(Exports) of										Latest month vs.	
	2002	2003	1Q03	2Q03	3Q03	4Q03	Oct 03	Nov 03	Dec 03	Nov 03	Dec 02
Crude Oil	7.17	7.81	7.61	7.69	7.89	8.05	8.22	8.07	7.85	-0.22	0.78
Products & Feedstocks	1.45	1.17	1.13	1.05	1.37	1.13	1.06	1.44	0.90	-0.54	-0.26
Gasoil/Diesel	0.42	0.42	0.36	0.54	0.46	0.33	0.19	0.42	0.39	-0.03	-0.10
Gasoline	-0.34	-0.39	-0.40	-0.43	-0.36	-0.37	-0.33	-0.37	-0.40	-0.03	-0.14
Heavy Fuel Oil	0.23	0.14	0.08	0.09	0.23	0.17	0.18	0.19	0.13	-0.06	0.16
LPG	0.14	0.07	0.11	0.02	0.07	0.07	0.03	0.07	0.11	0.04	-0.04
Naphtha	0.24	0.23	0.27	0.23	0.19	0.23	0.27	0.27	0.14	-0.12	-0.11
Jet & Kerosene	0.20	0.17	0.11	0.15	0.22	0.18	0.20	0.24	0.11	-0.13	-0.06
Other	0.57	0.53	0.60	0.45	0.56	0.52	0.52	0.63	0.43	-0.19	0.02
Total	8.62	8.98	8.74	8.74	9.26	9.18	9.28	9.51	8.75	-0.75	0.51

OECD Pacific

Net Imports/(Exports) of										Latest month vs.	
	2002	2003	1Q03	2Q03	3Q03	4Q03	Oct 03	Nov 03	Dec 03	Nov 03	Dec 02
Crude Oil	6.20	6.51	7.17	6.51	5.85	6.52	5.85	6.30	7.41	1.12	0.30
Products & Feedstocks	1.31	1.44	1.56	1.37	1.37	1.45	1.37	1.34	1.64	0.29	-0.33
Gasoil/Diesel	-0.14	-0.08	-0.08	-0.06	-0.11	-0.05	-0.10	-0.05	-0.01	0.04	0.01
Gasoline	0.02	0.04	0.02	0.04	0.05	0.06	0.05	0.05	0.08	0.03	0.01
Heavy Fuel Oil	-0.02	-0.04	-0.04	0.00	-0.07	-0.06	-0.09	-0.10	0.01	0.11	-0.01
LPG	0.54	0.52	0.55	0.52	0.53	0.50	0.42	0.56	0.50	-0.06	-0.12
Naphtha	0.70	0.77	0.77	0.71	0.84	0.76	0.82	0.66	0.79	0.12	0.03
Jet & Kerosene	0.00	0.05	0.14	-0.02	-0.02	0.11	0.10	0.10	0.14	0.04	-0.14
Other	0.20	0.17	0.21	0.18	0.16	0.14	0.17	0.12	0.13	0.02	-0.11
Total	7.51	7.95	8.73	7.88	7.22	7.97	7.22	7.64	9.05	1.41	-0.02

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halfff (+33) 0*1 40 57 65 93 e-mail: antoine.halfff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org
	Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France
Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 69
E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

Readers are referred to the Users' Guide, published in conjunction with the Annual Statistical Supplement (current issue dated 11 August 2003), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to US\$ per barrel according to the Platt's specification of products (©2004 Platt's - a division of McGraw-Hill Inc.).

The monthly Oil Market Report is published on the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member Governments, largely on the basis of information received from oil companies, neither governments nor companies necessarily share the Secretariat's views or conclusions as expressed therein. ©OECD/IEA2004

9 April 2004

HIGHLIGHTS

- OECD industry oil stocks fell in February to 2462 mb on product draws, but closed 124 mb above last year. Forward demand cover rose to 52 days, 2.5 days above 2003. US gasoline stocks regained year-ago levels by end-March. April should see gasoline supply rise as runs increase on ample heavy/sour crude supply and strong gasoline prices.
- The easing of tight inventories saw benchmark WTI Cushing moderate after a mid-March, 13-year closing high of \$38.18. Although uncertainty over supplies of MTBE-free gasoline persists, a seasonal dip in product demand plus refinery maintenance outside the US should temper demand for crude in the second quarter.
- March OPEC-10 production was unchanged at 25.8 mb/d, 2.3 mb/d above the target set for 1 April. Market expectations though are for only limited actual production cuts this month. Iraq's March production rose to 2.4 mb/d, with exports rising to 1.85 mb/d from Basrah, Ceyhan and Khor al-Amaya.
- Total world oil supply increased by 410 kb/d in March to 82.3 mb/d, primarily due to higher Iraqi output. A non-OPEC decline of 100 kb/d resulted from lower OECD supply offsetting higher Russian and Brazilian output. Forecast 2004 non-OPEC supply growth was reduced to 1.3 mb/d, with lower expectations for the OECD & Latin America.
- The forecast of 2004 demand growth was raised by 60 kb/d to 1.7 mb/d, surging Chinese apparent demand counteracting lower-than-expected deliveries in Japan. Higher projected demand for the second quarter, coupled with a reduction in the first quarter assessment, cut the second quarter demand dip to 2.0 mb/d, versus 3.1 mb/d last year.

Next Issue: 12 May 2004

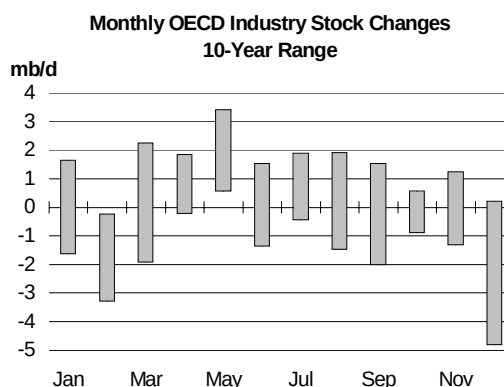
CONTENTS

HIGHLIGHTS.....	1
THE CALL ON OPEC	3
DEMAND	4
Summary	4
OECD.....	5
Early Indications of Current Demand	5
North America	7
Pacific.....	7
Non-OECD.....	9
China	9
SUPPLY.....	12
Summary	12
OPEC	13
OECD.....	16
North America	16
North Sea.....	17
Asia Pacific.....	18
Former Soviet Union (FSU)	18
Other Non-OPEC.....	20
OECD STOCKS.....	22
Summary	22
OECD Industry Stock Changes in February 2004.....	23
Revisions to Preliminary OECD Stocks and Inventory Position at End-February	23
OECD Regional Stock Developments	24
North America	24
Europe	25
Pacific.....	25
Singapore Stock Developments in March.....	26
PRICES AND REFINERY ACTIVITY	28
Summary	28
March Overview.....	29
Crude Oil Prices.....	29
Spot Crude Prices and Differentials in March.....	29
Increased Competition for Oil Pushes Up Prices.....	30
Crude Futures in March.....	32
Delivered Crude Prices in January.....	32
Product Prices.....	33
Spot Product Prices in March	33
Product Futures in March	37
End-User Product Prices in March.....	37
Freight	37
Refining Margins in March	38
TABLES	42
OIL MARKET REPORT CONTACTS	

THE CALL ON OPEC (PLUS STOCK CHANGE)

Prices have exceeded the \$22-\$28 OPEC Basket target range for 18 straight weeks. Some producers argue that the current price environment is not supported by supply-demand fundamentals but is driven by speculators, geopolitical uncertainty and a tight US product market due to limited surplus refining capacity. As such, producers argue that oil prices are largely beyond their control and that the market is well supplied with crude. It has been suggested that producers endorsed a 1 mb/d cut in production effective 1 April to avoid the risk of a precipitous price collapse driven by a speculative sell-off reflecting the seasonal reduction in second quarter demand and the corresponding decline in the IEA's *Call on OPEC*.

Producers referred to the IEA's supply-demand balances as justification for their decision. We would like to remind readers of what the *Call on OPEC plus stock change* is – and is not. The *Call on OPEC plus stock change* is the amount of crude oil necessary from OPEC, and/or implicit stock changes, to balance world demand and supply (global demand minus non-OPEC supply). As such, the *Call* does not reflect actual or anticipated OPEC production, OECD and non-OECD stock changes or adjustments related to Miscellaneous to Balance. Nor does it represent the actual amount of oil needed to keep the market adequately supplied.



IEA balances suggest a second quarter 2004 drop in the *Call on OPEC* of around 1.9 mb/d. This reduction is associated with a corresponding 2.0 mb/d seasonal drop in demand. It is important to recognise that the *Call* this year falls within the normal historical range but it does not take account of seasonal stock adjustments. Stocks normally build over the spring and summer. The need for a strong second quarter build this year is amplified by the recent low stock environment. In this respect, the 1.9 mb/d reduction in the *Call on OPEC* is largely offset by the need for a normal stock build in the second quarter. Ignoring seasonal stock adjustments and developments in Miscellaneous to Balance – primarily unreported non-OECD stock changes and underreported non-OECD demand – is misleading.

IEA Supply/Demand Balance

	(million barrels per day)																
	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
Demand	76.2	76.8	77.0	75.2	76.7	79.0	77.0	79.2	76.1	78.3	80.8	78.6	80.3	78.3	80.1	82.4	80.3
Non OPEC Supply	48.9	49.8	51.3	51.5	51.3	51.9	51.5	52.1	51.9	52.6	53.9	52.6	54.1	54.0	54.1	55.1	54.3
OPEC Crude	27.8	27.0	24.9	24.3	25.3	25.8	25.1	26.7	26.2	26.6	27.7	26.8	28.0				
OECD Stock Changes + Oil on Water	0.3	0.2	0.0	0.4	-0.6	-1.0	-0.3	-0.2	1.4	0.7	0.0	0.5					
Call-on-OPEC (+ stock change)	27.3	27.0	25.7	23.7	25.3	27.1	25.5	27.0	24.1	25.7	27.0	26.0	26.2	24.3	25.9	27.3	25.9
Miscellaneous-to-Balance	0.3	-0.2	-0.8	0.1	0.6	-0.3	-0.1	-0.2	0.6	0.2	0.7	0.4					

Despite official announcements of OPEC production cuts and adherence to targets, OPEC members excluding Iraq produced close to 25.8 mb/d for the sixth straight month. As such, OPEC-10 production in March was 2.3 mb/d above the 1 April target and market perception is that April production cuts are likely to be minimal. In addition, Iraqi supply is estimated to have surged by over 500 kb/d in March. Barring unforeseen developments, Iraqi exports are set to grow to pre-war levels of around 2.0 mb/d in the months ahead. In combination with the seasonal reduction in second quarter demand, these higher output levels provide an opportunity for a much-needed stock build. This represents good news for the oil market and for the global economy at large, contributing to a more stable and balanced operating environment.

At the same time, supply-demand fundamentals in the market that have provided support for speculative activity will not disappear. Even a larger than average seasonal stock build will only trend the market towards more “normal” levels. Geopolitical tensions, exacerbated by limited spare production capacity and growth in GDP and oil demand, are still at play. Constraints on how quickly gasoline supplies can be replenished ahead of peak demand remain. While the market may be better supplied with sour crude, sweet-sour differentials suggest that gasoline-rich crude is still in short supply. Available spare production capacity is predominantly of a sour, heavy grade. Combined, these factors provide support for the market, and could contribute to ongoing volatility.

DEMAND

Summary

- The forecast of global oil demand is little changed from last month. There has been a minor upward adjustment of 30 kb/d to the growth forecast for 2004, to 1.68 mb/d. This primarily reflects a 70 kb/d upward adjustment to non-OECD demand growth, partly offset by a 40 kb/d cut for the OECD.
- Revisions to historical data have slightly raised the demand assessments for 2002 and 2003, by 20 kb/d and 30 kb/d, respectively. The higher 2003 baseline, compounding the increase in the growth forecast, lifts the estimate of absolute demand for 2004 by 60 kb/d, to 80.27 mb/d.

Global Oil Demand from 2002 to 2004

	Demand (mb/d)	Annual Change* (%)	(mb/d)	Changes from last month's Report (mb/d)
1Q02	77.0	-0.9	-0.7	-
2Q02	75.2	-0.4	-0.3	-
3Q02	76.7	0.7	0.6	-
4Q02	79.0	1.5	1.1	-
1Q03	79.2	2.8	2.2	-
2Q03	76.1	1.1	0.8	-
3Q03	78.3	2.1	1.6	-
4Q03	80.8	2.3	1.8	0.1
1Q04	80.3	1.5	1.2	-0.1
2Q04	78.3	2.9	2.2	0.3
3Q04	80.1	2.2	1.8	-
4Q04	82.4	1.9	1.5	0.1
2002	77.0	0.2	0.2	-
2003	78.6	2.1	1.6	-
2004	80.3	2.1	1.7	0.1

* year-on-year change

- The timing of demand growth for 2004 has been more substantially adjusted. The forecast of second quarter demand has been raised by 260 kb/d, China accounting for the bulk of the increase. That gain more than offsets an 80 kb/d cut in first-quarter demand, due to lower-than-expected Japanese power generation requirements. Taken together, the two adjustments point to a shallower-than-expected seasonal drop in demand of 2 mb/d from the first to the second quarter, compared to 3.08 mb/d last year.

Estimated Annual World Oil Demand Growth 1999-2004

	(million barrels per day)					
	99-98	00-99	01-00	02-01	03-02	04-03
North America	0.71	0.26	-0.06	0.16	0.47	0.30
Latin America	0.02	-0.01	0.02	-0.11	-0.12	0.08
FSU	-0.15	0.09	-0.01	-0.20	0.11	-0.11
Europe	-0.15	-0.12	0.21	-0.15	0.14	0.14
OECD Pacific	0.28	-0.08	-0.08	-0.04	0.13	-0.16
China	0.21	0.26	0.12	0.27	0.55	0.70
Other Asia	0.41	0.09	0.16	0.11	0.15	0.42
Subtotal, Asia	0.90	0.28	0.20	0.34	0.83	0.96
Middle East	0.04	0.18	0.19	0.13	0.14	0.26
Africa	0.11	0.05	0.09	0.01	0.04	0.04
World	1.48	0.72	0.63	0.18	1.60	1.68

- China's fast-rising energy consumption fuels most of the growth in global oil demand. Preliminary data indicate that Chinese apparent demand surged by more than 900 kb/d in the first quarter, a gain

of nearly 18% year-on-year. Robust end-user demand and the reappearance of tight primary stocks, including localised product shortages, suggest that second-quarter apparent demand may again exceed expectations, despite seasonal maintenance at several large refineries.

- In the OECD, robust growth in North American demand, led by continued gains in US gasoline, has been offset by contraction in the Asia-Pacific region, reflecting the reversal of last year's surge in Japanese demand from electric utilities. However, growth is expected to gather momentum in the second quarter, as the effect of those one-off factors subsides while the economic recovery continues.

Global Oil Demand by Region

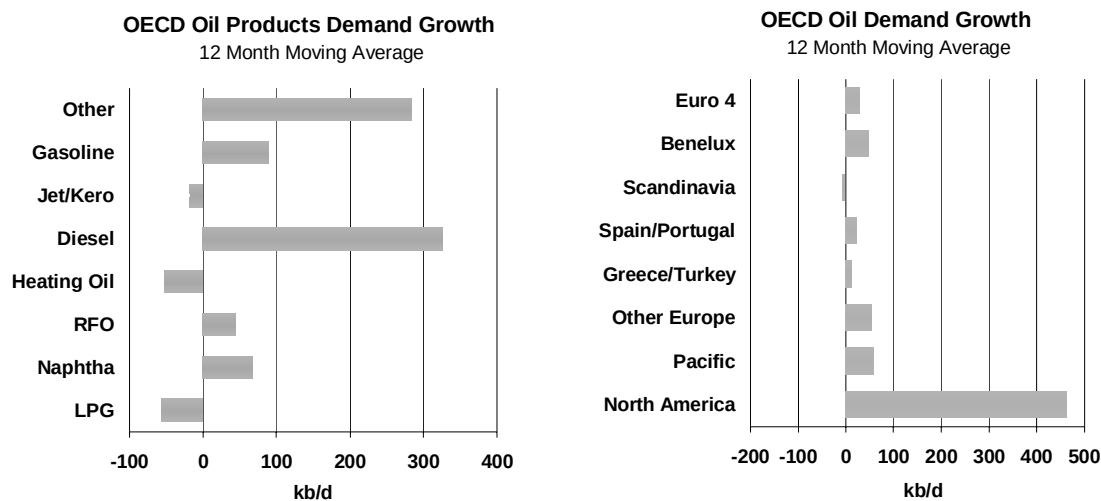
(million barrels per day)

	Demand	Annual Change			Annual Change (%)		
	2003	2002	2003	2004	2002	2003	2004
North America	24.64	0.16	0.47	0.30	0.7	2.0	1.2
Europe	16.00	-0.15	0.14	0.14	-1.0	0.9	0.9
OECD Pacific	8.63	-0.04	0.13	-0.16	-0.5	1.5	-1.8
China	5.49	0.27	0.55	0.70	5.9	11.1	12.8
Other Asia	7.83	0.11	0.15	0.42	1.5	2.0	5.3
Subtotal Asia	21.95	0.34	0.83	0.96	1.7	3.9	4.4
FSU	3.56	-0.20	0.11	-0.11	-5.5	3.0	-3.1
Middle East	5.20	0.13	0.14	0.26	2.6	2.8	4.9
Africa	2.60	0.01	0.04	0.04	0.5	1.5	1.7
Latin America	4.66	-0.11	-0.12	0.08	-2.3	-2.5	1.8
World	78.60	0.18	1.60	1.68	0.2	2.1	2.1

OECD

Early Indications of Current Demand

Recent data highlight the widening divergence in demand trends between North America, where oil consumption has been rapidly increasing, and the rest of the OECD, particularly the Asia-Pacific region, where the reversal of one-off factors that boosted demand in the first half of last year has caused it to contract in the last three quarters. Preliminary data for February and revisions to December statistics reinforce this contrast, with the contraction in Japanese demand accelerating markedly in January and February and offsetting robust growth in North American demand, notably for gasoline. However, the contraction in Japanese demand will soon have run its course, setting the stage for stronger aggregate OECD demand growth in the second quarter and beyond that, in the second half of this year.



For January, the latest data show that aggregate OECD demand rose by 270 kb/d, or 0.5%, year on year, roughly in line with prior estimates. But while the aggregate OECD figure is little changed from last month's provisional assessment, the regional breakdown shows stronger demand growth than expected in North America, offset by milder gains than forecast in Europe. North American demand

surged by 500 kb/d on the year, roughly 100 kb/d more than in last month's Report, led by a 315 kb/d jump in US gasoline deliveries. In contrast, Asian demand contracted by 330 kb/d, while European demand expanded by 100 kb/d, 60 kb/d less than anticipated.

Revisions to December delivery data have raised the demand estimate by 260 kb/d, but without altering the contrast in regional demand trends. Aggregate OECD demand for December now appears to have surged by 990 kb/d year-on-year, a much steeper gain than initially assessed. North America led the gain with a 1 mb/d increase, including 380 kb/d in transportation fuels, 120 kb/d in LPG and 540 kb/d in the catch-all "other products" category. In contrast, Asian demand contracted by 460 kb/d, due mostly to lower demand by Japanese utilities. That estimate represents a downward revision of 40 kb/d to earlier forecasts. Prior estimates of European demand were increased by 310 kb/d, to show demand growth of 440 kb/d, of which the bulk was in diesel and "other products".

Together with smaller increases in the demand estimates for October and November, the revisions for December lift the estimate of fourth-quarter OECD demand by 120 kb/d, and the yearly average by 30 kb/d.

In contrast, the February demand estimate has been adjusted sharply downwards, by 360 kb/d, partly in light of lower-than-expected preliminary delivery data in some of the region's largest economies. There again, regional patterns are unaltered, as the bulk of the downward adjustment focuses on Asia, while North American demand has been adjusted substantially upwards.

Preliminary Inland Deliveries – February 2004

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	8.81	3.6	1.61	-4.2	2.73	1.0	1.54	-7.5	0.88	-1.5	4.83	-2.3	20.39	0.1
Mexico	0.60	2.2	0.06	0.0	0.28	-2.8	0.00	Na	0.34	-6.1	0.41	5.4	1.69	0.2
Japan	0.99	-1.1	0.95	-10.3	0.65	-4.8	0.62	-7.3	0.56	-18.6	1.75	-11.0	5.52	-9.0
Korea	0.14	-17.0	0.05	-11.9	0.36	-12.2	0.19	-24.2	0.34	-12.2	1.08	0.9	2.16	-7.8
France	0.25	-7.8	0.12	0.9	0.60	-2.5	0.45	-14.8	0.06	-6.2	0.51	-4.2	1.99	-6.5
Germany	0.56	-4.4	0.13	-12.1	0.55	-1.7	0.64	-6.9	0.10	-9.6	0.45	5.3	2.43	-3.5
Italy	0.32	-9.0	0.07	-6.3	0.48	-0.9	0.13	-20.2	0.22	-20.1	0.44	-6.5	1.65	-8.7
Total	11.66	1.8	2.99	-6.5	5.64	-1.6	3.57	-9.9	2.49	-10.1	9.47	-3.4	35.82	-3.0

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

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

1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

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

The table above, showing unadjusted preliminary data of inland oil deliveries for February for seven of the largest OECD economies, provides a clear illustration of demand patterns in North America and the rest of the OECD. The trend inches upwards in the US and Mexico, two countries for which estimates of inland deliveries, if recent experience is any guide, remain subject to steep upward revisions. On the other hand, provisional estimates point to a steep contraction of deliveries in both Northeast Asia and in three of the dominant economies of Western Europe.

Moving Annual Average Change in Oil Demand* – February 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	-4.9%	3.0%	1.5%	-2.9%	3.9%	-2.7%	8.5%	4.9%	1.2%	230
Canada**	1.9%	-4.2%	1.0%	6.6%	-1.0%	4.4%	13.2%	2.0%	2.5%	53
Mexico	-0.2%	16.9%	5.8%	-0.2%	7.2%	7.2%	-8.3%	39.1%	4.4%	87
Japan	-5.3%	0.8%	0.7%	-3.3%	-3.9%	-0.9%	7.6%	-0.3%	-0.5%	-27
Korea	-5.4%	3.5%	-6.3%	-10.3%	6.2%	-9.4%	-2.6%	-45.3%	-1.1%	-25
France	1.1%	27.6%	-7.5%	6.8%	-0.3%	-0.9%	-0.6%	17.5%	2.8%	56
Germany	3.3%	0.0%	-4.3%	1.0%	8.6%	-12.0%	-1.7%	-0.5%	-2.2%	-59
Italy	3.0%	10.8%	1.4%	25.1%	12.7%	-24.3%	-10.5%	-2.5%	0.2%	4
UK	0.6%	20.4%	-3.3%	-1.9%	1.9%	1.9%	4.2%	-4.8%	-0.7%	-12
Total	-3.2%	4.0%	0.8%	-2.0%	3.6%	-4.3%	1.0%	5.8%	0.8%	308
kb/d	-136	104	106	-68	213	-154	31	212	308	

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

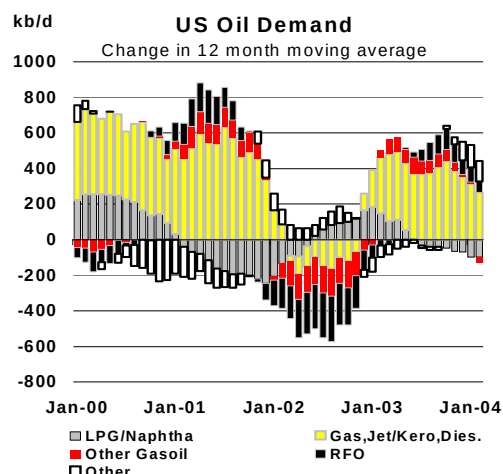
** near-month data are estimated

Broken down by products, the data show relatively robust growth for road transportation fuels, led by North America, contrasting with steep contraction in all other product categories. Gasoline deliveries soared somewhat counter-seasonally in the US and Mexico, while US diesel demand also grew. But demand for heating and power generation fuels declined rapidly across the OECD, signalling the end of the heating season, poor utility demand in Japan and continued weakness in oil demand from the manufacturing sector across the OECD. Jet fuel demand remained relatively weak, while deliveries of “other products” edged lower in most markets.

North America

The pattern of recent steep revisions to US delivery data invites considerable caution in elaborating on preliminary demand estimates. But recent statistical data suggest that after strong demand in January, spurred by frigid weather across parts of the US and Canada, North American demand for heating and power generation fuels edged markedly lower in February and March. On average, first-quarter North American demand for heating oil is now estimated to have contracted by 70 kb/d, and by 10 kb/d for residual fuel oil. While lower than last year, demand fell far short of reversing the steep gains posted in the first quarter of 2003. A repeat of colder-than-normal winter temperatures this year muted the reversal, while natural gas prices, though not as steep as in 2003, remained high enough to justify some fuel switching. Looking forward, heating and power generation demand should be less of a factor in the shoulder period between the peak winter heating demand period and the summer cooling season.

This will allow gasoline demand to take center stage. North American gasoline deliveries have been exceptionally robust so far this year, surging by an estimated 340 kb/d in what is normally taken to be a low-demand season. Preliminary US January data have been revised upwards by 190 kb/d, and now show that deliveries soared by 3.4%, or 280 kb/d. Preliminary US data for February point to a further gain of 3.6%, while weekly surveys indicate growth of more than 4% in March. However, gasoline demand growth had been relatively subdued in the first quarter of 2003, making first-quarter 2004 deliveries look all the higher in comparison. As consumption had increased much faster in the rest of 2003 than in the first quarter, demand growth is expected to slow somewhat for the remainder of 2004 in comparison to last year. However, continued recovery in the US economy and a sudden pick-up in the employment rate could lead gasoline demand to exceed forecasts. Whether demand growth will indeed slow down or continue apace might make all the difference between an adequately-supplied or an uncomfortably tight North American market this summer.



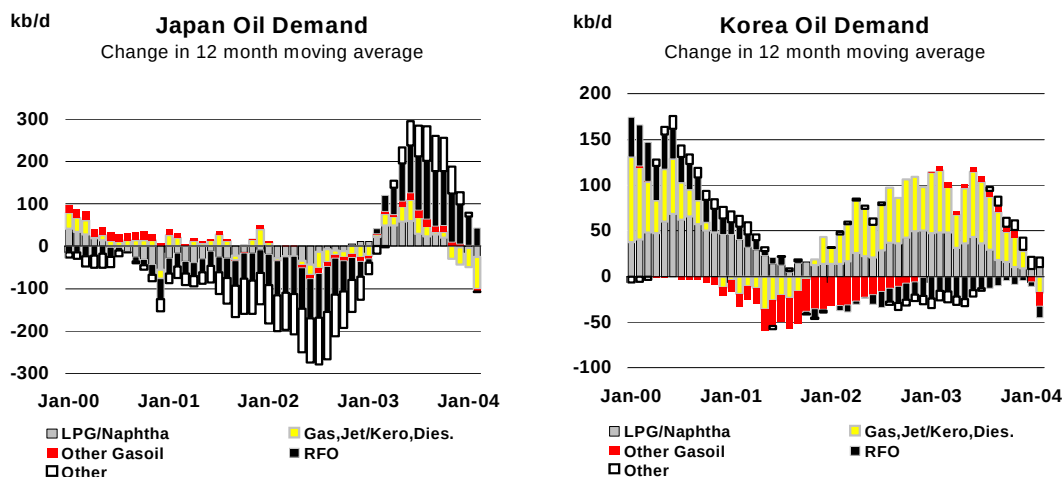
Pacific

OECD Asia-Pacific demand contracted by an estimated 450 kb/d in the first quarter, reversing most of last year's 550 kb/d first-quarter gain. The drop reflects both mild winter temperatures this year, in contrast with last year's frigid weather, and less fuel switching into oil by Japanese electric utilities as Japanese nuclear power plants idled last year due to safety-related issues are gradually returning to service. Asian demand is expected to keep contracting in the second quarter, but at a more subdued pace.

Warmer weather caused demand for jet fuel-kerosene, used for winter heating in Northeast Asia, to fall by 120 kb/d. The drop, which offsets last year's 110 kb/d increase, was about evenly split between Japan and Korea. Heating oil demand also declined by 80 kb/d, reversing a 50 kb/d gain a year earlier.

Meanwhile, regional demand for residual fuel oil declined by 160 kb/d, led by a contraction of 140 kb/d in Japan. Demand for “other products”, including heavy, sweet crude used as boiler fuel in power plants, dropped by 80 kb/d, of which Japan accounted for 70 kb/d. Eight of Tokyo Electric Power Co. (Tepco)'s 17 nuclear power plants are now back in operation and more plants are expected to restart soon. In all, 37 of Japan's 52 nuclear plants - more than 72% - are now operational.

Reversing last year's pattern, demand from Japanese utilities is expected to contract more steeply in the second quarter, but the contraction is likely to narrow considerably in the third quarter,. Fuel switching into oil from nuclear had surged in the second quarter of 2003, as more plants (ultimately all of Tepco's units) were taken off line, even as electricity demand increased seasonally. But exceptionally low cooling demand, coupled with effective management of electricity and fuel resources by utility companies, had then allowed utility oil burn to decline in the summer.



Yet despite steeper contraction in Japanese utility demand, the overall decline in OECD Asia-Pacific oil demand is expected to narrow in the second quarter. As heating demand declines seasonally, the adverse impact of milder winter weather will be less of a drag on jet-fuel kerosene consumption, and jet fuel demand will likely rebound on the back of higher air travel demand. Increased demand from the airline sector will be spurred by continued economic recovery in Japan, increased air travel between China and OECD Asia, and the reversal of the dip in transportation demand caused by last year's Severe Acute Respiratory Syndrome (SARS) outbreak in the second quarter.

Europe

Several adjustments have been made to historical European demand. Turkish demand has been adjusted upwards by an average 20 kb/d for 2002, following resubmission of monthly oil data by distribution and other companies to the Turkish government. Naphtha and marine bunkers account for the bulk of the increase. Naphtha imports were revised upwards by an average 14 kb/d for the year. International marine bunker delivery estimates were also revised substantially upwards. Additional Turkish data revisions are expected for 2003.

Meanwhile, Irish demand has been marginally adjusted downwards. Recent changes in Irish oil statistics had led to double-counting of naphtha deliveries for the period from 2000 to the present. This has now been fixed.

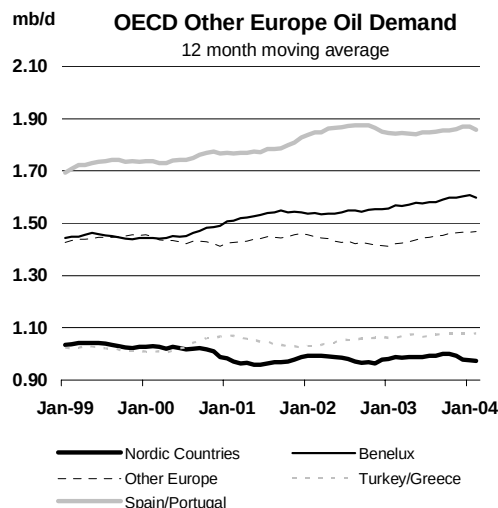
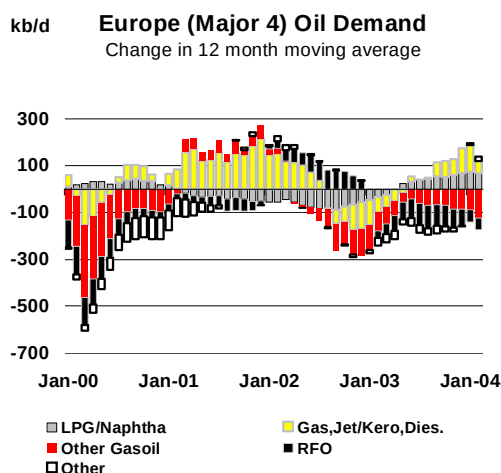
The assessment of Spanish naphtha demand for the first quarter has been lowered substantially, in line with a large drop in deliveries since May 2003. That drop may be at least partly explained by maintenance on a naphtha-fed steam cracking unit maintenance in May-June of last year, followed by an accident at a refining and petrochemical facility in August that caused lasting damage. A unit idled in that accident returned to service in March, suggesting that naphtha demand may show signs of recovery in the second quarter. This issue remains under review and may lead to further adjustments in coming months.

Ten European economies, including four OECD members (the Czech Republic, Hungary, Poland and Slovakia), are joining the European Union on 1 May. While the process of EU enlargement is not expected to have any direct effect on oil demand in the short term, it may help boost demand growth indirectly in the longer term.

Central and Eastern European economies have over the last few years enjoyed substantially faster economic development than most EU economies. EU accession will give new entrants improved access to Western European markets and is widely expected to fuel further economic development, leading eventually to continued gains in household income. This may in turn contribute to a further

pick-up in consumer spending, including increases in automobile sales and vehicle ownership rates, and thus to higher transportation fuel demand.

But a more direct effect of EU enlargement might be in naphtha. Attracted by the prospect of EU enlargement as well as an array of business-friendly reforms, several automobile manufacturers have already established - or are in the process of setting up - large manufacturing bases in Central and Eastern Europe. Slovakia, for one, has become something akin to the Detroit of Eastern Europe, attracting large investments from the likes of Hyundai Motor of Korea, Volkswagen and PSA Peugeot Citroen of Europe and numerous ancillary industries, including automobile part manufacturers Rautenbach; Alcupro; Johnson Controls; Delphi Automotive Systems; Hella and Euroglass. The automobile industry is a relatively large consumer of plastics and petrochemicals, and continued expansion would likely stimulate further growth in the burgeoning Central and Eastern European petrochemical base.

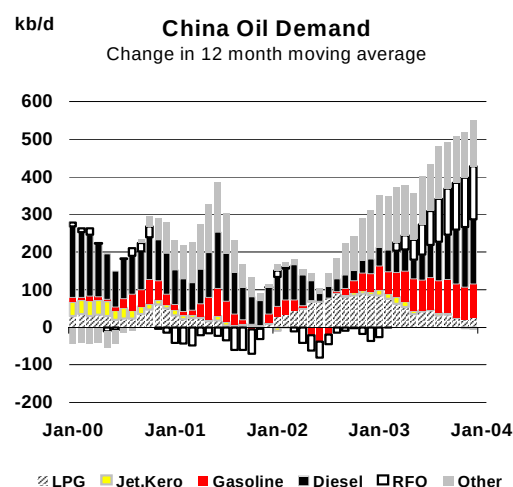


By some estimates, Central and Eastern Europe, which until recently consumed roughly one-tenth as much naphtha as Western Europe, may in a few years become about as large a consumer as its western neighbour. Because of its mostly inland location, the Eastern European petrochemical industry, unlike its counterpart in the Amsterdam-Rotterdam-Antwerp area, may remain relatively immune from competition from lower-cost Middle East producers. Expansion of the Central and Eastern European petrochemical industry would also provide a convenient outlet to associated naphtha output produced by local refineries as a by-product of gasoline.

Non-OECD

China

Chinese apparent demand, defined as the sum of domestic refined product output and net product imports, continues to surpass expectations. Apparent demand for January was adjusted upwards by 90 kb/d to 6.18 mb/d. In February, preliminary data from the National Bureau of Statistics (NBS) suggest that refiners lifted crude throughputs to a new record of 5.56 mb/d, up 270 kb/d on the month. Apparent demand was provisionally assessed at a fresh high of 6.38 mb/d, including official net product imports of nearly 620 kb/d. Throughputs are still believed to have dropped significantly in March, on the back of plant maintenance shutdowns, but from an upwardly revised February base, leaving the estimate of quarterly demand at 6.14 mb/d, 180 kb/d over last month's estimate, and more than 900 kb/d above last year.



Although there were reports of rising product stocks and sliding prices in early March, by the end of the month prices had rebounded and stocks were once again reported to be too tight for comfort. Product shortages reportedly reappeared in some markets, leading distributors once again to ration

supplies, suspend deliveries or bundle gasoline and diesel sales. Against the backdrop of vigorous end-user demand, spurred in part by a seasonal up-tick in agricultural demand in the Northeast and the start of the fishing season, it appears likely that maintenance outages will be kept to a minimum, and that individual plant shutdowns will be offset as much as possible by run hikes at other facilities or by higher product imports. With hindsight, last year's second-quarter demand downturn appears more closely tied to the anomalous effect of the SARS outbreak than to a seasonal pattern or to a seasonal build in first-quarter inventories. As a result, our forecast of second-quarter demand has been raised by 260 kb/d, a gain of 1.04 mb/d from last year's abnormally depressed levels. Further upward revisions cannot be ruled out, given the uncertainties associated with the pace of Chinese economic growth and the uncharted course of its development.

China Crude & Product Trade

(thousand barrels per day)

	2002	2003	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04	Latest month vs.	
										Jan 04	Feb 03
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1652	1556	1731	1716	1957	2262	2547	285	989
Products & Feedstocks	361	442	320	415	586	445	414	617	615	-2	490
Gasoil/Diesel	-16	-28	-31	-32	-42	-9	-14	19	23	4	49
Gasoline	-142	-175	-173	-191	-184	-151	-178	-10	-139	-129	113
Heavy Fuel Oil	281	407	334	401	531	361	379	376	509	133	231
LPG	197	202	184	209	211	203	239	173	194	21	35
Naphtha	-16	-22	-16	-25	-22	-24	-26	-16	-35	-19	-11
Jet & Kerosene	9	1	-11	4	15	-6	-41	28	12	-16	33
Other	48	58	32	50	77	70	55	46	50	4	39
Total	1609	2106	1972	1972	2317	2161	2371	2879	3162	284	1479

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

As in recent months, gasoil continues to account for the bulk of the growth in Chinese apparent demand. According to NSB data, gasoil output reached an all-time high of 2.03 mb/d in February, as refiners boosted both throughputs and gasoil yields in a bid to meet soaring end-user demand, while gasoil imports crept up to a three-year high. In several cities of Guangdong province, including Dongguan, Foshan, Guangzhou, Shenzhen and Zhongshan, manufacturers were reportedly encouraged by provincial or local authorities to rely on back-up diesel generators to protect their operations against the adverse effect of power shortages.

Meanwhile, residual fuel oil-fired power plants had also reportedly cranked up operating rates to unseasonably high levels in Guangdong province, on the back of surging electricity demand. Official net residual fuel oil imports for February were assessed at 510 kb/d, in line with last summer's peaks, while the NBS pegged output at 400 kb/d, near recent highs.

India Crude & Product Trade

(thousand barrels per day)

	2002	2003	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 04 ¹	Latest month vs.	
										Dec 03	Jan 03
Net Imports/(Exports) of:											
Crude Oil	na	1861	1752	1957	1801	1935	1900	1875	1974	99	315
(by Public Oil Cos)	1088	1241	1137	1317	1137	1371	1366	1449	1218	-231	200
Products & Feedstocks	-83	-152	-125	-185	-205	-91	-178	-14	21	35	102
Gasoil/Diesel	-53	-119	-113	-120	-144	-99	-127	-63	-62	0	41
Gasoline	-48	-72	-66	-71	-88	-62	-46	-68	-54	14	-15
Heavy Fuel Oil	6	5	-10	24	13	-8	-24	-13	26	39	44
LPG	22	55	75	28	38	79	63	117	89	-27	20
Naphtha	4	-1	13	-43	-3	30	-8	45	42	-3	40
Jet & Kerosene	10	-22	-14	-3	-28	-42	-50	-48	-35	13	-47
Other	-23	1	-11	-1	7	11	13	16	14	-2	19
Total	1005	1089	1627	1771	1596	1844	1722	1861	1995	134	417

¹ Preliminary

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

Yearly data for net imports of crude oil for 2002 are not available.

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

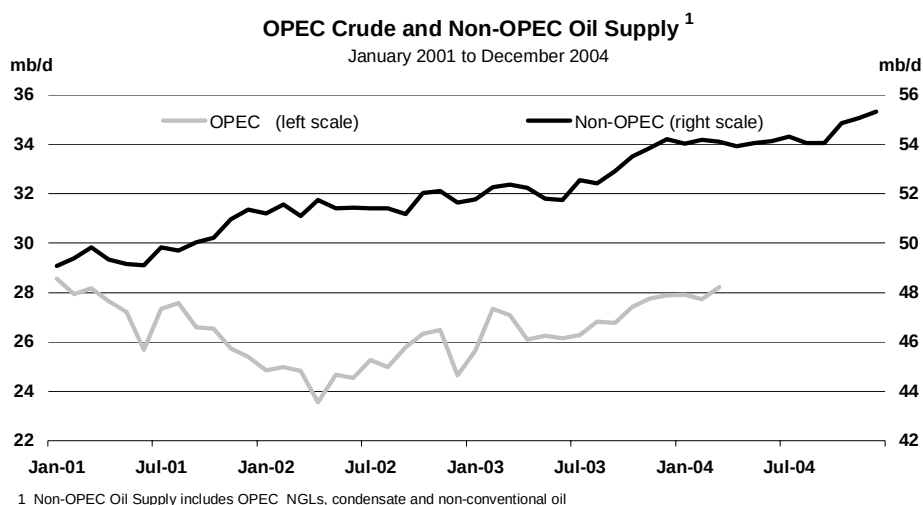
Summary of Global Oil Demand

	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
Demand (mb/d)																
North America	24.00	23.93	24.02	24.34	24.35	24.16	24.56	24.16	24.89	24.92	24.64	24.83	24.34	25.27	25.30	24.94
Europe	15.27	15.21	14.69	15.20	15.33	15.11	15.19	14.98	15.26	15.49	15.23	15.17	15.14	15.41	15.69	15.35
Pacific	8.54	9.06	7.64	8.03	9.26	8.50	9.60	8.04	7.88	8.99	8.63	9.16	7.85	7.94	8.92	8.47
Total OECD	47.81	48.20	46.35	47.57	48.94	47.77	49.36	47.18	48.03	49.40	48.49	49.16	47.33	48.62	49.91	48.76
FSU	3.65	3.48	3.10	3.38	3.84	3.45	3.81	3.10	3.45	3.88	3.56	3.45	3.07	3.40	3.85	3.45
Europe	0.75	0.81	0.75	0.70	0.76	0.75	0.82	0.76	0.71	0.77	0.77	0.84	0.78	0.73	0.79	0.78
China	4.67	4.64	5.02	4.94	5.20	4.95	5.21	5.18	5.73	5.85	5.49	6.14	6.22	6.14	6.28	6.20
Other Asia	7.57	7.55	7.69	7.61	7.86	7.68	7.68	7.63	7.76	8.25	7.83	8.10	8.16	8.15	8.59	8.25
Latin America	4.89	4.72	4.81	4.86	4.72	4.78	4.46	4.64	4.78	4.74	4.66	4.56	4.73	4.86	4.80	4.74
Middle East	4.93	5.02	4.94	5.15	5.13	5.06	5.18	4.96	5.34	5.33	5.20	5.38	5.36	5.61	5.48	5.46
Africa	2.55	2.58	2.59	2.48	2.59	2.56	2.63	2.62	2.51	2.63	2.60	2.67	2.66	2.56	2.68	2.64
Total Non-OECD	29.00	28.79	28.90	29.11	30.11	29.23	29.80	28.89	30.28	31.45	30.11	31.15	30.98	31.45	32.48	31.52
World	76.82	76.98	75.25	76.68	79.05	77.00	79.15	76.07	78.31	80.85	78.60	80.31	78.31	80.07	82.39	80.27
Of which:																
US	19.65	19.53	19.72	19.92	19.87	19.76	20.01	19.67	20.33	20.27	20.07	20.26	19.90	20.64	20.60	20.35
Euro 4	8.43	8.35	7.99	8.38	8.27	8.25	8.21	8.17	8.23	8.34	8.24	8.23	8.19	8.26	8.36	8.26
Japan	5.39	5.68	4.62	5.03	5.87	5.30	6.19	4.99	4.87	5.57	5.40	5.81	4.76	4.85	5.49	5.23
Korea	2.13	2.35	1.99	2.01	2.37	2.18	2.41	2.03	1.98	2.37	2.20	2.30	2.04	2.03	2.34	2.18
Mexico	1.99	1.99	1.98	1.97	1.98	1.98	2.02	2.07	2.07	2.07	2.06	2.07	2.04	2.07	2.11	2.07
Canada	2.04	2.07	2.02	2.13	2.16	2.09	2.17	2.10	2.17	2.24	2.17	2.14	2.08	2.23	2.24	2.17
Brazil	2.20	2.15	2.16	2.22	2.19	2.18	2.00	2.07	2.15	2.17	2.10	2.04	2.09	2.17	2.19	2.12
India	2.27	2.30	2.30	2.20	2.32	2.28	2.32	2.25	2.19	2.39	2.29	2.43	2.40	2.31	2.54	2.42
Annual Change (% per annum)																
North America	-0.2	-1.7	0.7	1.1	2.5	0.7	2.6	0.6	2.3	2.4	2.0	1.1	0.8	1.5	1.5	1.2
Europe	1.1	0.0	-0.5	-2.0	-1.7	-1.1	-0.1	2.0	0.4	1.1	0.8	-0.1	1.0	1.0	1.3	0.8
Pacific	-0.9	-3.6	-4.2	0.0	5.4	-0.5	6.0	5.3	-1.9	-2.9	1.5	-4.6	-2.4	0.8	-0.8	-1.8
Total OECD	0.1	-1.5	-0.5	-0.1	1.7	-0.1	2.4	1.8	1.0	0.9	1.5	-0.4	0.3	1.2	1.0	0.6
FSU	-0.3	-6.4	-7.2	-1.6	-6.6	-5.5	9.4	-0.1	2.1	0.8	3.0	-9.3	-1.0	-1.2	-0.6	-3.1
Europe	6.0	0.8	1.1	1.4	1.5	1.2	1.8	1.5	1.6	1.7	1.6	1.8	1.9	2.0	2.2	2.0
China	2.5	3.9	1.1	9.7	9.0	5.9	12.3	3.3	16.1	12.5	11.1	17.9	20.1	7.2	7.4	12.8
Other Asia	2.1	0.5	1.6	1.8	2.0	1.5	1.8	-0.8	2.0	4.9	2.0	5.4	7.0	5.0	4.2	5.3
Latin America	0.4	-1.2	-2.8	-1.9	-3.1	-2.3	-5.4	-3.6	-1.6	0.5	-2.5	2.3	2.0	1.7	1.4	1.8
Middle East	4.0	2.6	2.4	2.7	2.7	2.6	3.2	0.3	3.7	3.7	2.8	3.9	8.1	5.1	2.8	4.9
Africa	3.5	0.0	0.3	1.1	0.6	0.5	2.2	1.1	1.2	1.5	1.5	1.7	1.7	1.8	1.8	1.7
Total Non-OECD	2.1	0.2	-0.2	2.1	1.1	0.8	3.5	-0.1	4.0	4.4	3.0	4.5	7.2	3.9	3.3	4.7
World	0.8	-0.9	-0.4	0.7	1.5	0.2	2.8	1.1	2.1	2.3	2.1	1.5	2.9	2.2	1.9	2.1
Annual Change (mb/d)																
North America	-0.06	-0.40	0.18	0.27	0.59	0.16	0.63	0.14	0.55	0.57	0.47	0.27	0.19	0.38	0.38	0.30
Europe	0.17	0.00	-0.08	-0.31	-0.26	-0.16	-0.02	0.29	0.06	0.16	0.12	-0.02	0.15	0.16	0.20	0.12
Pacific	-0.08	-0.34	-0.33	0.00	0.48	-0.04	0.55	0.41	-0.15	-0.27	0.13	-0.45	-0.19	0.06	-0.07	-0.16
Total OECD	0.03	-0.74	-0.23	-0.04	0.81	-0.05	1.16	0.84	0.45	0.46	0.73	-0.19	0.15	0.59	0.51	0.27
FSU	-0.01	-0.24	-0.24	-0.05	-0.27	-0.20	0.33	0.00	0.07	0.03	0.11	-0.36	-0.03	-0.04	-0.02	-0.11
Europe	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02
China	0.12	0.17	0.05	0.44	0.43	0.27	0.57	0.17	0.79	0.65	0.55	0.93	1.04	0.41	0.43	0.70
Other Asia	0.16	0.04	0.12	0.13	0.15	0.11	0.13	-0.06	0.15	0.39	0.15	0.41	0.53	0.39	0.34	0.42
Latin America	0.02	-0.06	-0.14	-0.09	-0.15	-0.11	-0.25	-0.17	-0.08	0.02	-0.12	0.10	0.09	0.08	0.07	0.08
Middle East	0.19	0.13	0.12	0.13	0.14	0.13	0.16	0.01	0.19	0.19	0.14	0.20	0.40	0.27	0.15	0.26
Africa	0.09	0.00	0.01	0.03	0.02	0.01	0.06	0.03	0.03	0.04	0.04	0.04	0.04	0.04	0.05	0.04
Total Non-OECD	0.60	0.05	-0.07	0.60	0.33	0.23	1.01	-0.01	1.17	1.34	0.88	1.35	2.09	1.17	1.03	1.41
World	0.63	-0.69	-0.30	0.55	1.13	0.18	2.17	0.82	1.62	1.80	1.60	1.16	2.24	1.76	1.54	1.68
Changes from Last Month's Report																
North America	-	-	-	-	-	-	-	-	0.01	0.03	0.01	0.08	-	0.01	0.04	0.03
Europe	-0.01	0.05	0.04	0.01	-0.03	0.02	-0.01	-0.01	-0.01	0.10	0.02	-0.09	-0.02	-0.01	0.05	-0.02
Pacific	-	-	-	-	-	-	-	-	-	-0.01	-	-0.12	-	0.01	-0.01	-0.03
Total OECD	-0.01	0.05	0.04	0.01	-0.03	0.02	-0.01	-0.01	-	0.12	0.03	-0.13	-0.02	-	0.08	-0.02
FSU	-	-	-	-	-	-	0.02	-	-	-	0.00	-0.15	-	-0.05	-0.05	-0.06
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	0.18	0.26	0.03	0.03	0.13
Other Asia	-	-	-	-	-	-	-	-	-	-0.01	-	-	0.01	-0.01	-0.01	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	0.02	0.01	0.02	-	0.01
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	0.02	-	-	-0.01	-	0.05	0.29	-0.01	-0.03	0.07
World	-0.01	0.05	0.04	0.01	-0.03	0.02	0.01	-0.01	-	0.11	0.03	-0.08	0.26	-0.01	0.06	0.06

SUPPLY

Summary

- March saw a 410 kb/d increase in **world oil supply** from February, reversing the declines seen in the previous two months. Total supply reached 82.3 mb/d. The increase was driven by OPEC crude, which was 490 kb/d higher on the month, while non-OPEC supply was down 100 kb/d and OPEC non crude oil supplies were up by 20 kb/d.
- **Year-on-year**, global supply came in at 2.9 mb/d above March 2003, while for 1Q, the total was up an impressive 3.3 mb/d (or 4%). First quarter OPEC crude output was 1.3 mb/d higher than in 2003, OPEC other liquids were up by 750 kb/d and non-OPEC supply higher by 1.2 mb/d.
- The 100 kb/d decline in March **non-OPEC supply** versus February derives entirely from the OECD countries. Estimates of US NGL supply, Canadian syncrude and Norwegian output all contribute to an OECD reduction of 195 kb/d from February. In contrast, non-OECD supply is assessed up by 90 kb/d as increases from Russia and Brazil offset lower Asian output. April could see non-OPEC supply down by another 200 kb/d, on spring maintenance, followed by a rise of some 150 kb/d in May.
- **Growth in non-OPEC supply for 2004** has been scaled back by 185 kb/d from last month's Report, to just under 1.3 mb/d. A 110 kb/d upward revision to baseline 2003 supply contributes (non-OECD Asia and OECD Europe are revised up, partly on the basis of latest fourth quarter data). 2004 supply is also revised down 75 kb/d due to lower expectations now for North and Latin America and the North Sea, which counteract upward revisions for the Asia-Pacific region.
- **OPEC crude supply** for March is estimated up by 490 kb/d from February at 28.2 mb/d. Increases from Iraq (510 kb/d), Iran (100 kb/d), Algeria and Nigeria (30 kb/d combined) offset a 100 kb/d reduction from Saudi Arabia and modest declines from UAE, Venezuela and Indonesia. February's assessment was reduced by 70 kb/d to 27.7 mb/d on the basis of lower Iranian and Iraqi exports.
- **OPEC-10** (excluding Iraq) production held close to 25.8 mb/d for the sixth consecutive month. A February agreement to curb the Organisation's production ceiling to 23.5 mb/d from 1 April was reconfirmed at OPEC's 31 March Vienna meeting. Kuwait and UAE had reportedly been reluctant to enact cuts due to high prices. March supplies from OPEC-10 stood 2.3 mb/d above April's target and market perception is that actual April/May cuts are unlikely to close this gap.
- The **"call on OPEC crude"** has been reduced by 100 kb/d in 2003 due to higher non-OPEC supply, but has been raised by a similar amount for 2004 under the combined impact of higher Chinese demand and lower OECD & Latin American oil supply. Overall, the call now falls by some 100 kb/d in 2004 to 25.9 mb/d. In the absence of stock changes, the call drops by 1.9 mb/d in the second quarter to 24.3 mb/d but rises by 3 mb/d from that level through end-year.



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

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

OPEC

March OPEC crude supply increased by 490 kb/d to 28.2 mb/d compared to a downward-revised level of 27.7 mb/d in February. The key to March's rise was Iraq, where a 450 kb/d increase in exports underpinned a 510 kb/d rise in total production. OPEC-10 production remained around 25.8 mb/d in March, as it has for the past six months. Iranian exports increased from what are now thought to have been lower February levels than seen in last month's Report. However, these were offset by a progressive reduction through the month after high early-March Saudi Arabian exports, and by slightly lower UAE output. Venezuela and Indonesia saw production fall modestly from February levels, while the African triumvirate of Algeria, Libya and Nigeria boosted production by a combined 35 kb/d.

Following a plethora of contradictory pre-meeting statements from OPEC representatives about the likelihood of April's cut being deferred due to persistent high prices, OPEC's Vienna Conference re-confirmed the cut in production ceiling to 23.5 mb/d from 1 April which had been proposed at their February meeting in Algiers. The Organisation cited a combination of downstream bottlenecks in the US and speculative activity as underpinning recent high prices but noted 2Q's expected drop in demand as justifying a cut at the present time. Unlike in Algiers, no mention was made of compliance with the existing 24.5 mb/d target. This Report estimates that OPEC-10 again produced 1.3 mb/d over pledged levels in March (or 2.3 mb/d taking the April ceiling as the benchmark). The meeting also reaffirmed the target price range of \$22/bbl to \$28/bbl for the OPEC basket, rebuffing earlier calls from Indonesia, Libya, Nigeria and Venezuela for the band to be raised to take account of lower dollar-based purchasing power. As has been mentioned elsewhere, corresponding calls for a reduction in the price band at times of a strengthening dollar have been notable by their absence.

OPEC Crude Production

(million barrels per day)

	Nov 2003 Target	April 2004 Target	Mar 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs. Mar 2004 Production	Prod.vs. Nov Target	Prod. vs. April Target
Algeria	0.78	0.75	1.15	1.20	0.05	0.37	0.40
Indonesia	1.27	1.22	0.97	1.10	0.13	-0.30	-0.25
Iran	3.60	3.45	3.95	4.00	0.05	0.35	0.50
Kuwait ²	1.97	1.89	2.25	2.30	0.05	0.28	0.36
Libya	1.31	1.26	1.48	1.50	0.02	0.17	0.22
Nigeria	2.02	1.94	2.33	2.55	0.22	0.31	0.39
Qatar	0.64	0.61	0.76	0.85	0.09	0.13	0.15
Saudi Arabia ^{2,3}	7.96	7.64	8.45	9.50	1.05	0.49	0.81
UAE	2.14	2.05	2.29	2.45	0.16	0.15	0.24
Venezuela ⁴	2.82	2.70	2.18	2.35	0.17	-0.64	-0.52
Subtotal	24.50	23.50	25.81	27.80	1.99	1.31	2.31
<i>excl. Ven/Nig/Ind</i>					<i>1.47</i>		
Iraq ⁵			2.40	2.80	0.40		
Total			28.21	30.60	2.39		

1. Capacity levels can be reached within 30 days and sustained for 90 days
2. Includes half of Neutral-Zone production
3. Saudi Arabia's capacity can reach 10.5 mb/d within 90 days
4. Excludes upgraded Orinoco extra-heavy oil, which averaged 378 kb/d in March
5. Iraqi capacity represents pre-war estimate

For now, the cut in the production target may be purely symbolic, with OPEC having concluded that any formal reversal of the February decision would have been interpreted extremely bearishly by speculative players holding unprecedented net long positions. In reality, cuts in actual April supply are likely to be modest, confined to perhaps Saudi Arabia, UAE and possibly Iran and limited to

around 500-600 kb/d. Indeed, after notifying term customers in March of reduced supplies for April lifting, all three producers have subsequently been reported to be offering extra volumes for lifting this month, and assuring customers that they would supply their requirements.

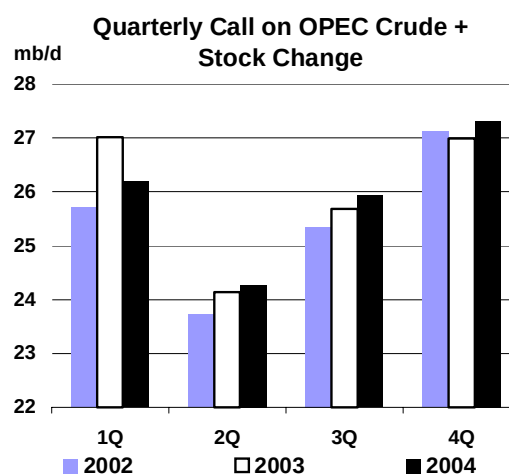
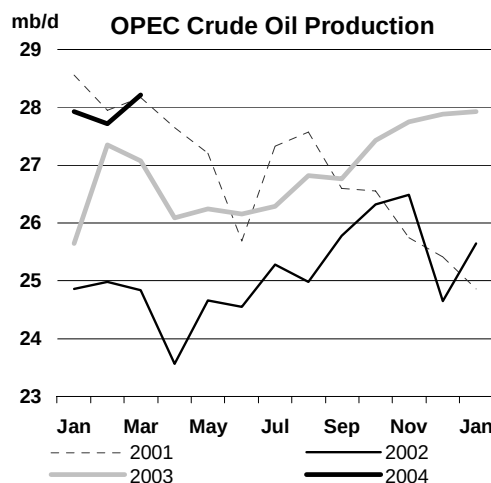
Cuts from elsewhere within the Organisation for April look elusive in the absence of any sustained drop in prices. Nigeria has said that operationally it cannot cut before May. Algeria, Libya and Qatar's motivation to curb production is open to question, bearing in mind their aspirations for a higher share of the production target and new field start-ups by foreign operators. Venezuela and Indonesia are already producing 770 kb/d below their collective target. Supply here may fall further, but not on a voluntary compliance basis. Perhaps most significantly for the medium term, the OPEC meeting seems to have opened up a degree of "clear blue water" between the hitherto "Gulf core" producers – Saudi Arabia, Kuwait and UAE. The latter two reportedly argued for deferral of any cut for now, only moving in behind the final decision on the understanding that in reality OPEC would continue to sanction over-production against target while prices remain high.

Two thoughts spring to mind in the aftermath of the latest OPEC meeting. Firstly the danger, from OPEC's point of view, that it becomes caught in a spiral of:

- tacitly approving non-compliance with target;
- a resultant reduction in OPEC's public credibility;
- a continued recovery in consumer country stock levels;
- a resultant dramatic sell-off by speculators, leading to sharply lower prices.

OPEC's role in prompting such speculative length in the first place is a matter for debate. That aside, in the above scenario OPEC would traditionally rely upon a cohesive core of producers to enforce production discipline and arrest the potential weakening in prices.

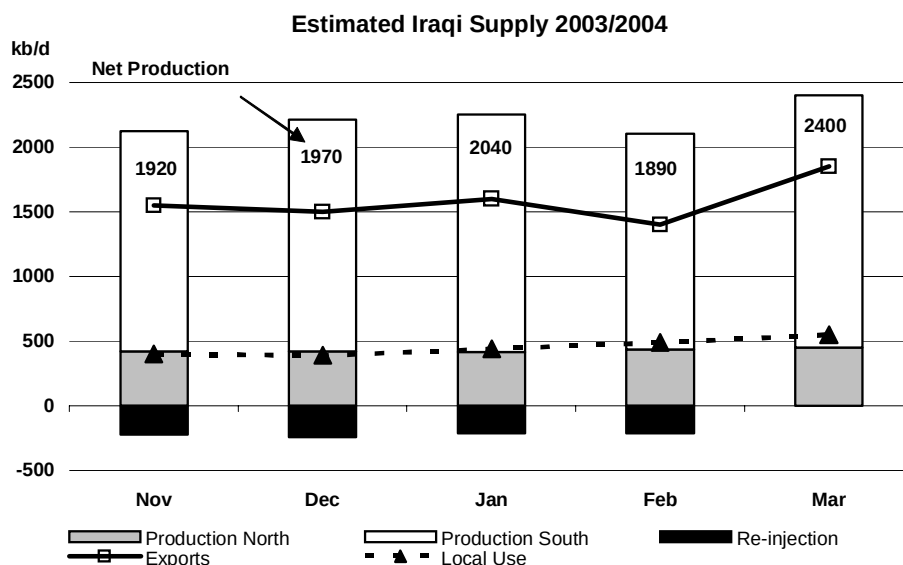
Secondly, we note that the past six months has seen largely unchanged OPEC-10 production of around 25.8 mb/d but with subtle shifts in OPEC's internal dynamic. While Iraqi supply has increased by 800 kb/d, the African producers have boosted production by 120 kb/d, Venezuelan and Indonesian output has drifted lower by around 100 kb/d, and the hitherto "Arab Gulf core" producers have trimmed production by 100 kb/d. Depending on the speed and extent of any future fall in prices, if Kuwait and UAE are (however temporarily) outside the core, the mantle of swing supplier may again land squarely on the shoulders of one producer - Saudi Arabia.



The call on OPEC crude (which excludes any adjustment for stock change) has been revised down by 100 kb/d for 2003 in light of upward revisions to non-OPEC output but is revised up by 100 kb/d for 2004. A now-lower expectation for supply from the OECD countries and from Latin America this year, plus higher Chinese demand, account for 2004's higher call. The seasonal reduction in the call going from first to second quarter is now 1.9 mb/d, resulting in a 2Q call of 24.3 mb/d. In reality the demand for OPEC crude could be *higher* than this if seasonal stock building is factored in for 2Q, but OPEC-10 will have to make a corresponding *downward* adjustment to take account of Iraqi supply. The latter recovered in March but remains prone to disruption. We would add, by now customary, warnings about potential disruptions in Venezuela and Nigeria and the evidence of recent actual outages in the North Sea and Ecuador as clouding the supply picture for the month's ahead. However,

at 24.3 mb/d under our “business as usual” scenario, the call is at its highest 2Q level since 2001. Nonetheless, OPEC-10 is faced with the task of massaging supply down below likely March/April production levels if it wishes to cap any build in OECD stocks for the second quarter.

By successfully diversifying exports to three export terminals (baseload Basrah, plus incremental volumes via Khor al-Amaya and Ceyhan in Turkey) and with a steady rise in internal crude use, **Iraq’s** production finally regained levels close to those seen pre-war in early-2003. March production is estimated at 2.40 mb/d, comprising 1.85 mb/d of exports and 550 kb/d of internal consumption by refineries and for power generation. Southern production is estimated at 1.95 mb/d and northern production at 450 kb/d. February production net of stock changes and re-injection was revised down by 50 kb/d to 1.89 mb/d compared to last month’s Report due to lower final export levels from the Basrah Oil Terminal.



Oil Minister Ibrahim Bahr al-Ulum indicated at end-March that exports would rise to between 2.2 mb/d and 2.3 mb/d in the second quarter. However, despite undoubted successes in boosting production and exports, it is worth noting that February’s export target of 2 mb/d was itself missed. Furthermore, questions still remain about the sustainability of recent production increases.

These doubts were initially re-inforced by reports that water encroachment caused pumping along the **pipeline to Ceyhan** to cease around 20 March, just after the last of 6 mb worth of export cargoes left the Turkish port (averaging 200 kb/d for the month). The line reportedly re-started shipments around 3 April at a rate of 400 kb/d, although it is too early to say whether these flow rates are sustainable. However, initial details from state marketer SOMO of plans for a second set of export tenders provide some insight. These will again cover 6 mb of Kirkuk crude to be lifted between 19 to 26 April from Ceyhan, with bids due by 15 April. Assuming some 6-8 mb of crude will be required in tank before liftings begin, and with reports that 3 mb were in place in early April, the authorities are clearly banking on flows of 350 kb/d being sustainable. Nonetheless, Ceyhan exports, as opposed to pipeline flows, seem unlikely to rise above March’s 200 kb/d in April. Longer-term increases will depend upon repairs to pumping stations, addressing the water cut issue and sustained security on the pipeline route.

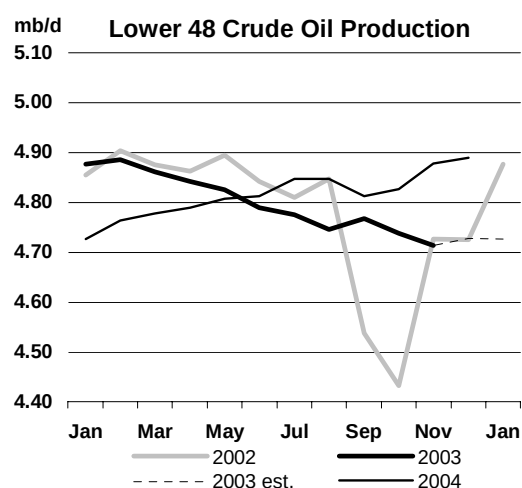
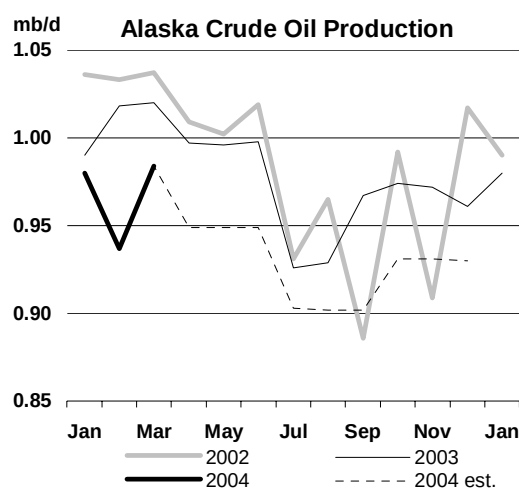
Southern exports averaged 1.55 mb/d from Basrah and 100 kb/d from Khor al-Amaya, although export rates early in the month may have peaked at 100-200 kb/d higher for the two outlets combined. As in February however, weather delays hindered Basrah operations for a few days around mid-month and did so again during 4-6 April. The recent rise in insurgent activity in the south has not, to date, materially affected oil production or export installations, but remains a cause for concern. Shipping sources indicate that the reported 400 kb/d of Khor al-Amaya export capacity may not be entirely incremental to Basrah’s assessed capacity of 1.6-1.7 mb/d. Pipeline constraints, allied to ongoing concerns about draught restrictions and the operational safety of Khor al-Amaya facilities could hamper southern export volumes for some time to come. An overall export level of closer to 2.0 mb/d may therefore be a more realistic target for the month ahead.

OECD

North America

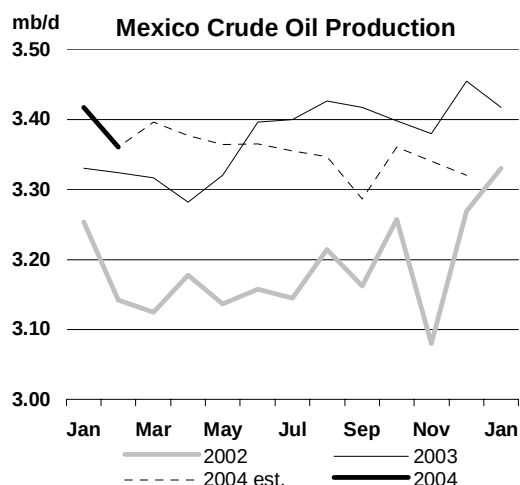
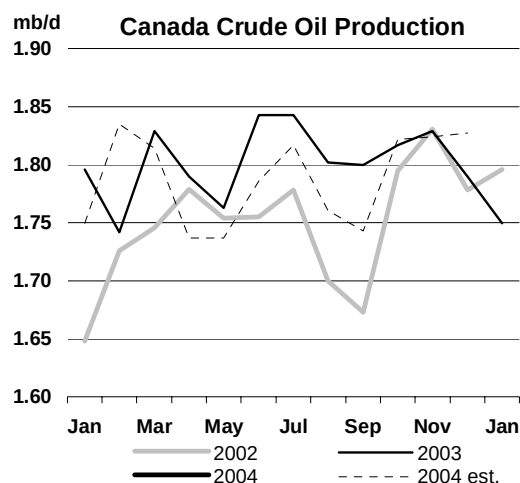
US – March Alaska actual, others estimated: Crude production from the US in March is estimated to have risen by some 60 kb/d, with a recovery in Alaskan production and further increases from the Gulf of Mexico. However, this rise in crude output was more than offset by an apparent 185 kb/d drop in NGL supply. The latter is based on provisional weekly data and is thus subject to revision. However, despite seemingly comfortable natural gas stocks and an imminent end to the gas withdrawal season, (provisionally) lower than expected March NGL output has forced a downward revision to projected 1Q and 2Q US NGL supply levels. However, market players report that aggressive gas purchasing (as was seen in 2Q 2003) is likely to be less of a factor in driving gas prices this spring, so it seems likely that NGL output should recover, albeit from a lower base.

Alaskan crude supply reversed February's 43 kb/d fall during March as colder weather and a return from February outages at the Northstar field boosted supply. Latest production data suggest a slightly lower profile for the Gulf of Mexico, although production here is still expected to grow by 140 kb/d in 2004 after a 100 kb/d increase seen in 2003. Nonetheless, GOM output has been revised down by 5 kb/d for 2003 and by 30 kb/d for 2004. The latter is based on slower build up from a number of new fields and a deferral of start-up at Anadarko's Marco Polo field to July, compared to our earlier estimate of March.



Canada – February Newfoundland actual, others January actual: January Canadian supply was down by 110 kb/d from December, the fall being split evenly between conventional crude, synthetic crude and NGLs. A 70 kb/d rebound in February was driven by higher output at the Hibernia and Terra Nova fields offshore Newfoundland. However, March total output is estimated down by some 90 kb/d as spring weather-related outages and maintenance began to curb western Canada's crude and synthetic production. These factors, plus autumn maintenance off Newfoundland, could combine to keep Canadian liquids supply below recent prevailing 3.1 mb/d levels until 4Q.

Concerns have recently been expressed that record upstream cash-flow in Canada, as elsewhere, is not translating into a corresponding upsurge in exploratory drilling in conventional basins. A general exodus of the major companies from these areas to oil sands territories and frontier offshore are seen as signalling a decline in upstream effort for conventional crude. However, the frontier regions themselves are not exempt from disappointing news. In March, Petro-Canada announced that the Terra Nova field's far eastern extension has had reserve estimates downgraded by 60% to 40 mb. On a more positive note, Husky in early-April announced the arrival in Canadian waters of their floating production, storage and offloading vessel (FPSO) which will bring the White Rose field offshore Newfoundland into production in late 2005 or early 2006. All told, Canadian supply has been revised down by 25 kb/d for 2004. This year's growth in supply of 70 kb/d is half that seen in 2003, and will derive exclusively from higher syncrude and bitumen output.

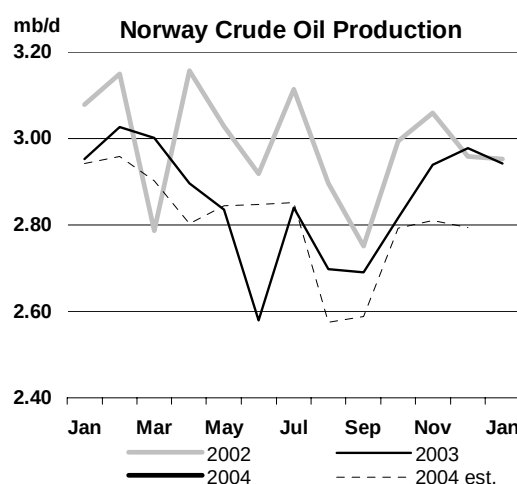
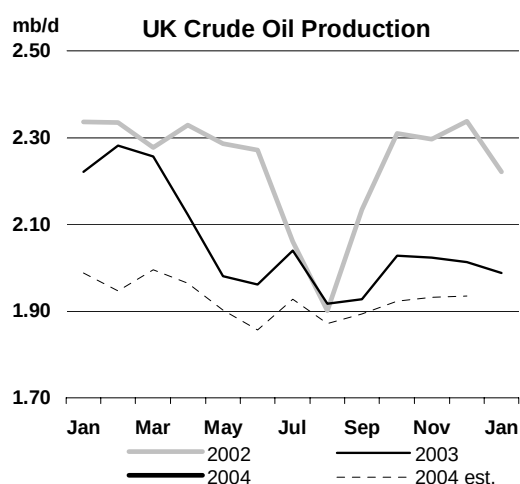


Mexico – February actual: Crude production in February declined by 55 kb/d from January and averaged 3.36 mb/d. This has resulted in a modest 10 kb/d downward revision in this Report for Mexican production in 2004. Natural gas liquids output held steady at close to 435 kb/d. Crude exports again averaged 1.86 mb/d although there was a 20 kb/d shift in favour of heavy/sour Maya at the expense of the lighter/sweeter Olmeca grade. Mexico's Energy Minister announced after OPEC's 31 March decision to curb supply that exports from Mexico would be held close to recent levels and below the 1.96 mb/d level set out in the 2004 budget. This policy will be reviewed in June. Pemex also announced in early-April that it will drill its first deepwater well in 2004, to a depth of some 2000 feet. The opening up of deepwater areas, with foreign oil company participation, is seen as essential in helping to offset decline from the baseload Cantarell field. Petrobras, with extensive deepwater operating experience in the Campos Basin off Brazil, has said that it is in talks with Pemex in this regard.

North Sea

UK – January actual: UK offshore crude production is thought to have shown a modest turnaround in March after four consecutive months of decline. However, as spring maintenance sets in, March's 50 kb/d increase could be followed by a similar decline in both April and May. Unscheduled outages continue to bedevil production within several of the key systems, notably Brent and Forties. The Miller field in the latter system suffered a 10 day outage from mid-March due to power failure. Shut-downs at the Brae Bravo platform rumbled on after earlier gas leaks and continued to suppress Forties supply. Late-February did see the re-start of the Brent Charlie platform and the associated Penguins field which together should add 30-40 kb/d to 2Q production. Also on the upside, ChevronTexaco received Government approval in March for the Alba Extreme South project which is scheduled to begin production in November and build to 36 kb/d.

Notwithstanding March's gains, UK production in 1Q now appears to have averaged 35 kb/d lower than estimated in last month's Report. Total 2004 UK supply is revised down by just under 10 kb/d. With Ninian system output for late 2003 also upgraded, UK total supply is now thought likely to



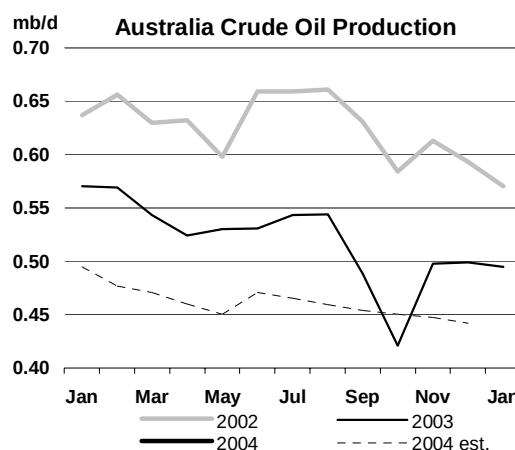
decline by 110 kb/d in 2004 compared to the 95 kb/d forecast last month. A Government survey shows exploration drilling rising to 39 wells in 2004 from 34 in 2003 and 32 in 2002 but this is still well below the 100 wells drilled annually in the mid-1990s.

Norway – January actual, February provisional: Final production data for 2003 and through January point to Norwegian production being some 15-20 kb/d higher than anticipated in last month's Report. In addition, the Ringhorne expansion project and the Skirne condensate field were brought onstream in March and should contribute an extra 25-30 kb/d of liquids supply by mid-2004. The Petroleum Ministry announced that its 18th licensing round had received applications from 18 companies, an increase of five from the previous round and license awards are expected in the second quarter.

Despite these developments, Norwegian crude production could fall back sharply through June under the impact of field maintenance. A review of maintenance schedules (which are more readily available than those for UK operators) suggests that outages could peak at around 140 kb/d in April and at around 275 kb/d each in August and September. Maintenance in 2004 is higher than had earlier been assumed and contributes to a 30 kb/d downward revision to Norwegian supply for this year compared to last month's Report. New crude and condensate production from the southerly Sleipner/Frigg system will however help to stem the decline in Norwegian liquids production from 65 kb/d in 2003 to 25 kb/d this year.

Asia Pacific

Australia – January actual: The potential for NGL supply to moderate the prevailing decline in Australian liquids production in 2004 was called into question with another outage in early-April at a gas processing plant. A fire at Esso Australia's Longford processing facility caused shut-ins at Bass Straits oil and gas production facilities, although at the time of writing it was uncertain as to the extent of the impact on April production. This follows an earlier outage in January at the Santos Moomba gas plant in January. For now, the forecast for Australia is left largely unchanged, with total liquids production expected to fall by 45 kb/d versus the 100 kb/d decline seen in 2003, although this may be subject to downward revision in next month's Report in the event of an extended Bass Straits outage. Longer-term production prospects received a boost however as Woodside Petroleum gave final approval for the Enfield development project which will produce 100 kb/d from an FPSO off western Australia beginning in late-2006. Australian production is widely seen likely to decline through mid-decade until a number of new field developments such as Enfield come to fruition.



Former Soviet Union (FSU)

Russia – March actual: Russian oil production growth continues apace, with a 65 kb/d increase in March following a 40 kb/d rise in February. For the first quarter as a whole, growth was sustained at 2003 average levels of 830 kb/d year-on-year, or +10.3%. Our projections envisage production breaking through the 9.0 mb/d level in the second quarter and reaching 9.3 mb/d by the end of the year. The 2004 average of 9.1 mb/d represents annual growth of 600 kb/d, or +7%. This is increasingly becoming a conservative estimate, with recent targets for 2004 released by the top eight producers suggesting that domestic production could rise by as much as 700 kb/d.

As is noted below, exports are growing, if anything faster than domestic production and the pace of export capacity expansion may prove to be less of a binding constraint on production growth than has hitherto been assumed. In the next issue of the Report we aim to re-visit the subject of export capacity and, without wishing to pre-judge results, can envisage upside potential to production growth for 2004. Recent performance and the fact that provisions for increasing government tax off-take are unlikely to come into effect until 2005 point towards ongoing strong growth in 2004. Much will depend upon oil price developments and the Russian companies' willingness to re-invest recent windfall profits in further drilling and improved recovery projects at existing fields.

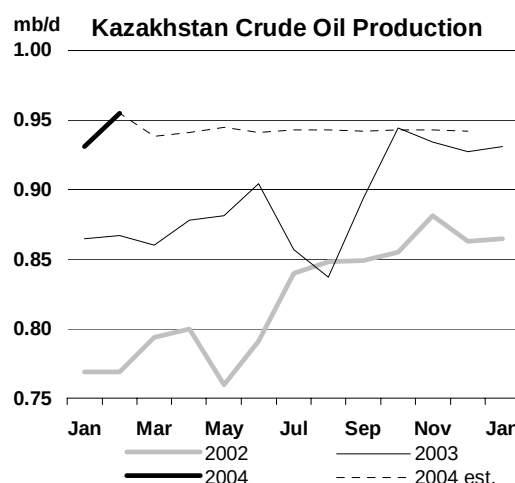
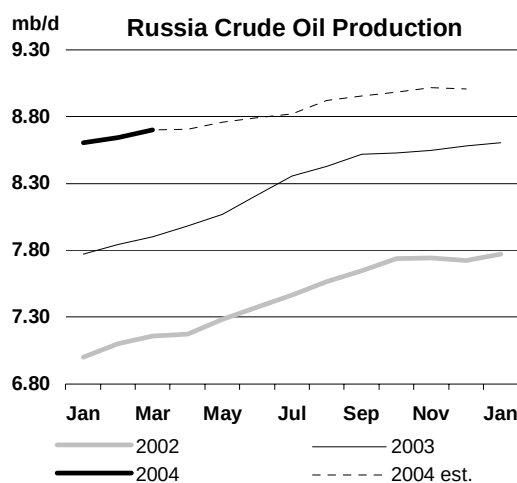
FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2002	2003	2Q03	3Q03	4Q03	1Q04	Revised Jan 04	Prelim. Feb 04	Latest month vs. Mar 04	Latest month vs. Feb 04	Latest month vs. Mar 03
Black Sea Exports	2.52	2.80	3.00	2.96	2.69	2.85	2.47	2.87	3.11	0.23	0.23
Baltic/Arctic Exports	2.02	2.47	2.61	2.57	2.61	3.02	2.96	2.99	3.01	0.02	0.93
Total Seaborne	4.54	5.27	5.61	5.52	5.30	5.87	5.43	5.86	6.12	0.26	1.15
Druzhba Pipeline	1.04	1.05	1.01	1.02	1.08	1.12	1.06	1.13	1.13	0.00	0.04
Other	0.35	0.46	0.46	0.51	0.49	0.51	0.49	0.51	0.51	0.00	0.11
Total Exports	5.93	6.78	7.08	7.05	6.87	7.49	6.98	7.50	7.76	0.26	1.30
Imports	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.02	0.01	0.00	0.00
Total Net Exports	5.92	6.77	7.06	7.04	6.86	7.48	6.96	7.48	7.75	0.26	1.30
Crude	4.04	4.68	4.76	4.85	4.82	5.22	4.81	5.22	5.46	0.24	0.87
of which: Russian Crude	3.02	3.30	3.21	3.36	3.38	3.69	3.36	3.72	3.89	0.17	0.35
Products	1.89	2.10	2.32	2.20	2.05	2.27	2.17	2.28	2.30	0.02	0.44

Sources: Petro-Logistics, IEA estimates

FSU net exports surged by some 270 kb/d in March based upon preliminary data, with Russian crude estimated to have accounted for 170 kb/d of this. Some of the rise in exports may have been an attempt to get material out before export tax increases took effect on 1 April for crude and in second-half April for products. Black Sea exports are thought to have recovered sharply after earlier weather related loading delays and by bottlenecks in the Turkish Straits. It was reported that the number of vessels queuing in the Straits in early March had fallen to nine, from 68 in late January. Restrictions requiring the use of ice-class tankers from the recently-expanded Primorsk terminal on the Baltic will be relaxed from 10 April, suggesting that export flows there could also rise. In all, seaborne crude exports in April are scheduled to increase by a more modest 45 kb/d, with Baltic flows potentially surpassing those from the Black Sea for the first time.



Kazakhstan – February actual: Having stabilised around 1.09 mb/d for four months, total production of crude and condensate from Kazakhstan increased by 25 kb/d in February. Condensate production from the Karachaganak field remained constrained however. Reports of an imminent start of much-delayed deliveries via the Caspian Pipeline Consortium route were discounted by CPC, which said deliveries were still a matter of weeks or months away. Access to this export route is seen as the key to boosting production from a current 165 kb/d to 205 kb/d. In early March, Gazprom of Russia said it was considering boosting gas and condensate offtake from Karachaganak via its Orenburg facilities with condensate purchases potentially increasing from 105 kb/d to 140 kb/d. However, no date was given for any increase and with Karachaganak shareholders effectively price takers for deliveries via this route, they would presumably prefer to boost supplies via CPC, recent quality-related problems with condensate supply notwithstanding.

This Report's forecast for total liquids production in 2004 is unchanged from last time, production rising by 100 kb/d (note, the graph above is for crude only, and excludes Karachaganak condensate). In fact, the latest delays in activating Karachaganak CPC exports have caused a 12 kb/d downward

adjustment to this Report's 2004 condensate output projection, although this is offset by now-higher expectations for crude output. Interestingly, our pre-existing forecast of total liquids production lies close to a new, downward-adjusted forecast from the Energy Ministry released in early April.

There is little doubt that to date Kazakhstan's output growth has been curbed by limited access to export routes. However, the next six to 12 months could see:

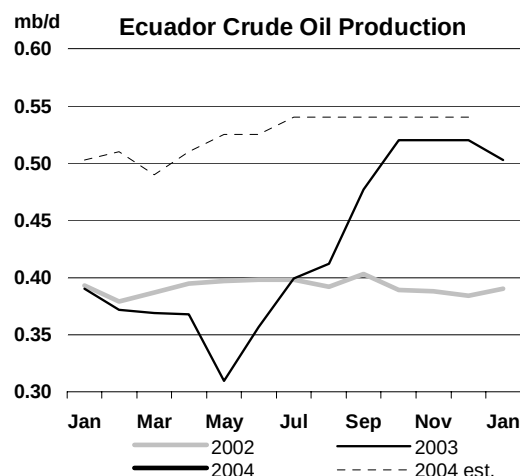
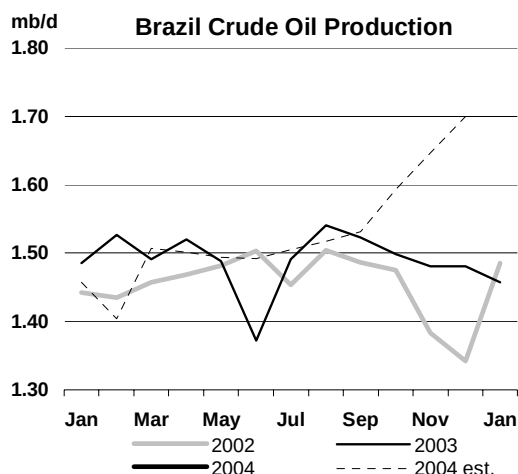
- increased access to the CPC pipeline;
- competition for Tengiz field off-take between the BTC line and an alternative Russian route;
- a 20% increase in capacity at the Caspian port of Aktau;
- a potential doubling of exports/swaps to Iran, to 100 kb/d;
- greater Russian pipeline system access via Orenburg and;
- a potential route into northern Europe via the Odessa to Brody pipeline as early as May.

For the longer term, work is proceeding on a pipeline link to China. All told, such export expansions could conservatively allow Kazakh production to more than double by end-decade.

Other Non-OPEC

Brazil – January actual, February provisional: A 20 kb/d drop in January Brazilian crude production was followed by an estimated decline in February of a further 55 kb/d. With platform maintenance in the deepwater Campos Basin under-pinning February's fall, a rebound in supply during in March is thought to have occurred. Nonetheless, Brazilian output as a whole in February looks to have been over 100 kb/d below expectation. In addition to temporary Campos outages, recent onshore production and that from non-Campos Basin offshore fields has been running below previous expectations. As a result, total Brazilian production has been revised down by some 30 kb/d for 2004 compared to last month's Report. Nonetheless, a sharp increase is still expected in 4Q as new Campos Basin platforms are belatedly brought into service.

Petrobras plans for a pipeline from the Campos Basin fields to the states of Sao Paulo and Minas Gerais were abandoned in early April under pressure from the local state of Rio de Janeiro, which reportedly wants Petrobras to build a new refinery locally instead.



Ecuador – January actual: Production from Ecuador declined by some 15 kb/d in January, reviving modestly in February before falling back again by an estimated 20 kb/d in March. A landslide caused damage to the state-operated SOTE pipeline and forced PetroEcuador to declare force majeure on exports of Oriente crude from 11 March. Although Oriente volumes were diverted via the privately owned, newly-inaugurated, OCP pipeline (which normally transports heavier Napo grade) PetroEcuador was forced to cut production to below 70 kb/d, compared to normal output around 195 kb/d. The SOTE line was operational again by 24 March and force majeure lifted on 26 March. However the net impact was an estimated loss of some 20 kb/d from monthly average production.

This loss, allied to conservative reports about the likely build-up in volumes carried by the OCP pipeline in early-2004, have caused a modest 7 kb/d downward adjustment to forecast supply from Ecuador in 2004. Revised historical data for production through 2003 have led to a 15-20 kb/d

upward adjustment to supply from Ecuador in 2000 and 2001, although 2002/2003 production levels appear to have been close to original monthly estimates.

Other Countries: Other non-OECD countries have been subject to revision this month. In the Asia-Pacific region, the key change is a significant upward revision in **Thailand**. A detailed overview of gas processing plant operations reveals that total NGL production had risen to a level of some 90 kb/d by 2002 versus a previously reported level of only around 10 kb/d. Gas processing plant liquids output from **India** has also been revised upwards by nearly 10 kb/d. Higher than expected first quarter production in **Malaysia, Vietnam** and **China** has also contributed an incremental 35 kb/d to 2004 Asian supply. Other amendments to the forecast are generally downward, and result primarily from lower than anticipated output in 1Q in **Turkmenistan, Argentina, Peru** and **Egypt**.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last month's OMR			This month's OMR			This month v last month		
	2003	2004	04 vs. 03	2003	2004	04 vs. 03	2003	2004	04 vs. 03
North America	14.70	14.93	0.23	14.70	14.86	0.16	0.00	-0.07	-0.07
Europe	6.32	6.28	-0.05	6.35	6.24	-0.11	0.02	-0.04	-0.06
Pacific	0.65	0.61	-0.04	0.65	0.60	-0.05	0.00	-0.01	0.00
Total OECD	21.68	21.81	0.14	21.69	21.69	0.00	0.02	-0.12	-0.14
Former USSR	10.31	11.04	0.73	10.31	11.03	0.72	0.00	-0.01	-0.01
Europe	0.17	0.17	-0.01	0.17	0.17	-0.01	0.00	0.00	0.00
China	3.41	3.40	-0.01	3.41	3.42	0.01	0.00	0.02	0.02
Other Asia	2.49	2.60	0.11	2.58	2.72	0.14	0.09	0.12	0.03
Latin America	3.93	4.08	0.15	3.93	4.01	0.08	0.00	-0.07	-0.07
Middle East	1.99	1.91	-0.08	1.99	1.91	-0.09	0.00	-0.01	0.00
Africa	3.07	3.46	0.39	3.07	3.45	0.38	0.00	-0.01	-0.01
Total Non-OECD	25.38	26.67	1.29	25.47	26.71	1.24	0.09	0.04	-0.05
Processing Gains	1.80	1.83	0.03	1.80	1.83	0.03	0.00	0.00	0.00
Total Non-OPEC	48.86	50.32	1.45	48.97	50.24	1.27	0.11	-0.08	-0.18

OMR = Oil Market Report

OECD STOCKS

Summary

- **OECD industry total oil stocks** closed at 2462 mb in February, falling over a million barrels a day on product draws. The combined January/February decline in total oil stocks came to 740 kb/d, above the first quarter average 400 kb/d draw typically seen in the last five years. Despite the draw, inventories finished 124 mb above last year, and days of forward demand cover by industry oil stocks improved by a day from January to 52 days, or 2.5 days higher than in 2003.

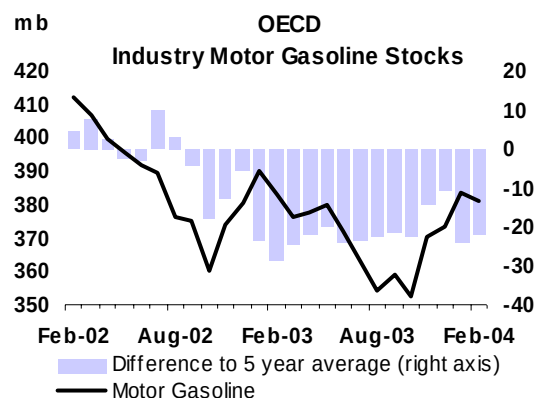
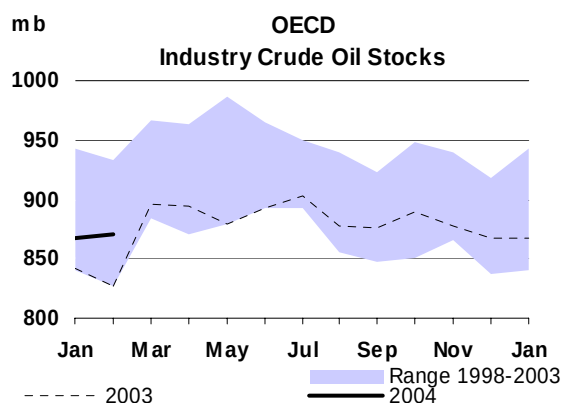
Preliminary Industry Stock Change in February 2004 and Fourth Quarter 2003

(million barrels per day)

	February (preliminary)				Fourth Quarter 2003			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	0.19	-0.24	0.12	0.07	-0.13	0.07	-0.04	-0.10
Gasoline	-0.13	0.02	0.03	-0.08	0.09	0.08	-0.02	0.15
Distillates	-0.50	-0.26	-0.19	-0.95	0.06	-0.15	-0.10	-0.19
Residual Fuel Oil	0.07	-0.03	-0.03	0.00	0.05	0.07	0.00	0.13
Other Products	-0.24	-0.02	0.00	-0.26	-0.23	-0.01	-0.10	-0.34
Total Products	-0.81	-0.28	-0.19	-1.27	-0.03	0.00	-0.23	-0.25
Other Oils ¹	0.25	-0.02	-0.05	0.17	-0.33	-0.03	0.00	-0.36
Total Oil	-0.37	-0.55	-0.12	-1.03	-0.49	0.04	-0.26	-0.72

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** posted a 2 mb increase in February, closing at 870 mb or 42 mb above last year. Regionally, inventory builds in the US and the Pacific were partially offset by a decline in Europe. US-50 crude stocks rose close to 7 mb in February and a further 16 mb in March as average imports once again neared 10 mb/d and refinery runs declined with ongoing maintenance. The US build came despite backwardation in WTI futures and mostly on the US Gulf Coast. The US saw discounted offers of medium and heavy sour grades but also the arrival of light-sweet crudes, attracted by WTI's premium over Brent and falling freight rates.
- **OECD industry distillate** stocks fell in February across regions, declining 950 kb/d, but heating oil fuels were adequate to meet winter demand. Tighter US stocks followed from a fall in diesel and jet fuel more so than in heating oil. February European distillate stocks closed comfortably within their normal range, with little evidence of physical shortages to support recent regional strength in cash premiums over IPE gasoil futures. Despite weaker Pacific heating demand, distillates fell on increased exports in Japan but rose in Korea.
- **US gasoline stocks** after falling in February on strong demand returned to year-ago levels in the last week of March on the strength of increased imports and higher production. Europe saw a marginal stock build in February despite heavy exports of the region's structural surplus toward the US. European industry stocks look to head lower in March in similar fashion to that witnessed in independent storage in the ARA area. These were lower in March, though more volumes are expected to come out of storage to meet US gasoline demand but also supply Nigeria's second quarter tender, which has been priced at attractive premiums to ARA quotes.



OECD Industry Stock Changes in February 2004

OECD industry total oil stocks fell 1.03 mb/d in February, closing at an estimated 2462 mb or 124 mb above last year. The decline was driven by a 1.27 mb/d product draw, mainly in distillates fuels and to a lesser extent in gasoline. Changes in crude stocks were marginal in comparison. Though products stocks fell, forward demand cover improved to 52 days with forecasts for demand showing seasonally weaker deliveries in the second quarter. **Industry crude oil stocks** rose 2 mb in February reaching 870 mb and closing 42 mb above last year. February's crude build was modest due to a 13 mb downturn in Norwegian stocks that followed from strong transatlantic sales and healthy European refiner demand for light-sweet crudes. February crude gains came mainly in the US and Korea though the major European economies also saw increases. Japan, however, showed a 3 mb draw, which is anticipated to be reversed in March. The OECD's crude stock position has improved across regions with levels in Europe buoyed by rising supplies of Russian Urals and the easing of runs ahead of March maintenance. Though some Urals was shipped into Asia in early February, when the grade was discounted versus Dubai, availabilities in Europe remained high as seen in the crude's steep discount to dated Brent. US-50 crude stocks added a further 16 mb by the last week of March to reach 294 mb. Average imports into the East and Gulf Coasts rebounded while crude runs eased further due to scheduled turnarounds. Most of the crude build came on the Gulf Coast which houses the largest share of US refining capacity. Refiners there took the opportunity to replenish their favoured slate of medium and heavy sour grades which were priced at wide discounts to a weakening WTI. Ample foreign offers of sour crude through March and further prices weakness in the comparable domestic crudes suggest further crude builds in April despite higher expected throughputs.

OECD distillates stocks fell 27 mb in February; the largest draw was observed in the US mainly in diesel and jet fuels. Japanese stocks fell despite weaker heating demand but jet/kerosene exports rebounded, disposing of surplus product. Europe saw distillates fall over 7 mb of which 3 mb were in France but stocks closed comfortably at recent five-year average levels. Independent storage of gasoil in ARA, after rising in February, drew in March to seasonal lows, but tanks are expected to fill during April given arbitrage supplies pointed to Northwest Europe. Cash European distillate prices posted strong premiums against IPE gasoil futures February through March, but there was little sign of a physical shortage in the market, as seen by a number of unsold diesel cargoes in the Mediterranean at end-March. The apparent discrepancy is seasonal and often accompanies the switchover period from intermediate-winter to summer quality gasoil material. **OECD gasoline stocks** drew 2 mb to 381 mb on demand driven declines in the US. Inventories rose in Europe in spite of large exports from the region to the US. Yet, European stocks are set to decline through March/April on US demand-pull but also deliveries to service Nigeria's second quarter product tender. US gasoline stocks at end-March resumed year-ago levels as gasoline output was maximised at the expense of other products and import volumes were high. While US gasoline demand outlook looks strong, steps to rebuild crude stocks in March, with more additions expected in April, provide greater flexibility for refiners to resume higher throughputs and build gasoline stocks ahead of peak summer demand.

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

Revisions to OECD industry total oil stocks in January reduced inventories by 1.7 mb, with upward adjustments in products (7 mb) partially offsetting reductions in crude (-5.2 mb) and NGLs (-3.5 mb) inventories. Most of the downward crude revision was in smaller European countries, though this was partially offset by a 5 mb upward revision in the Netherlands. Revisions in products categories stemmed mainly from US inventories, of which gasoline stocks were raised 2.3 mb while distillates were reduced (mainly in heating oil) by 4.6 mb. US "other products" were revised upwards by 7 mb.

Revisions Versus 11 March 2004 Oil Market Report
(million barrels)

	North America		Europe		Pacific		OECD	
	Dec 03	Jan 03	Dec 03	Jan 03	Dec 03	Jan 03	Dec 03	Jan 03
Crude Oil	0.1	1.2	-1.8	-4.7	-0.2	-1.7	-1.9	-5.2
Gasoline	-1.2	1.5	0.0	-0.6	0.1	1.4	-1.0	2.3
Distillates	-2.1	-6.5	-1.4	0.0	0.3	1.4	-3.2	-5.1
Residual Fuel Oil	-0.8	1.6	0.3	-0.1	0.1	0.4	-0.4	1.9
Other Products	-0.8	7.0	-0.6	0.9	0.1	0.0	-1.3	7.9
Total Products	-4.9	3.5	-1.7	0.3	0.6	3.2	-6.0	7.0
Other Oils ¹	0.0	-4.1	-0.7	1.0	-0.1	-0.4	-0.8	-3.5
Total Oil	-4.8	0.6	-4.2	-3.4	0.4	1.1	-8.6	-1.7

¹ other oils includes NGLs, feedstocks and other hydrocarbons

Year-on-Year Industry Stock Comparisons for February 2004

	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	9.1	24.8	8.5	42.4	Total Oil	2.0	3.3	2.2	2.5
Total Products	32.9	36.8	0.8	70.5	<i>Versus 2002</i>	-5.4	-4.3	-1.7	-4.4
Other Oils ¹	11.8	1.4	-1.9	11.3	<i>Versus 2001</i>	-1.1	-0.8	-1.8	-1.1
Total Oil	53.8	63.0	7.4	124.2	Total Products	1.2	2.0	0.6	1.4
<i>Versus 2002</i>	-115.6	-36.8	-4.0	-156.4	<i>Versus 2002</i>	-2.7	-1.9	-2.2	-2.3
<i>Versus 2001</i>	-12.7	2.7	-21.7	-31.7	<i>Versus 2001</i>	-1.0	-1.3	-0.9	-1.0

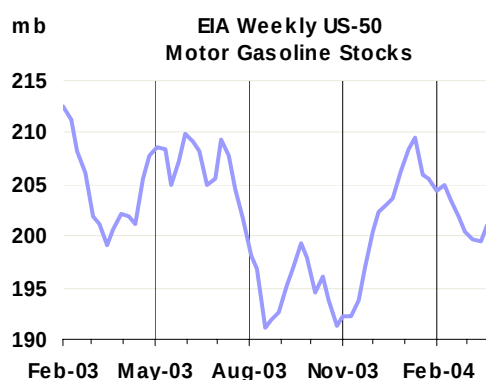
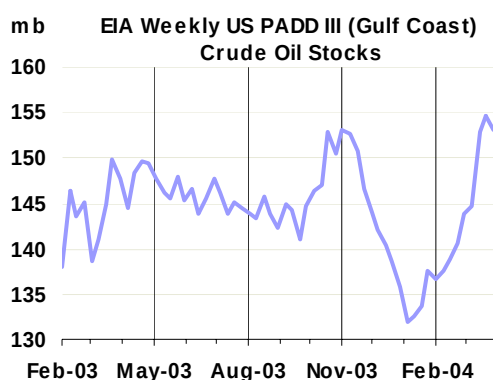
1 other oils includes NGLs, feedstocks and other hydrocarbons

Following three consecutive months of stagnation at 51 days, forward demand cover by OECD industry oil stocks picked up a day in February against January, rising to 52 days and posted a 2.5 day margin over last year. In February, gains to crude stocks prompted a rise of 2 days in cover in the Pacific and a day in North America. Forward demand cover in Europe held level over the period. On a regional basis, demand cover came to 47 days in North America, 61 days in Europe and 50 days in the Pacific.

OECD Regional Stock Developments

North America

US-50 crude stocks added nearly 7 mb in February to close at 277 mb; the build was partly capped by average refinery runs holding level despite heavy maintenance. The rise in crude inventories followed from improved imports which later gained momentum in March as lower freight rates allowed light sweet crude to move west. Despite front-month backwardation in NYMEX WTI futures, US stocks built by the last week of March to 294 mb on increased foreign supplies, adding an additional 16 mb against end-February levels. The Gulf Coast, which concentrates the largest share of US refinery capacity, accounted for most of the recent build. While high volumes of light-sweet Nigerian crude were reported arriving in March, physical price signals continued to point to ample availabilities of medium and heavy sour grades favoured by refiners on the Gulf Coast. Cash differentials against WTI (for following month delivery) for foreign and domestic crudes saw hefty discounting in March similar to that observed in February. US sour benchmark Mars was discounted by more than \$5 against a weakening WTI on offers of Urals and Iraqi Basrah but was also pressured by the announced return for May of sour Ecuadorian Oriente crude. The attractively priced crudes will likely fill tanks during April. Potential for further inventory gains in April is also supported by the reported build-up of delivered unsold Nigerian cargoes into the Gulf Coast. Should US imports maintain the latest near 10 mb/d average level, then runs can expand to about 15.4 mb/d before crude stocks begin to draw.

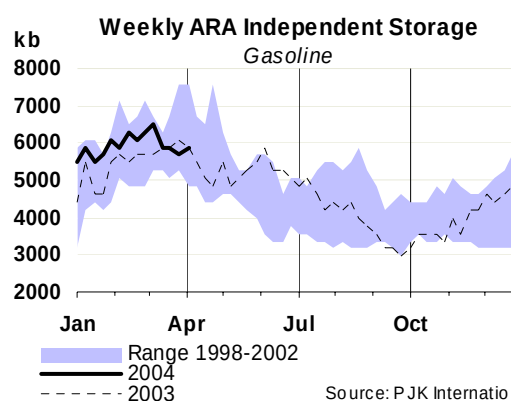
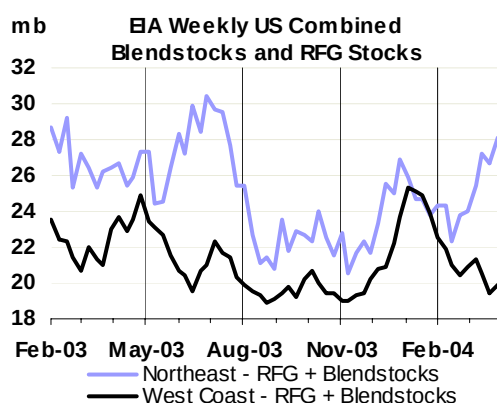


US gasoline stocks fell in February before rising slightly by end-March. The February decline, though demand-driven, also reflected a changeover of stocks from winter to summer quality material. Market concerns about potential gasoline supply tightness as reflected in the strength of front-month NYMEX gasoline futures may be overstated, though prices at the pump will likely be stronger on this year's higher crude costs. While demand is looking robust this year, gasoline stocks, including blending components, were back to year-ago levels by end-March. As finished gasoline deliveries flirted with a seasonally high 9 mb/d level, supply rose notwithstanding lower crude runs. Refiners boosted gasoline yield to 58% and imports into the East Coast region sourced from Europe were high.

With a buffer in crude stocks being re-established, increased domestic refinery output and steady import flows at the recent levels should prompt strong stock builds before peak summer demand is reached, easing some of the recent price strength in the physical markets. The high premium of light over heavy products should encourage a ramp-up of gasoline output in the Gulf Coast where high conversion capacity

can take advantage of the offers of discounted heavy/sour crude. Changes quality specifications, be it lower sulphur requirements or the ban in certain states of MTBE blended reformulated gasoline (RFG) are cited as complicating supply-side factors in this year's summer driving season. While US refiners have conducted maintenance for achieving lower sulphur content, key foreign refiners such as those in Canada have also taken steps to address this mandate while European supplies already meet requirements.

Regarding the ban of the additive MTBE in RFG this year in New York, Connecticut and California, the situation in the first two states may prove to be less dire than predicted by some observers. Combined RFG and blending components (which include reformulated blendstock for oxygenate blending) steadily rose in the Northeast while declining on the West Coast. Refiners in the Northeast that supply the two states will likely rely on domestic production to make (RBOB) while drawing more heavily on foreign MTBE blended material, either as finished gasoline or blending components to meet demand in other states. The likely sustained strength in imports from Europe (where a limited number of refiners can meet new RFG specification) would suggest further builds in regular RFG supplies, softening prices on futures where the contract still calls for delivery of MTBE blended RFG.



Source: PJK International

Europe

European industry crude stocks declined 7 mb in February to 309 mb, but remained 25 mb above last year. Most of February's draw was driven by a sharp reduction in crude stocks in Norway of 13 mb while most other countries saw their stocks edge higher. The Norwegian decline was motivated by refining demand strength on both sides of the Atlantic for light sweet crude given high gasoline prices. While European refiners bid for North Sea barrels, transatlantic arbitrage also resumed as freight rates for VLCCs and 1 mb vessels came off dramatically and WTI strengthened against Brent. More surprising in this context is that UK crude stocks rose modestly, albeit refinery runs did fall. Northwest European countries saw crude stocks edge higher despite firm runs as additions to storage were supported by the high availability of Urals.

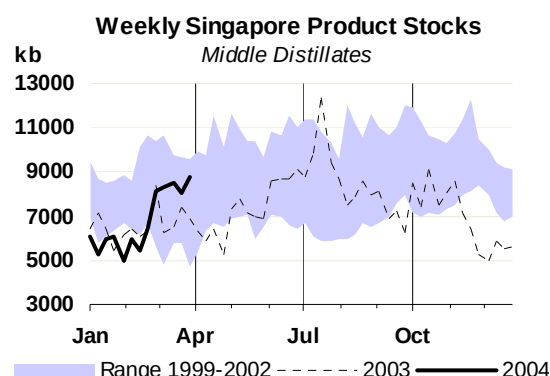
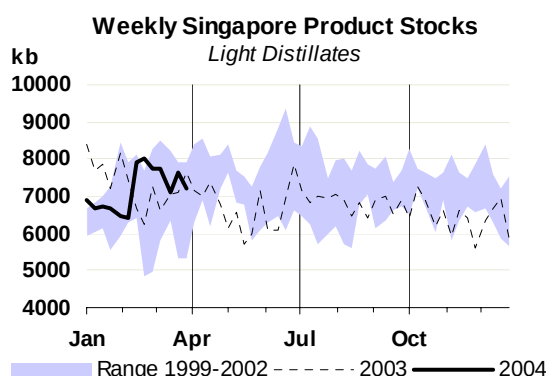
Industry gasoline inventories rose almost a 0.7 mb to 122.5 mb, or slightly higher than last year. Though refinery output was high and regional demand contracted, the gain came amid strong exports. Deliveries from Northwest Europe to the US were pegged at 1.8 million tonnes in February while 1.4 million tonnes were reported for March. Asian gasoline strength also provided an outlet in February. Foreign demand-pull on Europe's surplus and refinery maintenance will lead stocks lower in the next months as seen in the trend for independent ARA storage. The US remains the main destination for exports and while spot arbitrage on price differentials may close, US refiners with European facilities nevertheless keep moving product west. Additionally, attractive premiums over ARA quotes offered by Nigeria in its second quarter tender provide another outlet to attract product out of storage.

Pacific

Pacific crude stocks closed February at 176 mb, a comfortable 8 mb ahead of last year. Despite firm runs, Korean crude imports were ample, leading stocks there to rise 6 mb. Japanese stocks fell 3 mb as foreign supplies fell. But Japanese crude stocks typically rebound by end-March as refiners' inventory mix seasonally switches to higher crude holdings. The expected rise will come with easing runs and likely higher volumes of Iranian and UAE crude, but also incremental Iraqi supplies. **In products**, distillates fell seasonally in Japan, mainly in kerosene but also in jet fuel. Though February weather was warm, weakening demand, higher exports of jet/kerosene removed surplus product. In contrast, the effects of mild temperatures on demand dominated in Korea where distillate stocks posted a modest gain. According to weekly data, Japanese gasoline stocks closed at seasonal lows in March but these could prove tight in the short term as mild weather is prompting forward driving demand.

Singapore Stock Developments in March

Total product stocks in Singapore, surveyed by International Enterprise, held even in March but trends were contrasted between light and heavier products. Combined gasoline and naphtha stocks closed lower while fuel oil and distillate stocks were flat to rising. **Light product stocks** likely fell on declines in gasoline rather than naphtha. Gasoline supplies were lower as refinery maintenance in key exporting countries and the possibility arbitrage outlets to the US West reduced availabilities. Gasoline's high premium over naphtha was also supported by prompt demand with Indonesia's Pertamina stepping up purchases of spot gasoline cargoes in March. Naphtha stocks were probably less pressured as maintenance at Asian petrochemical producers reduced requirements and Middle Eastern supplies were reported ample. Looking ahead, light product stocks should tighten on a combination of stronger demand and lower supply due to ongoing refinery turnarounds, particularly in China. In gasoline, demand is expected to be buoyant in China but also in Vietnam and Indonesia, while strength was also seen in spot buying by Australia and Japan. Naphtha demand is equally firming through May while late April term supplies from key exporter Saudi Arabia were reportedly deferred by a month.



Middle distillate stocks rose on weaker fundamentals in March. Chinese gasoil demand slowed from month-earlier highs and reported buying interest through Hong Kong was slack. Gasoil demand was also weaker from other key regional importers, Indonesia and Vietnam. Supply on the other hand was ample, particularly from Korea which saw premiums for its cargoes against Singapore quotes weaken further. Early-month availabilities were also reported from India and the Middle East. The second quarter tender of 510 000 tonnes of jet fuel by China and 60 000 tonnes of spot purchases prevented an oversupply in product. Distillates should tighten with robust Chinese jet demand in April clearing surplus Korean cargoes and signs of renewed gasoil demand after the March hiatus caused by high domestic gasoil output in February. Sinopec secured April spot material after skipping purchases in March and Indonesia re-introduced gasoil for its May tender, albeit at lower volumes than in the past.

Residual fuel oil stocks stayed at high levels in March with thin Chinese demand and utility purchases hitting seasonal lows. Singapore's crack for 180cst material weakened to \$6 against Dubai. Western arbitrated supplies arriving from the second half of March through April weighed on sentiment, but in April these supplies were seen committed for delivery, setting the stage for a stock decline in April. Shipping fixtures reported April bookings from Singapore into the main Chinese Huangpu terminal, reflected a resumption of Chinese buying but demand also emerged in Vietnam, which raised fuel oil volumes in its 2Q tender. Reflecting tighter supplies, the contango in the paper markets gave way to backwardation with May swaps, at the time of writing, discounted nearly \$2 against April delivery.

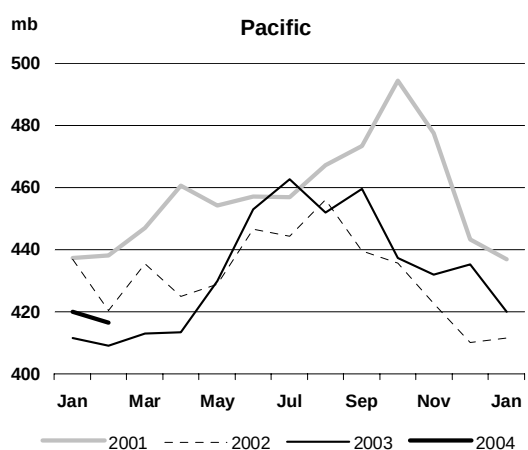
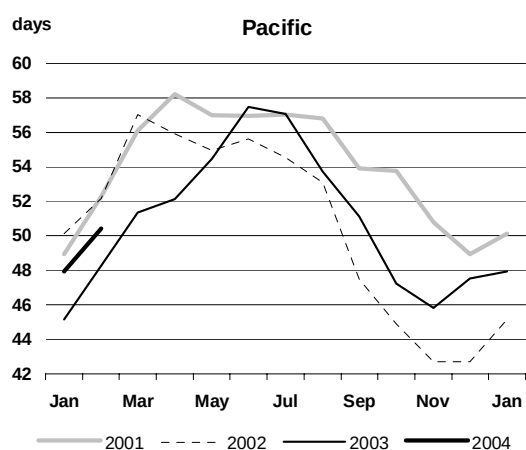
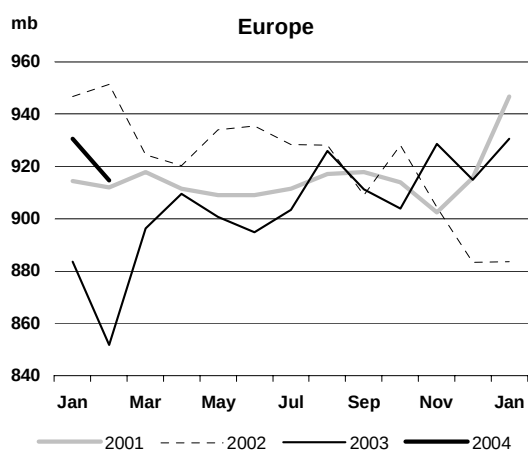
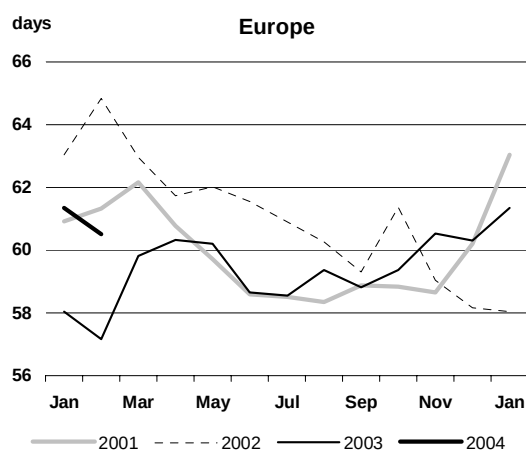
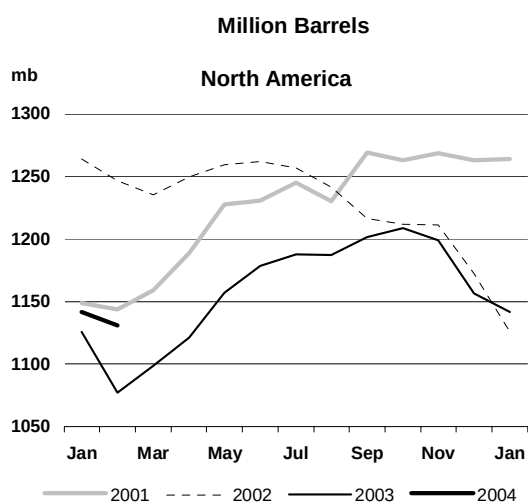
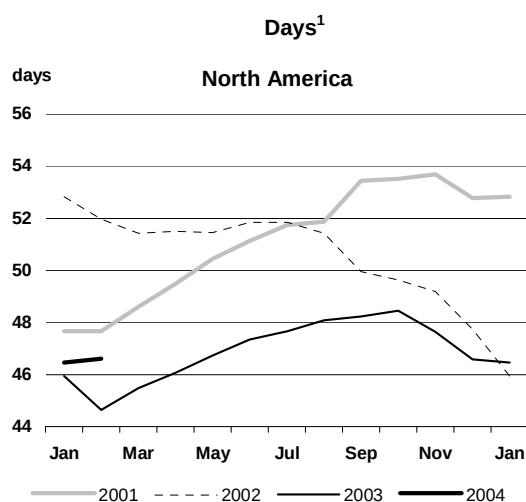
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04	Latest month vs. Jan 04 Feb 03	
Crude Oil	819	755	885	892	593	654	800	677	718	41	-131
Products & Feedstocks	-35	-96	-158	-119	-93	-18	-42	-86	-112	-25	3
Gasoil/Diesel	-154	-170	-175	-171	-174	-161	-248	-184	-129	55	32
Gasoline	-81	-83	-76	-95	-67	-96	-114	-99	-74	24	-4
Heavy Fuel Oil	334	320	314	304	323	341	433	321	252	-68	-89
LPG	-19	-22	-24	-26	-19	-19	-21	-23	-26	-3	-6
Naphtha	6	13	-22	18	5	49	65	72	34	-38	65
Jet & Kerosene	-65	-99	-124	-93	-103	-77	-83	-115	-107	8	16
Other	-57	-55	-51	-56	-58	-54	-74	-58	-63	-5	-11
Total	784	659	727	774	501	636	757	591	606	15	-129

Source: International Enterprise, IEA estimates

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

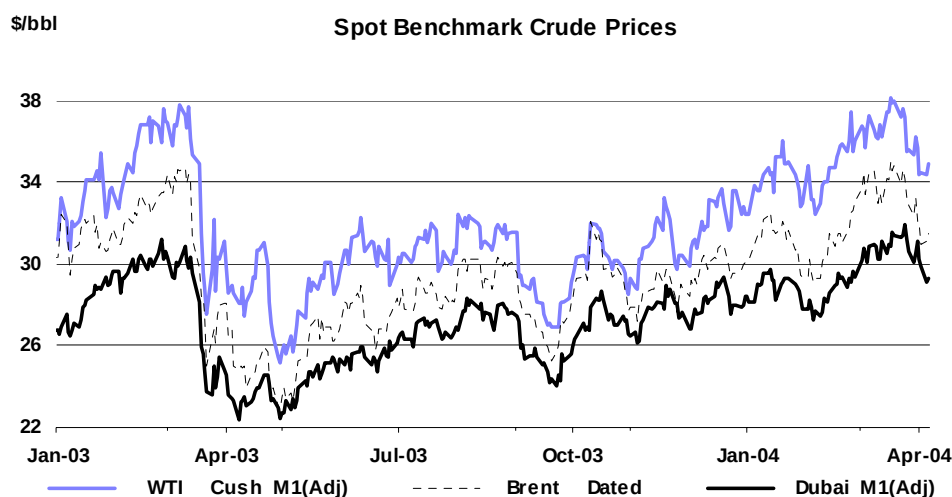


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **Benchmark WTI crude** hit \$38.18 in mid-March, the highest closing level since the Iraqi invasion of Kuwait in 1990, before declining towards the end of the month as US inventories rebuilt. Warmer spring temperatures in the Northern hemisphere reduced the demand for heating oil, leaving concern over US gasoline tightness to take over as the primary supportive feature for the oil markets. However, a recent recovery in US gasoline stocks in line with year ago levels, coupled with speculation over a possible waiver from gasoline oxygenate requirements by some MTBE-free states briefly pushed gasoline prices sharply lower at the start of April.
- Strong **global demand growth** continues to be a major driving force for oil and commodity markets in general. However, not only is oil demand growth increasing rapidly, but the concomitant growth in a large number of countries around the world means there is competition between buyers seeking incremental barrels from a limited number of sellers in a tight market leading to upwards price pressure.
- The fall in crude prices since the middle of March has been accompanied by a narrower backwardation (premium of spot over forward prices) in nearby **futures contracts**. This has remained in place despite the recent sharp recovery in front month prices and implies an easing of supply tightness.
- **Fund selling** was widely reported to have provided the major impetus to the early April price decline. Prior to the OPEC meeting non-commercial speculators held a net-long position of just under 60,000 lots of NYMEX WTI crude futures and it is estimated that a substantial portion of those net longs were liquidated during the sell-off.
- **Dirty freight** rates continued to ease in February as expectations of lower seasonal demand and the possibility of lower OPEC production weighed on the market. Tanker supply has also increased over the quarter, helping to moderate the impact of strong demand. Clean freight rates also fell in line with expectation that the return of US refiners from first quarter maintenance and a dip in seasonal demand in the Far East will reduce product trade.
- **Refining margins** hit their low in early March before a combination of stronger gasoline prices and weak crude markets prompted a swift recovery. On average however, margins were mostly lower in March than in February for both cracking and hydroskimming calculations.
- **OECD refinery throughput** dipped to 38.76 mb/d in February from 38.97 mb/d in January as European refineries joined North American refineries in maintenance. Significant downtime was reported in Europe in March, which coincided with scheduled maintenance in the US. While US refineries are expected to return to near-full operating rates in April, there is further work being undertaken in Europe, the Middle East and the Far East in April and May.



March Overview

Crude oil prices held on to their late February gains for most of March before tumbling towards the end of the month as US crude oil inventories rebuilt and gasoline prices dipped. Warmer spring temperatures in the Northern Hemisphere reduced the demand for heating oil (although there were a number of cold snaps in the US North East during the month), leaving concern over US gasoline tightness to take over as a supportive feature for the oil markets. However, a recent recovery in US gasoline stocks in line with year ago levels, coupled with speculation over a possible waiver from gasoline oxygenate requirements by some MTBE-free states pushed gasoline prices sharply lower at the start of April.

Far Eastern demand for West African and Middle Eastern crudes remained strong, with Chinese imports hitting record levels for the first two months of the year. However, there was some slack in the system, as heavy refinery maintenance was seen in the US and Europe in March. This means that there has only recently been strong competition from both the East and West for oil from these key suppliers. However, concomitant world growth is likely to continue to be a supportive feature for oil prices in the coming year (see article entitled *Increased Competition for Oil Pushes Up Prices*).

Signs that several key OPEC members were planning to implement cuts in April supported prices in early March. However, indications that additional barrels were being made available by most members added to the downward pressure towards the middle of the month.

OPEC's 31 March decision to re-confirm the additional 1 mb/d cut in targets from 1 April, despite the high price of crude, was slightly supportive for the oil market. However, comments by some members that it would be logistically difficult to rein in April production coupled with rising US crude stocks and developments in the gasoline markets prompted an early April sell-off.

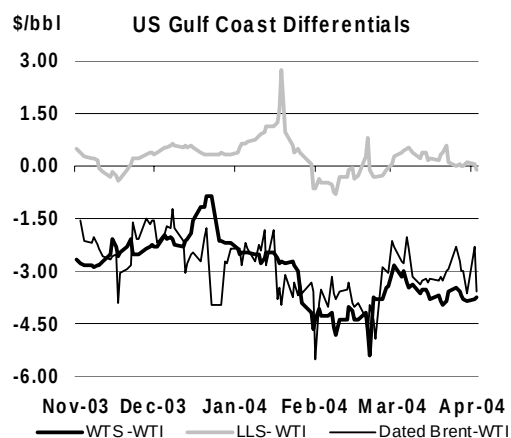
While the funds were reportedly sellers, the squaring of some of their positions did not precipitate the collapse that market observers' (including OPEC) had feared. Industry buying and bargain hunting was noted on the dip, suggesting that demand remains strong, despite unusually high refinery maintenance in Europe in March. However, further maintenance is expected in Asia, Europe and the Middle East in April, which could remove some of the recent tightness in the crude markets.

Crude Oil Prices

Spot Crude Prices and Differentials in March

The strength of US and Far Eastern gasoline prices and a robust European distillates market continued to favour light sweet crudes over sour crudes for most of March. However, on an average basis WTI Cushing lagged Dubai, Brent and Urals in March as the US benchmark adjusted from February's significant outperformance. Despite monthly gains on Dated Brent averaging \$1/barrel higher than the average rise in WTI Cushing prices in March, falling freight rates kept the transatlantic arbitrage open for most of the month. However, stiff competition from West African sweet crudes meant that traders had to work to place cargoes. The Brent arbitrage window was closed when rising stocks and a weakening gasoline market prompted a brief early April slide in WTI prices.

Recent US data shows there was a sharp increase in Saudi Arabian crude imports in the US towards the end of March, which helps to partly explain the persistence of a very weak sweet-sour spread despite the restarting of coking capacity on the US Gulf Coast. West Texas Sour continues to trade at a discount of more than \$3 to WTI, more than \$1-\$2 lower than normal levels. Further sour pressure is coming from the increased supply of Russian Urals and Iraqi crude, placing competitive pressure on sour crudes heading to the US Gulf Coast. Some relief was seen early March through the declaration of force majeure by Petroecuador following a landslide that ruptured its main crude pipeline.



Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

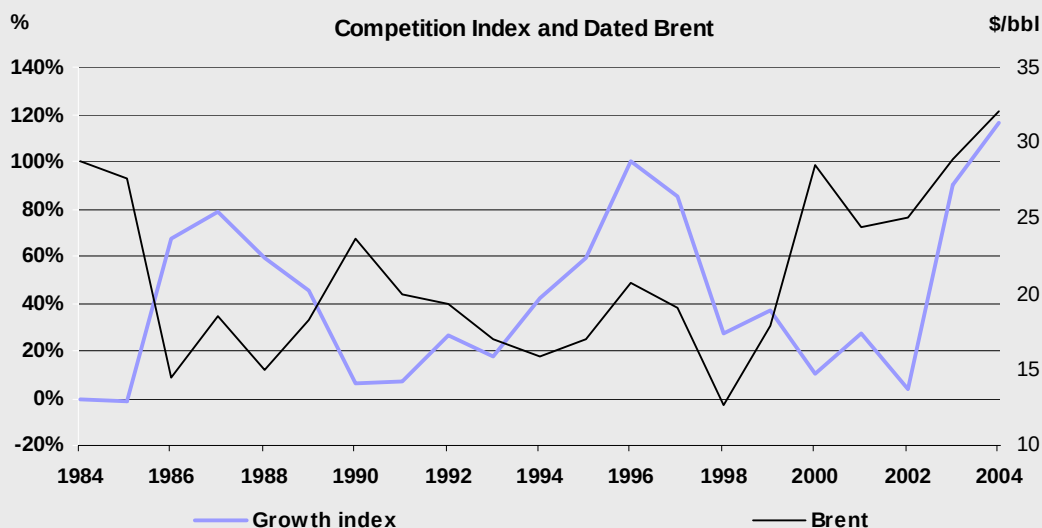
	Jan 04	Feb 04	Mar 04	Mar-Feb		Week Commencing:				
				Change	%	01 Mar	08 Mar	15 Mar	22 Mar	29 Mar
Crudes										
Brent Dated	31.23	30.83	33.79	2.96	9.6	34.00	33.57	34.55	33.79	32.13
WTI Cushing 1 month (adjusted)	34.24	34.74	36.71	1.97	5.7	36.61	36.41	37.78	36.63	35.23
Urals (Mediterranean)	28.88	27.64	30.31	2.67	9.7	30.74	29.80	30.85	30.38	29.03
Dubai 1 month (adjusted)	28.88	28.61	30.85	2.23	7.8	30.49	30.71	31.07	31.28	30.37
Tapis	33.63	34.93	35.71	0.78	2.2	36.98	36.26	35.18	35.07	34.45
Differential to Dated Brent										
WTI Cushing 1month (adjusted)	3.01	3.91	2.93	-0.98		2.61	2.84	3.23	2.85	3.10
Urals (Mediterranean)	-2.35	-3.20	-3.48	-0.28		-3.26	-3.77	-3.69	-3.41	-3.10
Dubai	-2.35	-2.22	-2.94	-0.72		-3.51	-2.86	-3.48	-2.51	-1.76
Tapis	2.40	4.09	1.92	-2.18		2.98	2.69	0.63	1.28	2.32
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.28	0.26	0.34	0.08		0.34	0.40	0.31	0.25	0.25
WTI Cushing 1mth-2mth (adjusted)	0.57	1.07	0.64	0.58		0.77	0.62	0.30	0.70	0.70

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

Increased Competition for Oil Pushes Up Prices

The impact of concomitant global growth in all major economic regions has been a major factor behind the rise in oil prices. Throughout the 1990s the world became accustomed to asynchronous growth between the key industrial regions of North America, Europe and Asia Pacific and also non-OECD economies. While these events helped to smoothed out the global business cycle, for the oil market it also meant that any increase in demand for oil would come from one geographic region or another, partly offset by falling demand in another region.

The net impact for the oil market was that producers found limited competition from consumers for incremental barrels. This situation is now reversed, with a larger number of buyers competing in a tight market to satiate their growing needs. This clearly puts the seller in a stronger position and is one reason why most commodity and freight markets are presently seeing higher prices.



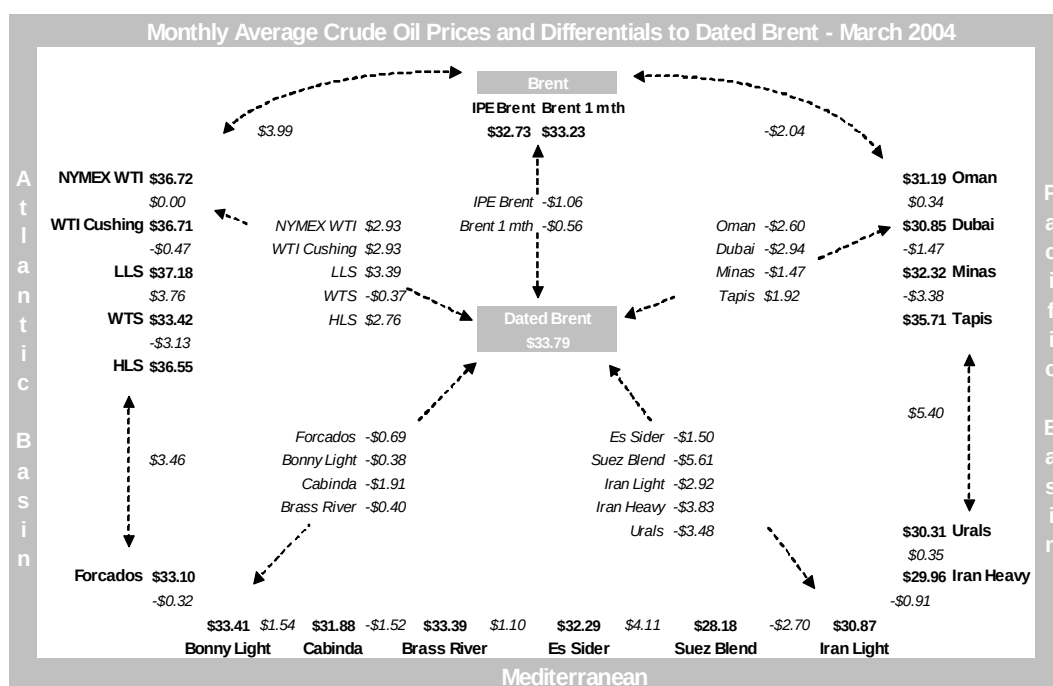
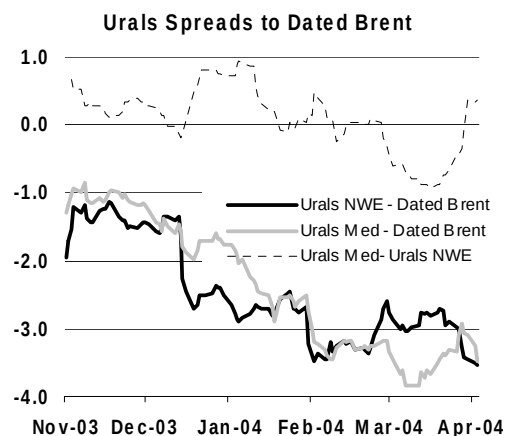
The graph above plots Dated Brent against a growth index for the oil market. The index is derived by assigning a value of 1 for growth in excess of 0.5% in each country covered in the OMR, - 1 for a contraction of a similar magnitude and 0 for those registering flat growth. The net regional growth count is then multiplied by the annual growth in world oil demand in mb/d.

European demand for Brent suffered in mid-March as refining margins plunged and maintenance took its toll. Although margins have recovered dramatically, demand pressures will be constrained to an extent by ongoing refinery downtime in the region and competition from a recent plunge in Urals crude prices in northwest Europe (NWE).

Urals crude differentials to dated Brent plunged in the Mediterranean region in early March pressured by the tender of Kirkuk crude from the Turkish port of Ceyhan, together with an easing of congestion on the Turkish straits. This opened up arbitrage opportunities to the Far East in late March, which largely cleared out surplus material for the region. The continued growth in Russian exports means new markets have to be found for the crude outside of the European market. This has depressed Urals prices within Europe, making its increasingly attractive regional crude for refiners.

Urals differentials recovered slightly in the Mediterranean when it became clear that expectations of further Ceyhan shipments by the end of March and a resumption of steady flows through the northern Iraqi pipeline were overly optimistic. Liftings for the latest Kirkuk tender for 6 mb of crude are due to take place on 19 April, following a series of technical problems which resulted in pumping being suspended in the second half of March. However, with relatively heavy maintenance being undertaken by European refineries and Urals export volumes to the region scheduled to increase in April, a dramatic recovery seems unlikely.

West African crude has largely been absolved from competitive pressures from both the East and the West over the past few months as US refinery maintenance has restrained Western demand. However, the volumes of West African crude to Asia are estimated to have been as high as 1.4 m to 1.7 mb/d in March, and are expected to remain relatively high at around 1.2 m to 1.5 mb/d in April. China has been incorporating more than 10% of its 2.7 mb/d imports as West African crude in the first part of the year and even Japanese refiners have reported some rare purchases of Nigerian crude. The lack of desulphurising and coking capacity in Chinese refineries, coupled with strong distillate, gasoline and naphtha demand biases refineries to use incremental sweet barrels where economic. Increased refinery maintenance in the region in the second quarter and lower heating demand may dampen crude demand, but should this summer prove hot in the East and US gasoline demand growth continues, then the competition for West African sweet crudes could heat up.



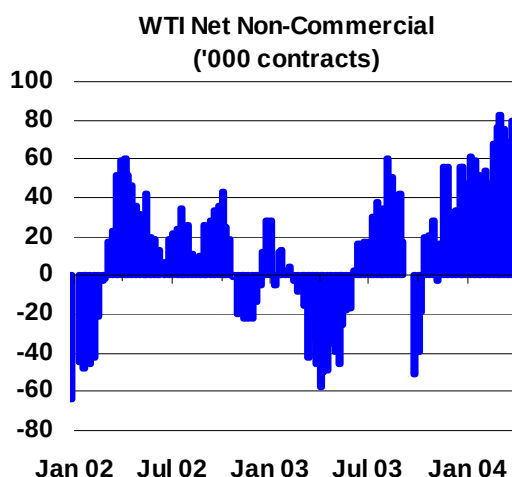
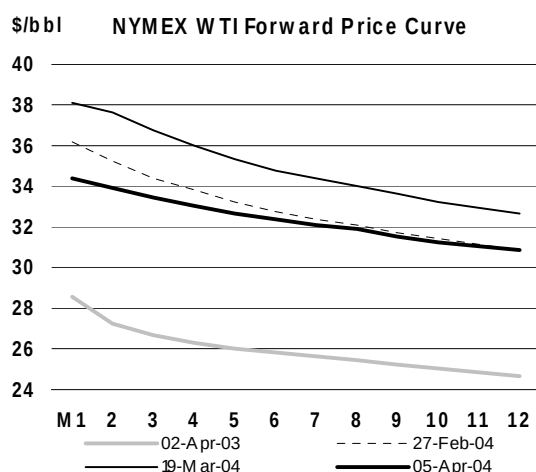
Further restarts of Japanese nuclear capacity and a relatively mild March have helped to keep regional direct burn crudes, such as Minas at a steady discount to Brent, following the pattern since the start of the year. The differential for regional sweet Tapis has largely followed local refining margins since the start of the year, recovering from a mid-March low.

Crude Futures in March

The decline in front month crude prices from the middle of March has been accompanied by very little movement in the futures price 12 months forward. When prices are moving lower at the front end, this naturally narrows the backwardation, leading to a flattening of the futures curve.

However the swift recovery in prices in the second week in April has not caused a proportionate increase in the front month backwardation. This is consistent with the overall sharp rise in US crude stocks since the middle of March and implies a lessening of the recent market tightness. The strength of futures prices further forward would appear to be consistent with reports of consumer hedging when prices were trending lower.

Much of the attention in recent months has focused on the large net-speculative long positions in crude and gasoline. Although these were reduced slightly ahead of the OPEC meeting, they remained large by historical standards. There was concern (also alluded to by OPEC) that a mass-liquidation of these positions could lead to a significant price correction. The decline in crude futures following the 31 March OPEC meeting, US crude stock build and gasoline weakness was largely attributed (by wire reports and traders) to be fund selling.



Normally such a move would be accompanied by a similar decline in open interest, but the reverse occurred. Anecdotal comments suggest that as prices declined, there was significant offsetting buying by commercial participants who were generally seen as underhedged. Fund activity during the \$3 peak-to-trough decline in prices from 31 March to 2 April will be captured in the CFTC Commitment of Traders Reports to be released on the same day as this report, and there is a wide variety of estimates of the level of fund positions. These vary from virtually square to as high as 40,000 lots net long, from a prior net long position of 59,520 lots. Judging by the scale of the price move and the reaction of open interest a figure towards the higher end of expectations seems likely.

Delivered Crude Prices in January

Delivered prices for crude oil imported into IEA countries rose by \$1.41 in January to \$30.73 from \$29.32 in December. Time lags due to longer shipments to the Far East resulted in lower delivered crude costs to the IEA Pacific region, where delivered crude costs rose by 99 cents to \$31.24 compared with gains of \$1.09 in Europe and \$2.10 in North America to \$30.63 and \$30.53 respectively. The US costs were also inflated by sharply higher freight rates that have yet to be registered in Pacific values. Europe however enjoys short haulage routes from the main crude fields in the North Sea, Russia and the Middle East.

Product Prices

Spot Product Prices in March

The volatility in WTI and Brent prices in early April led to a sharp rise in the product differentials to crude. While the process of adjustment of relationships may take some days to settle, the initial implications are that the market has switched emphasis to product, rather than crude, tightness.

Spot Product Prices

(monthly and weekly averages, \$/bbl)

	Jan	Feb	Mar	Mar-Feb		Week Commencing:					Jan	Feb	Mar
				Change	%	01 Mar	08 Mar	15 Mar	22 Mar	29 Mar			
Rotterdam, Barges FOB											Differential to Brent		
Premium Unleaded (Cargo)	38.41	39.25	42.43	3.18	8.1	42.38	41.58	42.16	42.90	43.25	7.18	8.42	8.64
Regular Unleaded	37.83	38.63	41.76	3.13	8.1	41.79	40.68	41.57	42.23	42.64	6.60	7.80	7.97
Naphtha	36.18	33.99	35.89	1.89	5.6	37.21	35.09	35.70	35.63	35.73	4.95	3.16	2.10
Jet/Kerosene	40.46	38.64	40.66	2.02	5.2	40.80	39.70	41.65	40.69	40.09	9.23	7.81	6.87
Gasoil	37.15	34.70	38.38	3.68	10.6	37.76	37.09	40.12	38.75	37.59	5.92	3.86	4.59
Fuel Oil 1.0%S	22.93	21.55	24.25	2.70	12.5	24.14	24.29	23.99	24.53	23.86	-8.31	-9.28	-9.54
Fuel Oil 3.5%	21.63	21.18	22.40	1.22	5.8	22.92	22.53	21.98	22.21	22.24	-9.60	-9.65	-11.38
Mediterranean – Basis Italy, Cargoes FOB											Differential to Urals		
Premium Leaded (0.15 g/l)	38.43	39.31	42.37	3.07	7.8	41.11	40.60	43.45	43.74	43.19	9.55	11.67	12.06
Premium Unleaded	37.71	38.59	41.66	3.07	7.9	40.40	39.88	42.73	43.02	42.47	8.83	10.95	11.35
Naphtha	34.18	31.81	34.01	2.20	6.9	35.10	32.91	33.88	33.99	34.31	5.30	4.17	3.70
Jet/Kerosene	38.63	37.13	37.70	0.57	1.5	37.51	36.44	38.45	38.25	37.73	9.75	9.50	7.39
Gasoil	36.36	33.50	37.53	4.03	12.0	37.30	36.60	38.83	38.21	35.83	7.49	5.86	7.22
Fuel Oil 1.0%S	24.08	22.25	24.57	2.32	10.4	24.17	24.40	24.60	25.09	24.32	-4.80	-5.39	-5.74
Fuel Oil 3.5%S	20.22	20.40	20.87	0.48	2.3	21.23	20.83	20.43	20.86	20.98	-8.66	-7.24	-9.44
NY Harbour, Barges											Differential to WTI		
Super Unleaded *	43.85	46.94	50.02	3.09	6.6	50.51	48.42	50.78	49.97	49.98	9.61	12.19	13.31
Regular Unleaded *	41.98	43.97	45.76	1.80	4.1	45.67	43.80	46.71	46.31	45.39	7.73	9.22	9.05
Jet/Kerosene	43.10	42.64	40.92	-1.72	-4.0	42.56	39.90	41.45	40.51	39.03	8.86	7.90	4.20
No.2 Heating Oil	41.19	38.36	38.19	-0.17	-0.5	39.12	37.07	39.07	37.96	36.74	6.95	3.62	1.47
Fuel Oil 1.0%S (Cargo)	28.16	26.26	24.67	-1.59	-6.0	24.70	24.46	24.59	24.69	24.50	-6.08	-8.49	-12.05
Fuel Oil 3.0%S (Cargo)	23.61	22.79	22.87	0.08	0.3	22.54	22.73	22.73	22.95	23.62	-10.63	-11.95	-13.85
Singapore, Cargoes											Differential to Dubai		
Premium Unleaded 95	44.25	39.87	44.10	4.23	10.6	44.45	44.61	43.47	43.54	44.36	15.37	11.25	13.25
Naphtha	39.49	34.15	36.03	1.88	5.5	36.90	35.62	35.21	35.99	36.33	10.61	5.53	5.18
Jet/Kerosene	39.60	37.46	37.72	0.27	0.7	37.52	37.13	37.95	38.30	37.54	10.72	8.84	6.88
Gasoil	39.35	37.84	37.71	-0.12	-0.3	38.15	37.87	37.50	37.30	37.64	10.46	9.22	6.87
LSWR (0.3%S)	27.88	30.14	29.27	-0.86	-2.9	30.45	29.58	30.04	28.04	27.21	-1.00	1.52	-1.57
HSFO (3.5%S 180cst)	26.29	26.19	25.85	-0.34	-1.3	25.92	25.79	25.51	25.88	26.37	-2.59	-2.42	-5.00
HSFO 4%S	26.18	26.10	25.76	-0.34	-1.3	25.82	25.65	25.42	25.77	26.37	-2.70	-2.51	-5.09

* From 1 November 2003 assessments for NYH are for Max 0.3% MTBE

Spot gasoline prices have converged following the fall in crude prices from mid-March, closing the arbitrage window between Europe and the US. However, with the US still needing significant imports during the summer driving season, its closure is only likely to be temporary. Liquidity has also been reduced by the switch to summer grade gasoline.

High levels of gasoline shipments from both Northwest Europe (NWE) and the Mediterranean (Med) continued in March, helping to clear surplus material and drawing stocks in the Antwerp-Rotterdam-Amsterdam region. Northwest European prices have been further bolstered by refinery maintenance that took an estimated 600 kb/d of capacity off-line in March. Further work is scheduled for April and May, but at a lower level. The Med gasoline market lagged NWE strength, but support towards the end of March came from fresh tenders from Iraq and Nigeria. The Middle East is also expected to remain a net importer of gasoline this year, with strong demand expected from Iran in particular.

In the US, retail gasoline prices hit record levels, but there is no sign yet that these high prices are persuading customers to move to more economical vehicles. More likely, consumers will switch away from premium to regular grades of gasoline.

The switch to summer-spec RFG and MTBE-free gasoline appears to have passed without problem so far, but there remains a degree of uncertainty over the stock level of summer specification MTBE-free blendstock (RBOB). This issue should be clarified by a more comprehensive breakdown of US gasoline stocks by the EIA in its weekly publications from 14 April.

Currently there is not a significant price difference between regular RBOB and regular RFG, and the differential between 93 and 87 RBOB is relatively normal. Whether this continues to be the case will depend upon the perception of existing stock levels and continuity of supplies (i.e. no refinery disruptions).

Speculation that the US EPA was actively considering the request by several MTBE-free states for a waiver of the oxygenate requirement currently in place as part of the RFG programme put brief pressure on gasoline markets.

The issue is not new and has been under discussion for some time. The EPA and EIA stressed that because they were considering the issue did not mean that they had changed their waiver policy. In the case of California, the state first requested the waiver in 1999, but it was rejected in 2001. The state won a court appeal last year requesting the EPA to review the original decision.

MTBE is the most common oxygenate used in making RFG gasoline (added to make it cleaner-burning), but in states where a ban is enforced, refiners are effectively forced to use ethanol as a substitute. Those seeking a waiver argue that the oxygenate requirement is less important because of changes in engine technology and that its removal would enable refiners to use the most cost-effective gasoline blend, raising the volume of gasoline produced. Some refiners argue that it would not impact prices as ethanol is cheaper than gasoline blend stock and therefore lowers the cost of production.

Regardless of any waiver requests, recent US import levels in excess of 1 mb/d, coupled with attractive margins, recent high yields and the restart of capacity from maintenance should mean US supplies of (conventional) gasoline should improve rapidly in April.

Far Eastern gasoline prices remain firm, but have narrowed in relation to Rotterdam. Support in March came from continued strong growth in the region, particularly from Indonesia, Vietnam and Australia. Net-exporter China is also seeing strong internal demand but there is some confusion as to the short-term level of primary demand.

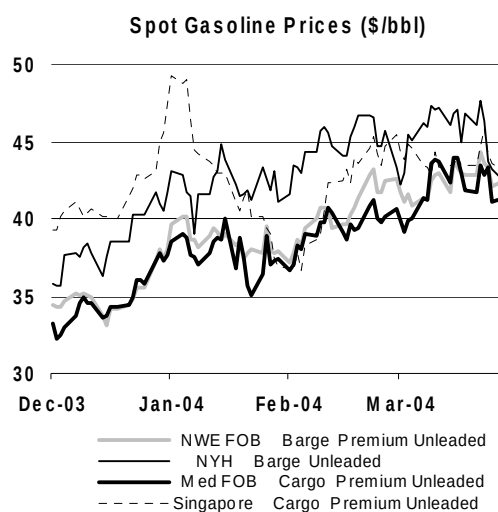
Strong Chinese refinery offtake in March was partly a reflection of the underlying economic growth, but there was also widespread expectation of a rise in government mandated retail product prices. After the five to eight percent rise in gasoline prices was confirmed at the end of the month, mixed reports emerged over the likely impact on the domestic market. Some reports suggested that wholesalers had restocked ahead of the price rise, while others suggested that strong demand and maintenance programmes has left inventories relatively lean.

Underlying demand is undoubtedly strong, refiners are preparing for maintenance by cutting exports and any dip in local demand would probably be brief. Chinese gasoline exports in March were estimated at around 450,000 tonnes, down from around 500,000 tonnes in February and are expected to dip to around 340,000 to 370,000 tonnes in April due to maintenance.

Far Eastern traders are also watching the possibility of a gasoline arbitrage to the US. Shipping agents report a number of enquiries for clean freight, but none have so far been booked. The recent slump in US gasoline prices makes such movement East-West look unlikely, but could change swiftly.

In the European distillate market, the main feature was the strength of ultra low sulphur diesel, due partly to refinery maintenance in Germany and the emphasis of jet production in February. The knock-on effect lifted gasoil cracks against Dated Brent in the middle of March, despite relatively weak local demand and an increase in Russian shipments.

In the US, the strength of agricultural demand in the US Midwest helped to maintain firm diesel prices as interest in the heating oil market waned. Following a cold February, US temperatures in March were, on average, significantly warmer than last year, contributing to a 7% year-on-year drop

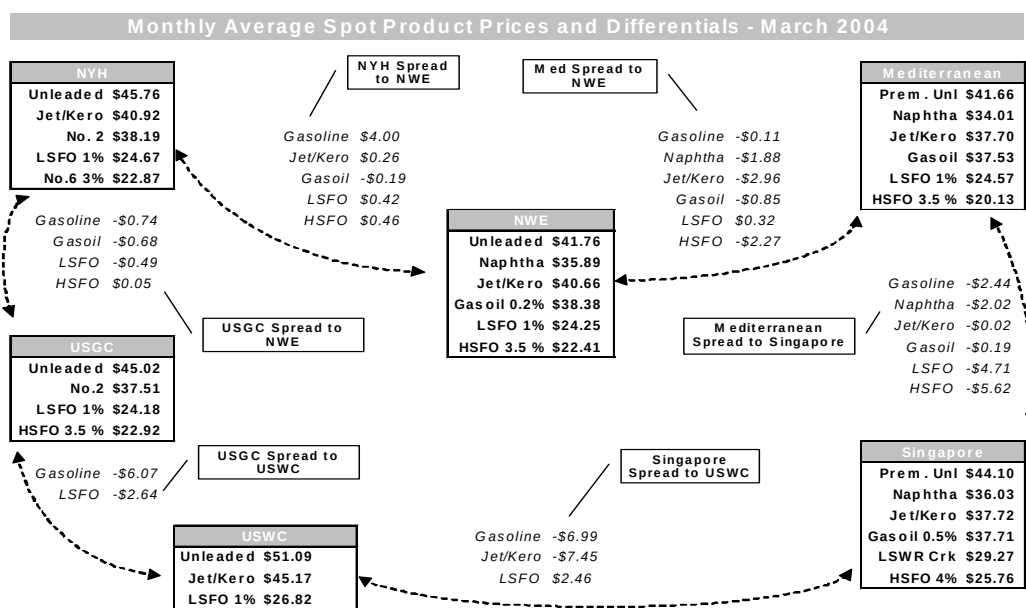
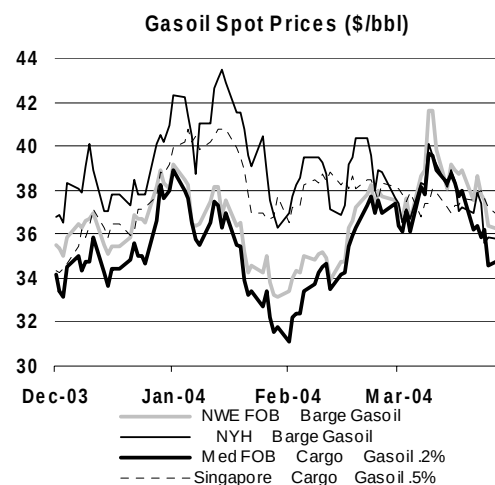


in demand. The price weakness of heating oil even led to some minor reverse-arbitrage trade to Northwest Europe from the US, despite relatively high freight rates.

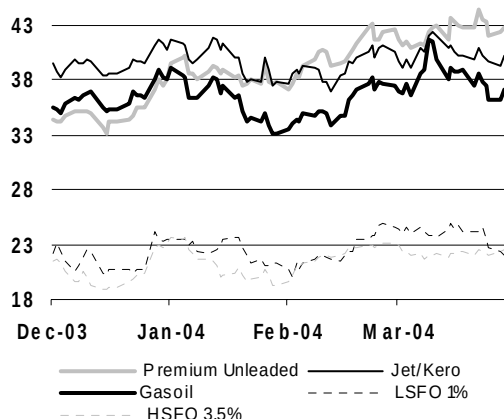
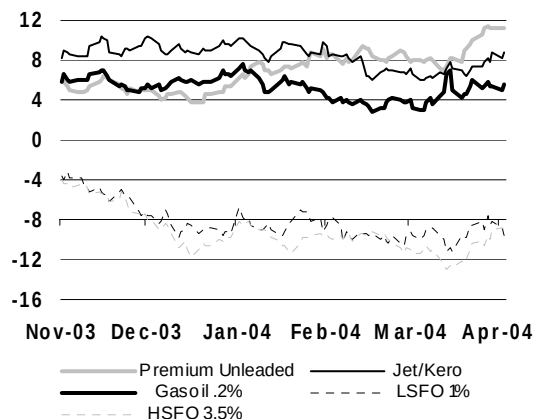
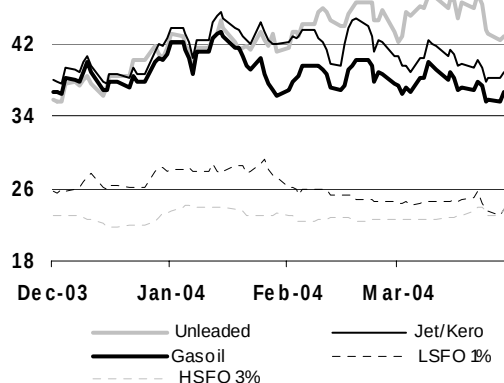
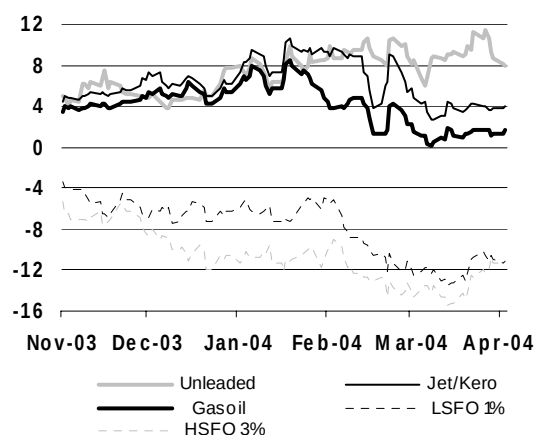
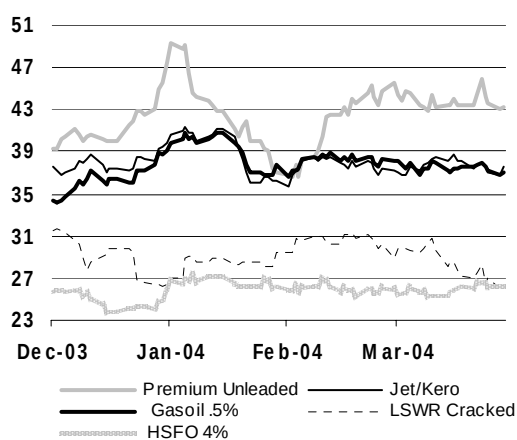
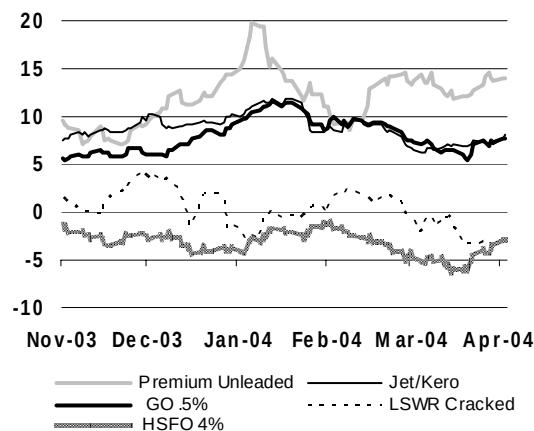
Seasonal weakness continued to pressure Far Eastern gasoil and jet/kerosene prices during March as milder temperatures reduced heating demand. Prices also came under pressure after Sinopec skipped gasoil imports in March after importing 237,144 tonnes in the first two months of the year. Local refiners are believed to have booked around 120,000-150,000 tonnes of gas oil for April, covering for domestic needs during refinery downtime and strong agricultural demand. Outside of China availability is also increasing, with Singapore stocks rising for four consecutive weeks and hitting 18-week highs.

Jet/kerosene followed a similar path, with the regrade (spread relative to gasoil) moving positive on lower Middle Eastern supplies due to more attractive jet prices in Europe and regional refinery maintenance.

The high level of refinery runs coupled with warmer conditions in the northern hemisphere continues to constrain fuel oil, with demand further reduced by the good margins gained through cracking sour crudes at present. NWE HSFO differentials to dated Brent hit their weakest level since the invasion of Kuwait in 1990 in March. Similar weakness was seen in the Med, where on a comparable basis the differential was even weaker, pressured by increased flows of Russian crude higher fuel oil exports from the Black Sea. However, eastbound exports helped to clear some of the surplus.



In the US, the shoulder season between cold winter and hot summer utility power demand weighed on fuel oil sentiment, as did the availability of large quantities of sour crudes and refinery economics favouring the lighter end of the barrel. Traders took advantage of the relatively wide low-high sulphur fuel oil spread to import low sulphur Caribbean material to blend with HSFO to make 1% grade fuel oil, thereby narrowing the spread.

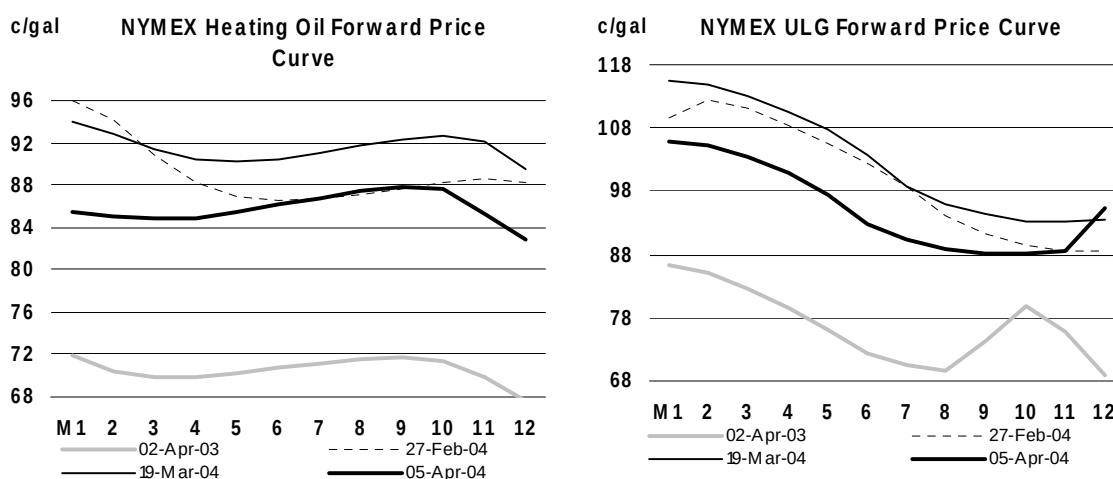
\$/bbl Rotterdam Spot Product Prices**\$/bbl Rotterdam Spreads to Dated Brent****\$/bbl New York Harbour Spot Product Prices****\$/bbl New York Harbour Spreads to WTI****\$/bbl Singapore Spot Product Prices****\$/bbl Singapore Spreads to Dubai**

If it was not for the persistent strength of Chinese demand, European differentials would be much lower. Around 5 mt of fuel oil is expected to arrive in Singapore from the West from the second half of March through to the end of April. However, regional differentials remain robust due to high Chinese demand. Official statistics show Chinese fuel oil imports around 4 mt in the first two months of the year, up over 30% on a year ago. Much of the fuel oil is used either for power generation or in small regional refineries as a feedstock.

Product Futures in March

The forward heating oil chart curves over the past month provide strong examples of the seasonality that affects this market. When comparing the 27 February curve with the 5 April contract, it is pertinent to note that this actually incorporates the expiry of both the March and the April futures contracts. In this respect, although there has been a sharp drop in the front month futures price since the end of February, this is entirely seasonal and was largely factored into the futures curve. The price difference with April last year is stark. The current futures curve is also much flatter nearby, reflecting milder weather in the US in March. However, the forward curve is also in a steeper contango, which should provide an incentive for refiners to put material into stock in the third quarter.

In gasoline, the forward curve remains in steep backwardation, reflecting continued tightness in the market. Taking into account the two expired contracts, the current curve is roughly in line with the curve that was in place at the end of February.



In comparison with the year ago curve, there is currently no contango in place to encourage refiners to build stocks. Last year's curve offered contango financing from December onwards and the current up-tick in prices in April 2005 merely represents the switch from winter to summer spec material. However, with most refinery maintenance being carried out in the first quarter, and refiners running on relatively low crude stocks over the period, there was clearly very limited opportunity to switch to the production of summer specification stocks well ahead of the end of the winter.

End-User Product Prices in March

End user retail product prices rose across the board in Europe in March. Product prices were supported in Europe by a spike in wholesale low sulphur diesel prices and continued strength in gasoline. The stronger dollar also added an upwards bias to prices. The rise in US retail gasoline prices was more pronounced than in Europe, rising 5.1% on the month to an average of \$0.457/litre. Gains in automotive diesel were also noted, pushed higher by strong demand from the agricultural sector. Japanese gasoline and diesel prices were flat on the month, but heating oil prices fell modestly, reflecting a relatively mild month and subsequent poor demand.

Freight

Dirty freight rates trended lower in April, as a combination of seasonality, refinery maintenance and expectations of lower OPEC output pressured values. Although freight rates remain relatively firm, VLCC rates to the US and Far East from the Mid East Gulf have now dipped below year ago levels.

Suezmax freight rates are now on a par with year ago levels as well, and it is noticeable that there has been a steady build in smaller tankers over the first quarter, which may be having a dampening impact on rates.

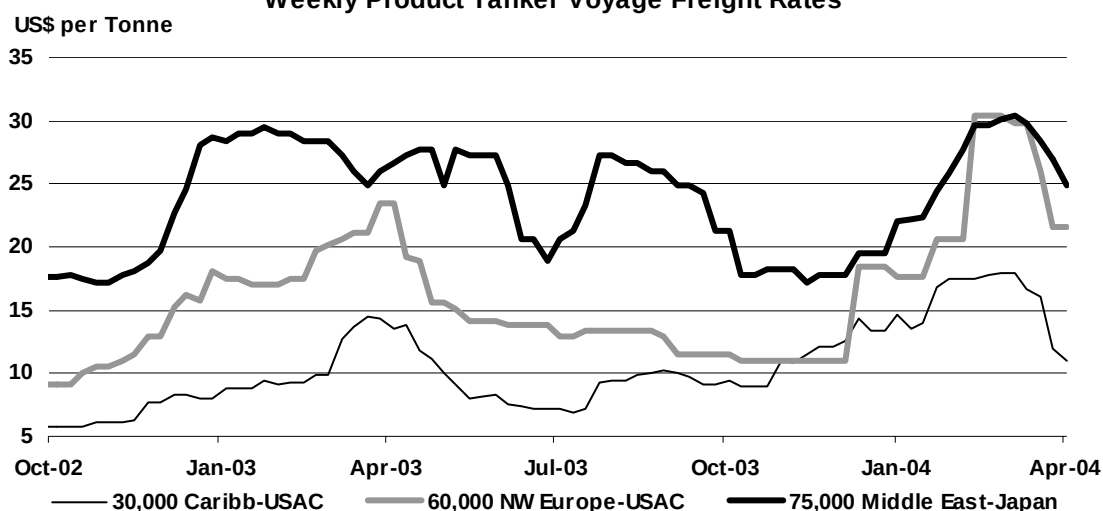
Additions and Deletions from Tanker Fleet – 1Q2004

	Panamax 50 – 74,999		Aframax 75 - 119,999		Suezmax 120 - 199,999		VLCC 200,000 +	
	No.	DWT	No.	DWT	No.	DWT	No.	DWT
Additions.	13	928,531	19	2,019,851	9	1,387,823	6	1,745,913
Deletions	1	60,960	7	600,990	1	150,442	2	629,796
Net change	12	867,571	12	1,418,861	8	1,237,381	4	1,116,117

Source: SSY Research

Lower freight rates not only reduce delivered crude costs, but they are also stimulating continued demand for West African crudes from the Far East, in competition with local grades such as Minas and Tapis.

Weekly Product Tanker Voyage Freight Rates



Source: SSY Consultancy & Research Ltd.

Clean freight rates have also fallen sharply, reflecting an anticipated decline in product trade as gasoline and jet demand fade during the spring in the Far East and the restart of US refineries from maintenance places stronger emphasis on the crude market and less product interest. However, the US will be very reliant on European gasoline imports this summer, which should help to mitigate some of the usual summer lull.

Refining Margins in March

Refining margins in the four regions covered hit their low in early March before a combination of stronger gasoline prices and weak crude markets prompted a swift recovery. On average however, margins were mostly lower in March than February for both cracking and hydroskimming calculations.

In Northwest Europe, lower freight rates tipped the balance from a relatively flat performance for Brent cracking margins on average in March. Having turned negative in nearly March, cracking margins surged sharply to attractive levels by early April. Aside from gasoline, gas oil showed impressive counter-seasonal strength, led higher by the strength in ultra low sulphur gasoline. Topping margins based on Brent turned modestly positive, but would have been more attractive using Urals.

Refinery maintenance in the region was a further factor enhancing margins during the month, and this should continue to tighten product supplies in the coming weeks. However, it is always important to remember, that while the US refining industry often works at full capacity, there is some slack in the European system that can be brought on-line during maintenance periods.

The relative weakness of the Urals market has made it an attractive crude for the past year in Europe (hence the stronger Mediterranean sour margins in comparison with NWE sweets). In March however, the stronger light end of the barrel, meant a slight narrowing of the differential between Med and NWE cracking margins, even though outright levels continue to favour the Mediterranean.

US margins for Brent and WTI cracking lost ground in March after a flat performance for every product bar gasoline. The weakness in WTI prices towards the end of the month was more than offset by a 21% fall in transatlantic freight costs. Sweet margins soared dramatically through the month as gasoline prices remained robust relative to crude, and it is fair to say that sour coking margins would have been significantly more attractive.

In Singapore, cracking margins remained relatively attractive during March. Lower crude costs and falling freight rates enhanced Far Eastern cracking margins during the month, while gross product worth was kept at a high level by the strength of gasoline and naphtha. Seasonality is working against the middle of the barrel, but strong gas oil demand from China could lead to much stronger margins than normal during the weak summer months when refinery maintenance is taking place.

Refining Margins in Major Refining Centres

	(\$/bbl)									
	Monthly Averages			Mar-Feb		Week Ending:				
	Jan	Feb	Mar	Change	%	27 Feb	05 Mar	12 Mar	19 Mar	26 Mar
Refining Margins										
NW Europe										
Brent (Hydroskimming)	-0.70	-1.58	-1.66	-0.07		-1.74	-2.71	-2.14	-1.72	-0.32
Brent (Cracking)	1.60	0.91	1.16	0.25		0.96	0.11	0.48	1.20	2.49
Mediterranean										
Urals (Hydroskimming)	1.36	1.22	0.93	-0.29		0.80	-0.04	1.01	0.93	1.95
Urals (Cracking)	3.80	3.79	3.88	0.09		3.42	2.69	3.81	4.16	4.89
US Gulf Coast										
WTI (Cracking)	4.14	3.07	2.75	-0.32		3.56	2.44	1.99	1.92	4.62
Brent (Cracking)	3.41	4.11	3.29	-0.83		4.43	3.08	2.89	2.59	4.90
Singapore										
Dubai (Hydroskimming)	3.55	2.39	0.58	-1.82		1.87	0.86	0.47	-0.21	0.87
Dubai (Cracking)	7.76	5.78	4.68	-1.10		6.05	5.12	4.63	3.88	4.78
Gross Product Worth										
NW Europe										
Brent (Hydroskimming)	32.31	30.71	33.33	2.62	8.5	32.59	32.99	32.00	34.33	33.72
Brent (Cracking)	34.71	33.30	36.25	2.94	8.8	35.39	35.91	34.73	37.35	36.63
Mediterranean										
Urals (Hydroskimming)	30.42	29.04	31.41	2.37	8.2	30.79	31.18	30.28	32.27	31.66
Urals (Cracking)	32.96	31.71	34.47	2.76	8.7	33.51	34.02	33.19	35.59	34.70
US Gulf Coast										
WTI (Cracking)	39.48	38.91	40.56	1.65	4.2	40.71	40.83	39.28	41.00	41.30
Brent (Cracking)	39.01	38.38	39.94	1.56	4.1	40.14	40.21	38.69	40.37	40.62
Singapore										
Dubai (Hydroskimming)	32.95	31.52	31.96	0.44	1.4	31.79	32.29	32.18	31.70	32.04
Dubai (Cracking)	37.26	35.01	36.16	1.15	3.3	36.07	36.65	36.44	35.89	36.05

For the purposes of this Report, refining margins are calculated on the basis of an 'average' refinery that is running a 'typical' crude slate in a specific refining centre. 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.

OECD refinery throughput dipped to 38.76 mb/d in February from 38.97 mb/d in January as European refineries joined North American refineries in maintenance. February runs were essentially flat with year ago levels.

Maintenance at two UK refineries are estimated to have reduced UK throughput by 210 kb/d in February and Portuguese runs have been reduced by a similar amount due to heavy maintenance at its largest refinery. More modest reductions have been noted in Italy.

March European throughput should fall further as refiners continued with an "early" maintenance programme, that could account for over 800 kb/d of capacity. This represents nearly three times the normal level of maintenance as refiners undertake normal seasonal work and others prepare for tighter sulphur limits next year. Maintenance is expected to take place in Germany, France, Ireland, and

Belgium. The UK will see a continuation of some minor work, but this will be more than offset by restarts in from the end of February. Utilisation of spare capacity should mitigate some of the maintenance impact, but there should still be a significant drop in throughput over the month.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day						Change from Feb 03		Utilisation rate ²	
	Sep 03	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	mb/d	%	Feb 04	Feb 03
OECD North America										
US ³	15.44	15.34	15.45	15.34	14.82	14.72	0.33	2.3	87.8	85.6
Canada	1.72	1.74	1.80	1.88	1.78	1.78	-0.03	-1.5	89.3	91.0
Mexico	1.25	1.21	1.16	1.21	1.29	1.33	0.08	6.2	79.2	72.0
Total	18.41	18.30	18.41	18.43	17.89	17.83	0.38	2.2	87.3	85.2
OECD Europe										
France	1.82	1.86	1.86	1.88	1.80	1.84	0.07	3.8	94.5	93.4
Germany	2.34	2.34	2.34	2.29	2.28	2.29	0.02	0.7	97.7	97.0
Italy	1.66	1.83	1.94	1.85	1.81	1.75	0.06	3.7	75.7	73.4
Netherlands	1.07	0.94	0.93	1.05	1.15	1.16	0.12	11.1	94.6	86.2
Spain	1.11	1.14	1.16	1.13	1.16	1.13	0.09	8.8	88.9	78.6
UK	1.46	1.43	1.59	1.65	1.62	1.40	-0.29	-17.3	77.1	94.6
Other OECD Europe	4.07	3.88	4.06	3.98	3.87	3.80	-0.17	-4.3	83.9	87.5
Total	13.53	13.41	13.88	13.82	13.68	13.37	-0.11	-0.8	86.6	87.5
OECD Pacific										
Japan	3.78	3.91	4.10	4.25	4.28	4.47	-0.15	-3.3	95.0	96.9
Korea	1.93	2.23	2.31	2.31	2.38	2.37	0.07	2.9	93.2	90.0
Other OECD Pacific	0.70	0.73	0.68	0.73	0.73	0.72	-0.11	-13.4	83.6	87.0
Total	6.42	6.87	7.08	7.30	7.39	7.56	-0.19	-2.5	93.3	93.6
OECD Total	38.36	38.58	39.38	39.55	38.97	38.76	0.08	0.2	88.1	87.6

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US\$0

Typically European maintenance slows in April, and while this is expected to be the case this year, nearly 550 kb/d could be affected during the month, well above seasonal norms.

US refinery runs fell further in February as the first quarter maintenance programme got into full swing, but remained above year ago levels. Provisional data indicates that throughput improved slightly by the end of March to around 14.9 mb/d as the Gulf Coast refineries came back on line, offsetting declines on the East Coast. April throughput is expected to rise quite steeply, reducing the need for large product imports, but also reducing the opportunity for crude builds at the same rate as March.

OECD Pacific refinery throughput rose in February from January, but remained below year ago levels. Maintenance in New Zealand was largely offset by a recovery in Australian throughput. Regionally, including non-OECD countries, maintenance picked up in March, but should be unusually heavy in April. Korean and Japanese maintenance should pick up slightly in April, but could be offset by spare capacity should market conditions warrant.

Several key Chinese refineries started maintenance in March, and April and coupled with work in Thailand, Malaysia and Taiwan means around 650 kb/d of capacity could be down in April. That should ease any seasonal product surpluses in the region, but coupled with significant Middle Eastern and European maintenance, an unexpectedly strong surge in Chinese demand could tighten the regional product market in May.

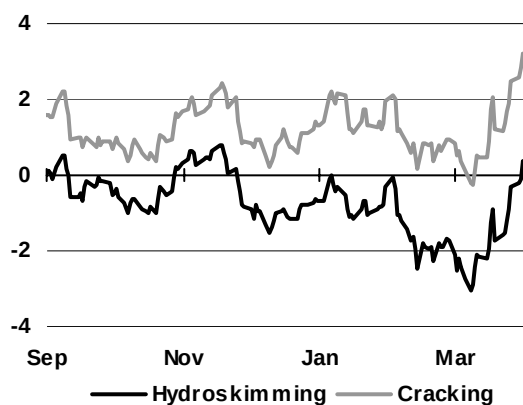
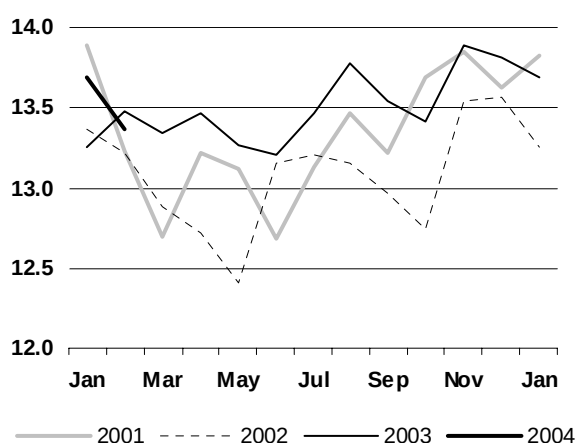
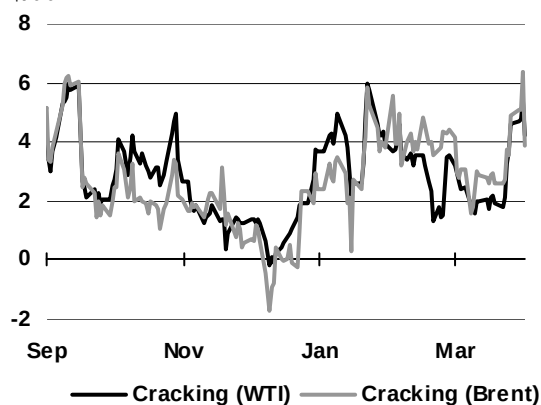
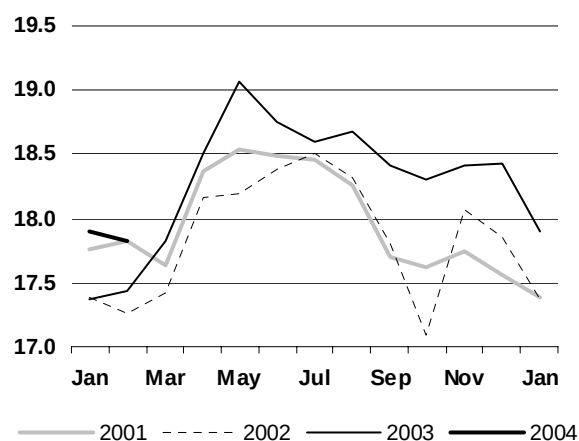
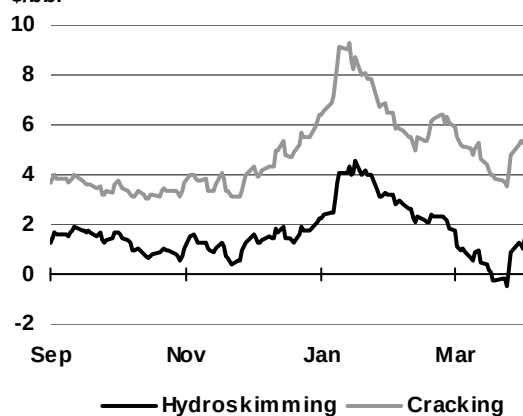
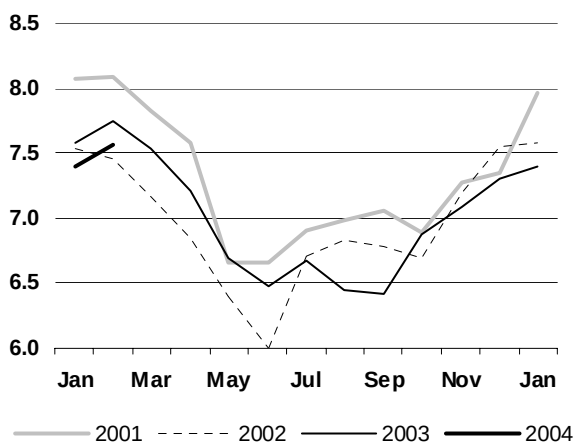
\$/bbl Rotterdam Refining Margins (Brent)**mb/d OECD Europe Crude Throughput****\$/bbl US Gulf Coast Refining Margins****mb/d OECD North America Crude Throughput****\$/bbl Singapore Refining Margins (Dubai)****mb/d OECD Pacific Crude Throughput**

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

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	24.1	24.0	23.9	24.0	24.3	24.3	24.2	24.6	24.2	24.9	24.9	24.6	24.8	24.3	25.3	25.3	24.9
Europe	15.1	15.3	15.2	14.7	15.2	15.3	15.1	15.2	15.0	15.3	15.5	15.2	15.2	15.1	15.4	15.7	15.4
Pacific	8.6	8.5	9.1	7.6	8.0	9.3	8.5	9.6	8.0	7.9	9.0	8.6	9.2	7.9	7.9	8.9	8.5
Total OECD	47.8	47.8	48.2	46.3	47.6	48.9	47.8	49.4	47.2	48.0	49.4	48.5	49.2	47.3	48.6	49.9	48.8
NON-OECD DEMAND																	
FSU	3.7	3.7	3.5	3.1	3.4	3.8	3.5	3.8	3.1	3.4	3.9	3.6	3.5	3.1	3.4	3.9	3.4
Europe	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
China	4.6	4.7	4.6	5.0	4.9	5.2	4.9	5.2	5.2	5.7	5.8	5.5	6.1	6.2	6.1	6.3	6.2
Other Asia	7.4	7.6	7.6	7.7	7.6	7.9	7.7	7.7	7.6	7.8	8.3	7.8	8.1	8.2	8.1	8.6	8.3
Latin America	4.9	4.9	4.7	4.8	4.9	4.7	4.8	4.5	4.6	4.8	4.7	4.7	4.6	4.7	4.9	4.8	4.7
Middle East	4.7	4.9	5.0	4.9	5.1	5.1	5.1	5.2	5.0	5.3	5.3	5.2	5.4	5.4	5.6	5.5	5.5
Africa	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.5	2.6	2.6	2.7	2.7	2.6	2.7	2.6
Total Non-OECD	28.4	29.0	28.8	28.9	29.1	30.1	29.2	29.8	28.9	30.3	31.4	30.1	31.1	31.0	31.4	32.5	31.5
Total Demand¹	76.2	76.8	77.0	75.2	76.7	79.0	77.0	79.2	76.1	78.3	80.8	78.6	80.3	78.3	80.1	82.4	80.3
OECD SUPPLY																	
North America	14.3	14.4	14.6	14.6	14.4	14.4	14.5	14.7	14.5	14.7	14.8	14.7	14.8	14.8	14.8	15.0	14.9
Europe	6.8	6.7	6.7	6.7	6.2	6.8	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	6.0	6.3	6.2
Pacific	0.9	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
Total OECD	21.9	21.8	22.1	22.1	21.4	21.9	21.9	22.1	21.3	21.4	21.9	21.7	21.9	21.6	21.5	21.8	21.7
NON-OECD SUPPLY																	
FSU	7.9	8.6	9.0	9.2	9.5	9.8	9.4	9.9	10.1	10.5	10.7	10.3	10.9	10.9	11.1	11.2	11.0
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Other Asia	2.3	2.4	2.5	2.4	2.5	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.7	2.7	2.7	2.7	2.7
Latin America	3.8	3.8	3.9	3.9	3.9	3.8	3.9	3.9	3.8	4.0	4.0	3.9	3.9	4.0	4.0	4.1	4.0
Middle East	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9
Africa	2.8	2.8	3.0	3.0	3.0	2.9	3.0	2.9	3.0	3.1	3.3	3.1	3.3	3.4	3.5	3.6	3.4
Total Non-OECD	22.5	23.2	24.0	24.2	24.6	24.8	24.4	24.9	25.1	25.6	26.2	25.5	26.4	26.6	26.8	27.2	26.7
Processing Gains ²	1.7	1.7	1.8	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8
Total Non-OPEC	46.1	46.7	47.9	48.1	47.8	48.5	48.1	48.9	48.3	48.8	49.9	49.0	50.1	50.0	50.0	50.9	50.2
OPEC																	
Crude ³	27.8	27.0	24.9	24.3	25.3	25.8	25.1	26.7	26.2	26.6	27.7	26.8	28.0				
NGLs	2.8	3.1	3.4	3.4	3.6	3.5	3.5	3.3	3.7	3.8	4.0	3.7	4.0	4.1	4.1	4.2	4.1
Total OPEC	30.7	30.2	28.3	27.7	28.9	29.3	28.6	29.9	29.8	30.4	31.6	30.5	32.0				
Total Supply⁴	76.7	76.9	76.2	75.8	76.7	77.7	76.6	78.8	78.1	79.3	81.5	79.4	82.1				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	0.3	-0.3	0.5	-0.9	-1.1	-0.4	-0.6	1.3	0.5	-0.7	0.1					
Government	-0.1	0.0	0.2	0.1	0.1	0.3	0.2	0.2	0.0	0.2	0.3	0.2					
Total	0.2	0.3	-0.1	0.7	-0.8	-0.8	-0.3	-0.5	1.3	0.7	-0.4	0.3					
Floating Storage/Oil in Transit	0.1	-0.1	0.1	-0.3	0.2	-0.2	0.0	0.3	0.0	0.0	0.4	0.2					
Miscellaneous to balance ⁵	0.3	-0.2	-0.8	0.1	0.6	-0.3	-0.1	-0.2	0.6	0.2	0.7	0.4					
Total Stock Ch. & Misc	0.6	0.1	-0.8	0.5	0.0	-1.3	-0.4	-0.3	2.0	0.9	0.7	0.8	1.8				
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.3	27.0	25.7	23.7	25.3	27.1	25.5	27.0	24.1	25.7	27.0	26.0	26.2	24.3	25.9	27.3	25.9
Total Demand ex. FSU	72.5	73.2	73.5	72.1	73.3	75.2	73.5	75.3	73.0	74.9	77.0	75.0	76.9	75.2	76.7	78.5	76.8
Total demand ex. FSU (% ch) ⁷	0.9	0.9	-0.6	-0.1	0.8	1.9	0.5	2.5	1.1	2.1	2.4	2.0	2.0	3.1	2.4	2.0	2.4

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

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

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

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

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

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

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

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

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-	-	0.1	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	-	-	0.1	-
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.3	-	-	0.1
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.3	-	-	0.1
Total Demand	-	-	-	-	-	-	-	-	-	-	0.1	-	-0.1	0.3	-	0.1	0.1
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-0.1	-0.1	-0.1	-0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Supply	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1					
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-0.1	-					
Government	-	-	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-	-	-0.1	-					
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-					
Miscellaneous to balance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1					
Total Stock Ch. & Misc	0.1	0.1	-	-	0.1	0.1	0.1	0.1	0.1	0.1	-	0.1					
Memo items:																	
Call on OPEC crude + Stock ch.	-0.1	-0.1	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-0.1	-	0.3	0.1	0.1	0.1
Total Demand ex. FSU	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.3	-	0.1	0.1

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

Table 2
OECD REGIONAL OIL DEMAND¹
(million barrels per day)

	Third Quarter			October			November			December			Fourth Quarter		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%
North America															
LPG	2.76	2.71	-2.0	2.98	2.85	-4.2	3.08	3.00	-2.5	3.20	3.32	3.7	3.08	3.06	-0.9
Naphtha	0.44	0.46	3.2	0.39	0.45	15.7	0.43	0.44	1.1	0.42	0.43	0.3	0.41	0.44	5.4
Motor Gasoline	10.39	10.56	1.7	10.14	10.42	2.7	10.13	10.27	1.4	10.22	10.40	1.8	10.16	10.36	2.0
Jet/Kerosene	1.87	1.86	-0.3	1.90	1.87	-1.5	1.89	1.87	-0.9	1.98	1.97	-0.3	1.92	1.90	-0.9
Gasoil	4.53	4.59	1.4	4.74	4.91	3.4	4.81	4.68	-2.7	4.78	4.99	4.3	4.78	4.86	1.7
Residual Fuel Oil	1.29	1.45	12.0	1.32	1.33	0.9	1.38	1.31	-5.0	1.51	1.47	-2.9	1.40	1.37	-2.4
Other Products	3.07	3.23	5.4	2.76	2.96	7.2	2.70	2.91	8.1	2.29	2.84	23.8	2.58	2.90	12.5
Total	24.34	24.85	2.1	24.22	24.77	2.3	24.41	24.49	0.3	24.41	25.41	4.1	24.35	24.89	2.2
Europe															
LPG	0.89	0.96	8.7	0.92	0.94	2.9	0.93	1.00	7.6	1.09	1.16	7.0	0.98	1.04	5.9
Naphtha	1.11	1.11	0.7	1.14	1.10	-3.4	1.14	1.12	-1.3	1.18	1.15	-2.2	1.15	1.12	-2.3
Motor Gasoline	3.00	2.94	-1.9	2.93	2.83	-3.4	2.79	2.65	-5.1	2.73	2.73	0.0	2.81	2.74	-2.8
Jet/Kerosene	1.15	1.19	3.3	1.16	1.21	4.4	1.05	1.11	6.5	1.09	1.12	3.1	1.10	1.15	4.6
Gasoil	5.67	5.60	-1.2	6.07	6.28	3.5	6.06	5.76	-5.0	5.84	6.05	3.4	5.99	6.03	0.7
Residual Fuel Oil	1.95	1.92	-1.2	1.99	2.01	1.3	2.00	1.90	-4.8	2.10	2.05	-2.6	2.03	1.99	-2.0
Other Products	1.44	1.53	6.0	1.42	1.52	6.7	1.30	1.47	13.5	1.11	1.32	19.1	1.27	1.44	12.6
Total	15.21	15.26	0.4	15.62	15.89	1.8	15.25	15.01	-1.6	15.14	15.58	2.9	15.34	15.50	1.1
Pacific															
LPG	0.80	0.76	-5.6	0.85	0.77	-8.7	0.97	0.83	-14.0	1.02	0.98	-3.5	0.94	0.86	-8.6
Naphtha	1.54	1.50	-2.5	1.46	1.52	4.1	1.55	1.59	2.2	1.61	1.68	4.7	1.54	1.60	3.7
Motor Gasoline	1.68	1.66	-0.9	1.55	1.60	3.4	1.60	1.62	1.7	1.66	1.71	3.2	1.60	1.64	2.7
Jet/Kerosene	0.76	0.69	-8.3	0.97	1.02	5.2	1.38	1.12	-18.6	1.78	1.60	-10.3	1.38	1.25	-9.3
Gasoil	1.82	1.80	-1.1	1.92	1.97	2.5	2.02	1.96	-3.0	2.14	2.08	-2.9	2.03	2.00	-1.2
Residual Fuel Oil	1.00	1.01	0.7	1.06	1.15	8.4	1.23	1.16	-5.8	1.28	1.20	-6.1	1.19	1.17	-1.7
Other Products	0.44	0.46	5.4	0.48	0.44	-8.0	0.59	0.49	-16.1	0.69	0.46	-33.1	0.59	0.47	-20.6
Total	8.03	7.88	-1.9	8.28	8.46	2.3	9.33	8.77	-6.0	10.17	9.72	-4.5	9.26	8.99	-2.9
OECD															
LPG	4.45	4.43	-0.5	4.74	4.56	-3.7	4.98	4.84	-2.9	5.30	5.46	3.0	5.01	4.95	-1.0
Naphtha	3.09	3.07	-0.6	2.98	3.06	2.7	3.12	3.14	0.8	3.21	3.26	1.6	3.10	3.16	1.7
Motor Gasoline	15.07	15.17	0.7	14.62	14.84	1.5	14.51	14.54	0.2	14.60	14.84	1.6	14.58	14.74	1.1
Jet/Kerosene	3.77	3.74	-0.8	4.02	4.09	1.8	4.31	4.11	-4.7	4.85	4.70	-3.2	4.39	4.30	-2.2
Gasoil	12.02	11.99	-0.2	12.73	13.16	3.3	12.89	12.40	-3.8	12.76	13.11	2.7	12.80	12.89	0.8
Residual Fuel Oil	4.24	4.38	3.3	4.37	4.49	2.9	4.61	4.37	-5.1	4.90	4.72	-3.6	4.62	4.53	-2.0
Other Products	4.95	5.22	5.6	4.66	4.92	5.5	4.58	4.88	6.5	4.09	4.61	12.9	4.44	4.80	8.1
Total	47.58	48.00	0.9	48.12	49.13	2.1	49.00	48.27	-1.5	49.72	50.70	2.0	48.94	49.38	0.9

¹ Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada. Data based on Monthly Oil Questionnaire submitted by OECD countries in tonnes, and converted to barrels. Data may differ slightly from Table 1.

Table 3
OIL DEMAND AND % GROWTH IN DEMAND IN SELECTED OECD COUNTRIES¹
(million barrels per day)

	October			November			December			Fourth Quarter			January		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2003	2004	%
United States²															
LPG	2.20	2.04	-7.2	2.25	2.16	-4.1	2.34	2.47	5.1	2.27	2.22	-1.9	2.65	2.62	-1.1
Naphtha	0.25	0.31	20.6	0.31	0.32	5.7	0.30	0.28	-5.0	0.28	0.30	6.4	0.29	0.27	-7.9
Motor Gasoline	8.81	9.04	2.5	8.83	8.95	1.4	8.89	9.00	1.2	8.85	9.00	1.7	8.40	8.68	3.4
Jet/Kerosene	1.68	1.63	-2.9	1.68	1.68	-0.1	1.80	1.78	-1.2	1.72	1.69	-1.4	1.64	1.64	0.1
Gasoil	3.81	3.97	4.1	3.93	3.78	-3.7	3.93	4.06	3.3	3.89	3.94	1.3	4.31	4.35	0.9
Residual Fuel Oil	0.65	0.71	9.7	0.79	0.70	-10.7	0.83	0.82	-1.7	0.76	0.74	-1.4	0.78	0.89	13.9
Other Products	2.28	2.36	3.6	2.21	2.36	6.7	1.84	2.31	25.0	2.11	2.34	11.0	1.95	1.94	-0.4
Total	19.68	20.05	1.9	19.99	19.95	-0.2	19.94	20.72	3.9	19.87	20.24	1.9	20.02	20.39	1.9
Japan³															
LPG	0.50	0.46	-8.5	0.61	0.48	-21.7	0.65	0.62	-3.8	0.58	0.52	-11.2	0.61	0.60	-2.3
Naphtha	0.84	0.84	-0.4	0.86	0.88	2.5	0.90	0.95	5.2	0.87	0.89	2.5	0.87	0.87	-0.1
Motor Gasoline	1.01	1.04	2.9	1.04	1.04	0.2	1.10	1.13	3.0	1.05	1.07	2.1	0.95	0.98	2.9
Jet/Kerosene	0.61	0.68	11.8	0.98	0.75	-24.2	1.26	1.15	-8.4	0.95	0.86	-9.4	1.17	1.17	-0.3
Diesel	0.68	0.67	-0.5	0.69	0.64	-6.7	0.69	0.67	-2.7	0.69	0.66	-3.3	0.58	0.57	-2.0
Other Gasoil	0.51	0.54	5.9	0.60	0.53	-10.9	0.68	0.65	-4.7	0.60	0.58	-3.7	0.66	0.64	-3.2
Residual Fuel Oil	0.59	0.64	8.4	0.67	0.63	-5.9	0.73	0.64	-12.6	0.66	0.64	-4.1	0.72	0.60	-16.5
Direct use of Crude Oil	0.09	0.06	-35.3	0.13	0.07	-43.2	0.23	0.08	-65.3	0.15	0.07	-53.2	0.17	0.08	-49.4
Other Products	0.29	0.29	0.8	0.35	0.32	-10.2	0.35	0.26	-26.4	0.33	0.29	-12.8	0.32	0.32	0.6
Total	5.11	5.21	2.0	5.93	5.34	-9.9	6.59	6.15	-6.6	5.87	5.57	-5.2	6.06	5.83	-3.7
Germany															
LPG	0.07	0.07	1.1	0.07	0.08	7.0	0.08	0.08	-10.7	0.07	0.07	-1.5	0.08	0.08	5.9
Naphtha	0.42	0.39	-8.2	0.38	0.40	6.6	0.41	0.43	5.1	0.40	0.41	0.9	0.38	0.48	26.4
Motor Gasoline	0.65	0.61	-5.5	0.62	0.58	-5.9	0.60	0.58	-4.5	0.62	0.59	-5.3	0.51	0.53	3.9
Jet/Kerosene	0.16	0.16	6.0	0.14	0.16	12.3	0.13	0.13	0.2	0.14	0.15	6.3	0.13	0.13	2.9
Diesel	0.55	0.61	10.7	0.57	0.61	7.5	0.49	0.53	8.2	0.54	0.58	8.8	0.44	0.48	9.0
Other Gasoil	0.65	0.59	-8.7	0.68	0.48	-30.4	0.69	0.58	-16.6	0.68	0.55	-18.6	0.59	0.55	-5.4
Residual Fuel Oil	0.18	0.18	4.4	0.20	0.18	-5.6	0.18	0.19	5.9	0.18	0.19	1.4	0.21	0.18	-16.0
Other Products	0.10	0.12	20.8	0.09	0.12	28.6	0.04	0.07	58.6	0.08	0.10	31.0	0.03	0.07	159.7
Total	2.77	2.74	-1.0	2.75	2.61	-5.0	2.64	2.59	-2.0	2.72	2.65	-2.7	2.36	2.50	6.1
Italy															
LPG	0.12	0.11	-4.8	0.12	0.12	4.9	0.16	0.17	6.4	0.13	0.13	2.6	0.17	0.17	0.7
Naphtha	0.07	0.08	2.7	0.07	0.07	-8.7	0.07	0.05	-20.9	0.07	0.07	-8.7	0.11	0.06	-48.6
Motor Gasoline	0.40	0.37	-5.4	0.36	0.37	4.1	0.38	0.40	4.0	0.38	0.38	0.7	0.35	0.36	3.6
Jet/Kerosene	0.07	0.09	21.8	0.07	0.08	19.2	0.07	0.08	9.3	0.07	0.08	16.7	0.09	0.08	-4.5
Diesel	0.46	0.57	23.0	0.44	0.52	18.3	0.43	0.53	24.4	0.45	0.54	21.9	0.42	0.46	9.0
Other Gasoil	0.20	0.12	-38.7	0.18	0.12	-31.6	0.21	0.15	-29.4	0.20	0.13	-33.2	0.17	0.14	-17.2
Residual Fuel Oil	0.43	0.42	-2.7	0.37	0.36	-1.0	0.41	0.41	0.6	0.40	0.40	-1.1	0.36	0.40	10.6
Other Products	0.16	0.14	-12.2	0.17	0.13	-20.0	0.12	0.16	38.4	0.15	0.15	-1.7	0.12	0.11	-5.0
Total	1.91	1.90	-0.5	1.77	1.79	0.8	1.85	1.95	5.8	1.84	1.88	2.0	1.77	1.77	-0.1
France															
LPG	0.12	0.11	-4.1	0.13	0.12	-3.7	0.14	0.16	15.4	0.13	0.13	3.1	0.16	0.17	1.3
Naphtha	0.15	0.20	31.4	0.14	0.21	45.0	0.15	0.23	53.2	0.15	0.21	43.0	0.16	0.22	32.5
Motor Gasoline	0.31	0.28	-8.3	0.29	0.24	-15.8	0.26	0.27	1.0	0.29	0.27	-7.9	0.26	0.24	-8.0
Jet/Kerosene	0.13	0.15	14.9	0.14	0.15	8.3	0.14	0.15	5.0	0.14	0.15	9.3	0.16	0.15	-2.6
Diesel	0.65	0.65	-0.2	0.62	0.57	-7.7	0.55	0.60	8.1	0.61	0.61	-0.1	0.57	0.56	-2.1
Other Gasoil	0.38	0.42	11.1	0.36	0.32	-9.6	0.38	0.46	19.5	0.37	0.40	7.5	0.56	0.49	-12.5
Residual Fuel Oil	0.13	0.13	2.9	0.13	0.11	-14.1	0.14	0.13	-6.4	0.13	0.12	-5.8	0.14	0.13	-8.3
Other Products	0.19	0.23	21.7	0.17	0.20	15.3	0.15	0.19	26.5	0.17	0.21	21.1	0.15	0.16	7.8
Total	2.07	2.20	6.0	1.98	1.93	-2.5	1.91	2.17	13.6	1.99	2.10	5.7	2.17	2.12	-2.4
United Kingdom															
LPG	0.15	0.15	-5.7	0.16	0.16	0.6	0.16	0.18	11.1	0.16	0.16	2.1	0.16	0.18	7.4
Naphtha	0.05	0.06	30.1	0.07	0.05	-27.4	0.06	0.04	-29.9	0.06	0.05	-13.0	0.07	0.07	-3.8
Motor Gasoline	0.44	0.42	-5.2	0.46	0.42	-9.0	0.43	0.44	1.8	0.45	0.43	-4.2	0.42	0.42	0.0
Jet/Kerosene	0.33	0.33	-2.4	0.30	0.30	0.2	0.35	0.36	4.0	0.33	0.33	0.7	0.34	0.35	1.9
Diesel	0.37	0.35	-5.4	0.37	0.36	-3.9	0.32	0.34	8.2	0.35	0.35	-0.7	0.33	0.34	3.1
Other Gasoil	0.16	0.16	1.4	0.15	0.15	-1.6	0.15	0.15	-3.6	0.16	0.15	-1.3	0.16	0.15	-5.5
Residual Fuel Oil	0.08	0.10	16.9	0.10	0.10	5.7	0.10	0.11	8.6	0.09	0.10	10.0	0.11	0.12	8.8
Other Products	0.13	0.13	-2.3	0.12	0.15	22.9	0.12	0.13	4.6	0.12	0.13	7.8	0.13	0.14	9.2
Total	1.72	1.69	-1.9	1.75	1.70	-2.6	1.69	1.75	3.3	1.72	1.71	-0.4	1.72	1.76	2.2
Canada															
LPG	0.31	0.34	8.3	0.35	0.37	5.7	0.36	0.34	-4.2	0.34	0.35	3.0	0.35	0.37	4.3
Naphtha	0.07	0.09	15.5	0.08	0.07	-7.9	0.08	0.07	-11.3	0.08	0.08	-1.6	0.08	0.07	-9.4
Motor Gasoline	0.69	0.71	2.3	0.68	0.68	0.4	0.66	0.69	3.7	0.68	0.69	2.1	0.66	0.66	0.6
Jet/Kerosene	0.12	0.14	17.3	0.12	0.10	-12.8	0.10	0.10	7.1	0.11	0.12	3.9	0.09	0.10	6.5
Diesel	0.19	0.19	2.3	0.18	0.18	-0.6	0.15	0.16	4.3	0.17	0.17	1.9	0.19	0.17	-9.0
Other Gasoil	0.35	0.33	-5.9	0.34	0.34	1.2	0.35	0.39	12.1	0.35	0.35	2.4	0.37	0.41	10.4
Residual Fuel Oil	0.14	0.17	19.3	0.17	0.19	14.9	0.18	0.22	24.4	0.16	0.19	19.7	0.15	0.14	-8.5
Other Products	0.29	0.31	5.9	0.27	0.28	4.7	0.24	0.24	-2.1	0.27	0.28	3.1	0.23	0.26	9.3
Total	2.18	2.28	4.7	2.17	2.22	1.9	2.12	2.21	4.4	2.16	2.24	3.7	2.13	2.18	2.3

¹ Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. Data based on Monthly Oil Questionnaire submitted by OECD countries in tonnes, and converted to barrels. Data may differ slightly from Table 1.

² US figures exclude US territories.

³ In Japan, the breakdown between Diesel and Other Gasoil in the latest month is estimated.

Table 4
WORLD OIL PRODUCTION
(million barrels per day)

	2002	2003	2004	4Q03	1Q04	2Q04	3Q04	4Q04	Jan 04	Feb 04	Mar 04
OPEC											
Crude Oil											
Saudi Arabia	7.38	8.48		8.24	8.21				8.25	8.25	8.15
Iran	3.40	3.78		3.95	3.92				3.95	3.85	3.95
Iraq	2.01	1.33		1.82	2.12				2.04	1.89	2.40
UAE	1.99	2.29		2.26	2.30				2.28	2.32	2.29
Kuwait	1.60	1.87		1.97	1.95				1.95	1.95	1.95
Neutral Zone	0.54	0.61		0.61	0.60				0.61	0.60	0.60
Qatar	0.64	0.74		0.74	0.75				0.75	0.75	0.76
Nigeria	1.97	2.15		2.28	2.33				2.35	2.32	2.33
Libya	1.32	1.42		1.45	1.47				1.47	1.48	1.48
Algeria	0.85	1.11		1.15	1.14				1.13	1.13	1.15
Venezuela	2.29	2.01		2.21	2.19				2.18	2.20	2.18
Indonesia	1.11	1.01		1.00	0.98				0.98	0.99	0.97
Total Crude Oil	25.08	26.79		27.69	27.96				27.92	27.72	28.21
Total NGLs ¹	3.47	3.67	4.10	3.96	4.01	4.05	4.11	4.23	4.00	4.01	4.03
Total OPEC	28.55	30.46		31.65	31.97				31.92	31.73	32.24
NON-OPEC²											
OECD											
North America	14.50	14.70	14.86	14.85	14.85	14.79	14.81	14.98	14.84	14.95	14.77
United States	8.06	7.91	8.00	7.89	7.94	8.01	8.00	8.07	7.92	8.01	7.90
Mexico	3.59	3.79	3.79	3.84	3.82	3.80	3.76	3.77	3.85	3.79	3.83
Canada	2.86	3.00	3.07	3.12	3.09	2.98	3.05	3.14	3.07	3.14	3.05
Europe	6.61	6.35	6.24	6.44	6.42	6.23	6.04	6.25	6.45	6.41	6.39
UK	2.50	2.29	2.18	2.26	2.24	2.16	2.13	2.20	2.26	2.21	2.26
Norway	3.33	3.26	3.24	3.37	3.36	3.25	3.09	3.25	3.38	3.39	3.32
Others	0.78	0.80	0.81	0.82	0.81	0.82	0.82	0.81	0.81	0.81	0.81
Pacific	0.76	0.65	0.60	0.59	0.61	0.59	0.60	0.61	0.62	0.60	0.60
Australia	0.71	0.61	0.56	0.55	0.56	0.55	0.56	0.57	0.58	0.56	0.56
Others	0.05	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total OECD	21.88	21.70	21.70	21.88	21.87	21.61	21.45	21.85	21.90	21.96	21.76
NON-OECD											
Former USSR	9.37	10.31	11.03	10.74	10.85	10.94	11.10	11.24	10.78	10.85	10.92
Russia	7.66	8.49	9.09	8.82	8.94	9.01	9.16	9.26	8.89	8.93	8.99
Others	1.71	1.83	1.94	1.92	1.92	1.93	1.94	1.98	1.90	1.92	1.93
Asia	5.89	6.00	6.14	6.05	6.16	6.14	6.12	6.15	6.15	6.20	6.13
China	3.39	3.41	3.42	3.41	3.44	3.42	3.41	3.41	3.42	3.47	3.43
Malaysia	0.79	0.83	0.86	0.85	0.87	0.87	0.86	0.85	0.87	0.87	0.87
India	0.78	0.79	0.80	0.82	0.82	0.81	0.80	0.79	0.82	0.82	0.81
Others	0.94	0.97	1.06	0.97	1.03	1.05	1.06	1.10	1.04	1.04	1.02
Europe	0.18	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Latin America	3.90	3.93	4.01	4.00	3.92	3.97	4.01	4.14	3.92	3.88	3.96
Brazil	1.72	1.77	1.81	1.76	1.74	1.77	1.80	1.92	1.74	1.68	1.79
Argentina	0.80	0.78	0.75	0.77	0.75	0.75	0.75	0.75	0.75	0.76	0.76
Colombia	0.59	0.55	0.52	0.54	0.53	0.53	0.52	0.52	0.53	0.53	0.53
Ecuador	0.40	0.43	0.53	0.53	0.51	0.53	0.55	0.55	0.51	0.52	0.50
Others	0.39	0.40	0.40	0.40	0.39	0.39	0.39	0.41	0.40	0.39	0.39
Middle East³	2.10	1.99	1.91	1.98	1.95	1.92	1.88	1.88	1.95	1.95	1.94
Oman	0.90	0.83	0.79	0.84	0.82	0.80	0.78	0.76	0.82	0.82	0.82
Syria	0.55	0.53	0.50	0.52	0.51	0.50	0.49	0.49	0.51	0.51	0.51
Yemen	0.45	0.44	0.42	0.44	0.43	0.42	0.42	0.41	0.43	0.43	0.43
Africa	2.98	3.07	3.45	3.26	3.32	3.43	3.48	3.56	3.30	3.33	3.34
Egypt	0.75	0.75	0.73	0.74	0.73	0.72	0.72	0.73	0.73	0.73	0.71
Angola	0.90	0.88	0.98	0.91	0.95	0.96	0.97	1.04	0.94	0.95	0.96
Gabon	0.25	0.24	0.24	0.25	0.24	0.24	0.23	0.23	0.24	0.24	0.24
Others	1.09	1.20	1.51	1.36	1.41	1.51	1.56	1.56	1.38	1.41	1.43
Total Non-OECD	24.41	25.47	26.71	26.20	26.37	26.57	26.75	27.15	26.28	26.37	26.46
Processing Gains ⁴	1.76	1.80	1.83	1.82	1.85	1.81	1.81	1.85	1.85	1.85	1.85
TOTAL NON-OPEC	48.05	48.97	50.24	49.90	50.10	49.99	50.02	50.85	50.03	50.19	50.08
TOTAL SUPPLY	76.60	79.43		81.55	82.07				81.95	81.92	82.32

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

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

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

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

Table 4A
OIL SUPPLY IN OECD COUNTRIES¹
(thousand of barrels per day)

	2002	2003	2004	4Q03	1Q04	2Q04	3Q04	4Q04	Jan-04	Feb-04	Mar-04
United States											
Alaska	986	979	937	969	968	949	902	931	980	937	984
California	790	760	724	749	739	729	719	709	742	740	736
Texas	1129	1117	1089	1116	1107	1095	1083	1071	1110	1107	1103
Federal Gulf of Mexico ²	1568	1673	1812	1619	1688	1779	1854	1925	1647	1694	1724
Other US Lower 48	1288	1245	1190	1241	1221	1200	1180	1159	1227	1222	1215
NGLs ³	1881	1717	1854	1795	1816	1859	1860	1880	1803	1920	1733
Other Hydrocarbons	417	421	398	397	400	398	398	398	406	393	401
Total	8059	7912	8004	7887	7940	8008	7995	8073	7915	8013	7896
Canada											
Alberta Light/Medium/Heavy	659	629	601	621	607	585	608	602	603	612	607
Alberta Bitumen	301	347	362	351	357	341	365	383	346	362	364
Saskatchewan	421	417	416	427	420	404	421	418	416	423	421
Other Crude	366	411	410	412	415	422	381	421	385	439	422
NGLs	672	674	670	702	679	655	655	690	688	680	670
Synthetic Crudes	440	518	607	604	608	572	625	625	634	625	565
Total	2858	2996	3065	3118	3086	2980	3054	3139	3072	3140	3049
Mexico											
Crude	3177	3371	3358	3411	3392	3369	3330	3340	3417	3360	3396
NGLs	408	418	430	430	432	430	430	430	431	434	430
Total	3585	3789	3788	3842	3823	3799	3760	3770	3848	3794	3826
UK Offshore⁴											
Brent Fields	243	217	185	181	175	193	186	188	159	171	194
Forties Fields	794	733	710	730	731	709	698	701	737	718	737
Ninian Fields	107	100	93	100	93	94	91	94	93	93	92
Flotta Fields	132	108	97	114	106	96	95	92	107	107	105
Other Fields	963	906	842	896	873	815	827	854	892	857	869
NGLs	211	183	216	194	225	215	195	230	226	225	225
Total	2450	2247	2144	2215	2203	2122	2092	2159	2214	2171	2221
Norway⁴											
Ekofisk-Ula Area	490	479	452	486	486	477	397	449	492	483	483
Oseberg-Troll Area	754	756	733	793	750	743	714	727	757	758	735
Statfjord-Gullfaks Area	874	883	818	901	887	791	790	802	910	890	862
Haltenbanken Area	716	582	513	545	556	523	453	520	549	568	553
Sleipner-Frigg Area	157	173	318	209	274	318	338	341	255	279	290
NGLs	335	388	404	436	408	400	401	407	417	408	398
Total	3325	3261	3238	3369	3362	3252	3094	3246	3380	3387	3320
Other OECD Europe											
Other N Sea Crude/NGLs ⁵	437	445	441	458	447	443	439	435	445	451	446
UK Onshore	54	45	39	45	42	40	38	36	42	42	41
Italy	84	90	113	88	100	113	120	120	101	100	100
Turkey	47	45	43	44	43	43	43	43	43	44	43
Other	159	160	167	164	168	167	166	165	170	166	168
NGLs (excl. North Sea)	27	22	26	24	26	26	26	26	26	26	27
Non-Conventional Oils	29	31	24	36	24	24	24	24	24	24	24
Total	837	838	853	859	851	857	856	849	851	853	849
Australia											
Gippsland Basin	140	117	97	109	105	99	94	90	109	103	102
Cooper-Eromanga Basin	25	24	24	24	24	24	24	23	25	24	24
Camaron Basin	359	314	285	284	296	282	287	275	302	297	289
Other Crude	104	70	59	58	59	58	58	61	62	56	58
NGLs	79	81	96	74	80	85	97	122	77	79	85
Total	707	605	561	549	564	548	559	571	575	559	559
Other OECD Pacific											
New Zealand	31	23	18	18	18	18	18	18	18	18	18
Japan	5	6	6	6	6	6	6	6	6	6	6
NGLs	18	16	18	16	18	18	18	18	19	17	18
Synthetic Fuels	0	0	0	0	0	0	0	0	0	0	0
Total	53	46	42	40	42	42	41	41	43	41	42
OECD											
Crude Oil	17351	17214	16942	17158	17145	16919	16716	16991	17134	17118	17179
NGLs	3639	3510	3722	3684	3695	3695	3689	3810	3700	3797	3594
Non-Conventional Oils	886	971	1029	1037	1032	993	1046	1046	1064	1042	990
Total	21876	21695	21694	21879	21871	21608	21452	21848	21898	21958	21763

¹ Subcategories refer to crude oil only unless otherwise noted

² Only production from Federal waters is included

³ When possible, condensates from natural gas processing plants are included with NGLs, while field condensates are counted as crude oil

⁴ North Sea production is grouped by area including all fields being processed through the named facility, ie, not just the field of that name

⁵ Other North Sea NGLs is included

Table 5
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Oct2003	Nov2003	Dec2003	Jan2004	Feb2004*	Feb2001	Feb2002	Feb2003	1Q2003	2Q2003	3Q2003	4Q2003
North America												
Crude	401.9	395.1	376.1	379.2	384.8	388.0	438.6	375.7	0.08	-0.01	-0.03	-0.13
Motor Gasoline	220.7	231.7	234.4	236.6	232.7	238.6	253.8	236.4	-0.09	0.05	-0.11	0.09
Middle Distillate	205.4	209.4	211.0	196.5	182.1	194.4	206.5	164.8	-0.47	0.19	0.25	0.06
Residual Fuel Oil	44.1	44.7	45.9	46.8	48.7	47.3	48.2	38.9	0.01	0.03	-0.03	0.05
Total Products ³	645.2	657.0	649.8	630.2	606.8	623.4	665.3	573.9	-0.83	0.66	0.16	-0.03
Total ⁴	1208.9	1199.1	1156.6	1141.7	1131.1	1143.7	1246.7	1077.2	-0.82	0.88	0.25	-0.49
Europe												
Crude	320.6	321.2	310.8	315.7	308.6	302.8	335.6	283.8	0.35	-0.09	-0.10	0.07
Motor Gasoline	107.9	115.3	116.3	121.8	122.5	122.9	132.6	121.4	0.02	-0.09	-0.01	0.08
Middle Distillate	231.8	238.4	238.5	241.8	234.2	229.7	241.4	212.7	-0.25	0.17	0.22	-0.15
Residual Fuel Oil	69.5	76.1	78.3	78.0	77.2	84.7	69.9	68.9	-0.07	-0.03	0.05	0.07
Total Products ³	510.9	534.6	534.3	544.1	536.0	546.1	548.3	499.1	-0.29	0.10	0.23	0.00
Total ⁴	904.0	928.6	915.0	930.7	914.7	912.1	951.5	851.7	0.14	-0.02	0.18	0.04
Pacific												
Crude	167.4	160.6	179.9	172.8	176.4	175.8	158.6	167.9	0.24	0.07	-0.05	-0.04
Motor Gasoline	23.7	23.1	22.4	25.0	26.0	25.1	25.8	25.3	0.02	0.00	-0.02	-0.02
Middle Distillate	79.8	82.0	74.2	66.6	61.2	68.2	75.3	61.7	-0.09	0.17	0.13	-0.10
Residual Fuel Oil	22.5	22.9	22.8	23.0	22.1	26.4	23.4	22.5	0.00	0.03	-0.02	0.00
Total Products ³	198.0	197.0	183.9	176.6	171.2	181.6	184.8	170.3	-0.15	0.29	0.15	-0.22
Total ⁴	437.3	431.9	435.3	419.9	416.5	438.3	420.5	409.1	0.03	0.44	0.07	-0.26
Total OECD												
Crude	889.9	876.9	866.8	867.7	869.8	866.6	932.8	827.4	0.67	-0.04	-0.18	-0.10
Motor Gasoline	352.3	370.1	373.1	383.4	381.2	386.6	412.2	383.1	-0.04	-0.05	-0.14	0.15
Middle Distillate	517.0	529.8	523.7	504.8	477.4	492.4	523.1	439.2	-0.81	0.53	0.59	-0.19
Residual Fuel Oil	136.1	143.6	147.1	147.8	148.0	158.4	141.5	130.3	-0.06	0.03	0.00	0.13
Total Products ³	1354.0	1388.6	1368.1	1350.9	1313.9	1351.1	1398.4	1243.3	-1.27	1.05	0.54	-0.25
Total ⁴	2550.2	2559.6	2506.8	2492.3	2462.3	2494.0	2618.7	2338.1	-0.64	1.30	0.50	-0.72

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Oct2003	Nov2003	Dec2003	Jan2004	Feb2004*	Feb2001	Feb2002	Feb2003	1Q2003	2Q2003	3Q2003	4Q2003
North America												
Crude	630.9	633.6	638.4	641.2	646.8	541.7	560.0	599.3	0.00	0.10	0.17	0.15
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	152.3	153.5	156.7	156.6	156.6	138.7	142.1	155.3	0.02	-0.05	-0.03	0.06
Products	207.4	208.3	213.4	212.8	212.8	215.7	207.2	199.9	0.09	-0.01	0.06	0.06
Pacific												
Crude	382.8	382.8	384.7	384.8	384.8	367.1	378.0	383.0	0.04	0.00	0.00	0.02
Products	10.3	10.7	11.0	11.0	11.0	6.7	7.3	9.5	0.00	0.00	0.01	0.01
Total OECD												
Crude	1166.0	1169.8	1179.8	1182.5	1188.1	1047.4	1080.0	1137.5	0.06	0.05	0.14	0.24
Products	219.7	220.9	226.4	225.8	225.8	224.5	216.5	211.5	0.09	-0.01	0.06	0.07
Total ⁴	1386.7	1391.8	1407.2	1409.3	1414.9	1272.9	1297.5	1350.0	0.15	0.04	0.20	0.30

* estimated

1 Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entropot 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 6
INDUSTRY STOCKS¹ ON LAND IN SELECTED COUNTRIES
(million barrels)

	September			October			November			December			January		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2003	2004	%
United States²															
Crude	270.6	284.5	5.1	291.5	293.7	0.8	288.1	280.3	-2.7	277.6	268.0	-3.5	273.5	271.4	-0.8
Motor Gasoline	206.5	196.2	-5.0	193.5	191.7	-0.9	205.9	203.3	-1.3	209.1	206.6	-1.2	211.5	208.3	-1.5
Middle Distillate	172.6	175.9	1.9	167.9	177.7	5.8	172.2	182.1	5.7	178.7	181.1	1.3	157.1	166.5	6.0
Residual Fuel Oil	33.0	31.7	-3.9	33.6	34.6	3.0	35.6	36.7	3.1	31.3	37.8	20.8	31.3	38.0	21.4
Other Products	166.2	146.6	-11.8	156.5	142.2	-9.1	146.1	136.5	-6.6	135.8	123.1	-9.4	116.4	112.7	-3.2
Total Products	578.3	550.4	-4.8	551.5	546.2	-1.0	559.8	558.6	-0.2	554.9	548.6	-1.1	516.3	525.5	1.8
Other ³	137.9	133.1	-3.5	140.5	133.1	-5.3	134.7	125.7	-6.7	116.3	112.0	-3.7	114.6	113.7	-0.8
Total	986.8	968.0	-1.9	983.5	973.0	-1.1	982.6	964.6	-1.8	948.8	928.6	-2.1	904.4	910.6	0.7
Japan															
Crude	120.6	134.5	11.5	121.5	124.5	2.5	116.0	115.5	-0.4	121.5	130.9	7.7	124.6	133.9	7.5
Motor Gasoline	12.9	12.7	-1.6	12.6	12.7	0.8	12.7	13.1	3.1	12.2	12.3	0.8	13.1	13.5	3.1
Middle Distillate	50.5	56.7	12.3	49.9	54.3	8.8	45.3	56.6	24.9	40.2	48.9	21.6	38.5	41.5	7.8
Residual Fuel Oil	8.7	11.1	27.6	8.8	12.1	37.5	9.2	11.6	26.1	9.8	12.3	25.5	10.7	12.3	15.0
Other Products	50.1	54.2	8.2	52.2	53.4	2.3	49.1	51.5	4.9	49.3	47.0	-4.7	47.2	44.7	-5.3
Total Products	122.2	134.7	10.2	123.5	132.5	7.3	116.3	132.8	14.2	111.5	120.5	8.1	109.5	112.0	2.3
Other ³	67.7	63.2	-6.6	65.9	64.0	-2.9	66.1	66.5	0.6	64.5	63.8	-1.1	64.9	63.6	-2.0
Total	310.5	332.4	7.1	310.9	321.0	3.2	298.4	314.8	5.5	297.5	315.2	5.9	299.0	309.5	3.5
Germany															
Crude	21.0	21.8	3.8	15.5	23.0	48.4	16.5	20.8	26.1	14.6	20.7	41.8	15.8	22.5	42.4
Motor Gasoline	9.9	7.8	-21.2	9.1	8.4	-7.7	8.5	9.6	12.9	9.1	9.1	0.0	10.9	8.8	-19.3
Middle Distillate	15.5	12.4	-20.0	16.0	13.6	-15.0	14.6	15.0	2.7	14.3	13.7	-4.2	16.7	15.8	-5.4
Residual Fuel Oil	9.6	10.7	11.5	9.4	10.1	7.4	9.9	9.7	-2.0	10.2	10.7	4.9	9.5	10.7	12.6
Other Products	10.5	10.6	1.0	10.9	10.3	-5.5	10.9	10.9	0.0	11.0	10.8	-1.8	10.8	11.6	7.4
Total Products	45.5	41.5	-8.8	45.4	42.4	-6.6	43.9	45.2	3.0	44.6	44.3	-0.7	47.9	46.9	-2.1
Other ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	66.5	63.3	-4.8	60.9	65.4	7.4	60.4	66.0	9.3	59.2	65.0	9.8	63.7	69.4	8.9
Italy															
Crude	34.6	39.2	13.3	37.5	37.7	0.5	35.2	34.5	-2.0	32.2	35.4	9.9	36.7	32.1	-12.5
Motor Gasoline	21.6	19.5	-9.7	21.9	19.4	-11.4	23.2	20.4	-12.1	19.2	19.8	3.1	19.3	21.4	10.9
Middle Distillate	39.8	37.1	-6.8	37.5	37.2	-0.8	40.5	36.5	-9.9	40.8	36.3	-11.0	39.9	37.6	-5.8
Residual Fuel Oil	12.0	11.7	-2.5	14.5	11.3	-22.1	15.2	15.1	-0.7	14.3	13.8	-3.5	14.6	12.7	-13.0
Other Products	17.5	17.4	-0.6	17.4	18.4	5.7	17.5	18.6	6.3	17.5	15.9	-9.1	16.5	14.7	-10.9
Total Products	90.9	85.7	-5.7	91.3	86.3	-5.5	96.4	90.6	-6.0	91.8	85.8	-6.5	90.3	86.4	-4.3
Other ³	10.5	15.6	48.6	11.3	14.7	30.1	11.4	14.3	25.4	13.6	14.0	2.9	13.0	13.5	3.8
Total	136.0	140.5	3.3	140.1	138.7	-1.0	143.0	139.4	-2.5	137.6	135.2	-1.7	140.0	132.0	-5.7
France															
Crude	38.5	38.1	-1.0	38.8	36.0	-7.2	34.0	37.0	8.8	34.2	38.4	12.3	35.9	36.6	1.9
Motor Gasoline	12.0	11.6	-3.3	11.6	11.9	2.6	12.2	12.9	5.7	13.0	12.3	-5.4	12.1	11.6	-4.1
Middle Distillate	32.7	35.1	7.3	34.9	33.3	-4.6	32.5	38.0	16.9	34.8	36.3	4.3	30.4	35.7	17.4
Residual Fuel Oil	7.9	5.2	-34.2	6.9	5.2	-24.6	7.2	5.1	-29.2	7.3	5.2	-28.8	5.9	6.7	13.6
Other Products	8.5	8.4	-1.2	7.8	8.5	9.0	8.4	9.1	8.3	9.0	9.2	2.2	8.1	8.8	8.6
Total Products	61.1	60.3	-1.3	61.2	58.9	-3.8	60.3	65.1	8.0	64.1	63.0	-1.7	56.5	62.8	11.2
Other ³	13.5	14.4	6.7	13.7	14.4	5.1	13.4	14.0	4.5	13.0	13.3	2.3	14.2	13.2	-7.0
Total	113.1	112.8	-0.3	113.7	109.3	-3.9	107.7	116.1	7.8	111.3	114.7	3.1	106.6	112.6	5.6
United Kingdom															
Crude	37.0	33.8	-8.6	43.8	34.6	-21.0	44.8	44.7	-0.2	39.0	41.0	5.1	39.7	41.8	5.3
Motor Gasoline	9.7	9.3	-4.1	9.8	7.8	-20.4	9.0	9.5	5.6	9.0	9.4	4.4	10.4	10.1	-2.9
Middle Distillate	20.1	19.2	-4.5	20.9	17.7	-15.3	20.4	18.8	-7.8	18.7	19.8	5.9	18.3	20.2	10.4
Residual Fuel Oil	4.3	4.7	9.3	4.4	5.1	15.9	5.0	5.7	14.0	4.7	5.1	8.5	4.8	5.3	10.4
Other Products	17.1	15.9	-7.0	16.0	15.0	-6.3	15.0	16.0	6.7	15.5	16.3	5.2	14.2	16.8	18.3
Total Products	51.2	49.1	-4.1	51.1	45.6	-10.8	49.4	50.0	1.2	47.9	50.6	5.6	47.7	52.4	9.9
Other ³	10.6	10.1	-4.7	11.5	11.6	0.9	11.3	11.2	-0.9	10.1	10.3	2.0	11.5	10.8	-6.1
Total	98.8	93.0	-5.9	106.4	91.8	-13.7	105.5	105.9	0.4	97.0	101.9	5.1	98.9	105.0	6.2
Canada															
Crude	75.8	78.0	2.9	76.4	79.1	3.5	75.1	78.5	4.5	76.6	80.5	5.1	76.1	80.5	5.8
Motor Gasoline	15.8	15.7	-0.6	16.1	15.6	-3.1	15.7	15.3	-2.5	15.5	15.9	2.6	16.2	16.3	0.6
Middle Distillate	20.3	19.3	-4.9	18.7	19.1	2.1	19.4	18.7	-3.6	19.4	20.6	6.2	18.4	19.9	8.2
Residual Fuel Oil	3.8	4.3	13.2	4.4	4.5	2.3	3.6	3.9	8.3	3.3	3.7	12.1	3.3	3.7	12.1
Other Products	22.1	25.1	13.6	21.5	24.8	15.3	21.7	26.2	20.7	20.6	27.5	33.5	21.6	30.1	39.4
Total Products	62.0	64.4	3.9	60.7	64.0	5.4	60.4	64.1	6.1	58.8	67.7	15.1	59.5	70.0	17.6
Other ³	22.4	28.1	25.4	22.2	28.7	29.3	21.4	21.3	-0.5	18.6	18.6	0.0	16.4	18.6	13.4
Total	160.2	170.5	6.4	159.3	171.8	7.8	156.9	163.9	4.5	154.0	166.8	8.3	152.0	169.1	11.3

1 Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entepot 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 US figures exclude US territories.

3 Other includes NGLs, refinery feedstocks, additives/oxygenates and other hydrocarbons.

Table 7
TOTAL STOCKS ON LAND IN OECD COUNTRIES¹
('millions of barrels' and 'days')

	End December 2002		End March 2003		End June 2003		End September 2003		End December 2003 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	154.0	71	149.3	71	161.8	75	170.4	76	166.9	-
Mexico	47.3	23	51.5	25	44.2	21	41.4	20	39.0	-
United States ⁴	1549.9	77	1476.8	75	1561.0	77	1594.3	79	1568.9	-
Total ⁵	1773.4	72	1699.7	70	1789.1	72	1828.2	73	1797.0	72
Pacific										
Australia	34.0	40	39.8	46	38.1	43	36.0	39	32.4	-
Japan	615.4	99	619.0	124	646.7	133	653.6	117	636.3	-
Korea	140.4	58	137.0	67	152.1	77	154.5	65	154.5	-
New Zealand	9.5	64	9.8	66	8.5	60	8.5	63	7.9	-
Total	799.3	83	805.6	100	845.4	107	852.6	95	831.1	91
Europe⁶										
Austria	18.7	70	17.6	60	18.5	62	18.7	67	20.7	-
Belgium	25.8	38	29.1	48	27.5	47	29.1	45	27.7	-
Czech Republic	15.5	91	15.3	82	13.5	72	13.4	73	16.4	-
Denmark	17.3	87	15.4	85	15.5	85	16.3	86	16.8	-
Finland	24.4	113	24.7	121	23.9	112	23.2	103	26.5	-
France	174.5	83	175.0	89	173.3	84	179.2	85	185.3	-
Germany	253.4	100	258.6	95	260.7	98	258.6	98	264.9	-
Greece	31.6	66	29.3	75	32.3	85	30.9	69	29.0	-
Hungary	16.1	127	17.9	136	17.6	130	18.3	120	16.8	-
Ireland	11.3	56	10.9	60	11.0	62	11.9	61	12.0	-
Italy	137.6	74	136.3	75	134.6	73	140.7	75	135.2	-
Luxembourg	1.0	17	0.9	17	0.8	14	0.8	16	1.0	-
Netherlands	104.9	120	95.4	103	106.5	115	111.1	116	100.1	-
Norway	19.4	76	33.2	141	21.1	82	23.1	98	27.2	-
Poland	26.2	69	27.2	67	27.9	61	26.9	60	28.7	-
Portugal	21.4	69	24.0	74	24.7	72	25.6	79	25.3	-
Spain	120.8	78	122.8	81	121.1	79	121.4	77	122.4	-
Sweden	29.4	87	34.3	114	34.0	113	36.1	117	36.9	-
Switzerland	36.7	144	36.1	146	37.2	144	37.4	143	36.1	-
Turkey	53.1	87	55.6	89	54.8	77	55.2	83	55.1	-
United Kingdom	97.1	57	99.8	60	95.7	58	92.9	54	101.9	-
Total	1236.3	81	1259.4	84	1252.3	82	1271.0	82	1286.0	85
Total OECD	3808.9	77	3764.7	80	3886.9	81	3951.7	80	3914.0	80
DAYS OF IEA Net Imports⁷	-	111	-	110	-	114	-	115	-	112

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 December 2003 forward demand figures are IEA Secretariat forecasts.

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled	Industry	Total	Government ¹ controlled	Industry
	Millions of Barrels			Days of Fwd. Demand ²		
4Q2000	3799	1269	2530	78	26	52
1Q2001	3794	1270	2524	81	27	54
2Q2001	3864	1268	2597	81	27	55
3Q2001	3925	1265	2660	82	26	55
4Q2001	3906	1284	2622	81	27	54
1Q2002	3897	1302	2595	84	28	56
2Q2002	3958	1314	2644	83	28	56
3Q2002	3884	1319	2565	79	27	52
4Q2002	3809	1343	2466	77	27	50
1Q2003	3765	1357	2408	80	29	51
2Q2003	3887	1361	2526	81	28	53
3Q2003	3952	1379	2573	80	28	52
4Q2003	3914	1407	2507	80	29	51

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 4Q2003 (when latest forecasts are used).

Table 8
AVERAGE IEA CIF CRUDE COST AND SPOT CRUDE AND PRODUCT PRICES
(\$/bbl)

	2001	2002	2003	2Q03	3Q03	4Q03	1Q04	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04
CRUDE OIL PRICES													
<i>IEA CIF Average Import¹</i>													
IEA North America	22.30	23.71	27.82	25.82	27.48	27.64		27.12	27.41	28.43	30.53		
IEA Europe	23.92	24.27	28.39	25.52	27.84	29.05		28.98	28.61	29.54	30.63		
IEA Pacific	25.05	24.74	29.22	27.96	28.44	29.35		27.94	29.70	30.25	31.24		
IEA Total	23.65	24.19	28.38	26.21	27.83	28.60		28.04	28.43	29.32	30.73		
<i>FOB Spot</i>													
Brent (Dated)	24.44	25.02	28.83	26.03	28.38	29.43	32.03	29.65	28.73	29.87	31.23	30.83	33.79
WTI (1st month)	25.93	26.16	31.06	29.02	30.19	31.15	35.33	30.30	31.06	32.14	34.24	34.74	36.71
Urals (del. Med.)	22.97	23.73	27.04	23.86	27.05	27.99	29.00	27.99	27.63	28.34	28.88	27.64	30.31
Dubai (1st month)	22.80	23.85	26.76	24.44	26.57	27.67	29.54	27.27	27.66	28.10	28.88	28.61	30.85
Tapis (1st month)	25.32	25.72	30.06	27.19	29.53	31.26	34.82	31.74	30.61	31.34	33.63	34.93	35.71
OPEC Basket	23.12	24.34	28.13	25.87	27.43	28.79	30.80	28.35	28.48	29.57	30.26	29.67	32.23
PRODUCT PRICES													
<i>Rotterdam, Barges FOB</i>													
Premium Unleaded	29.86	29.09	35.46	33.79	36.26	34.30	40.12	34.31	34.14	34.45	38.41	39.25	42.43
Unleaded	28.83	28.57	34.87	33.06	35.68	33.80	39.49	33.81	33.66	33.93	37.83	38.63	41.76
Naphtha	23.69	24.23	29.99	25.19	28.12	31.54	35.39	30.03	31.55	33.19	36.18	33.99	35.89
Jet/Kerosene	30.82	29.24	35.83	31.32	33.29	37.73	39.96	36.45	37.67	39.18	40.46	38.64	40.66
Gasoil .2 %	29.16	27.81	33.99	30.21	31.58	34.92	36.83	34.46	34.75	35.57	37.15	34.70	38.38
LSFO 1%	19.52	21.81	25.79	24.26	26.06	23.59	22.97	25.19	24.00	21.45	22.93	21.55	24.25
HSFO 3.5%	17.79	20.65	23.37	21.05	24.16	22.52	21.77	23.60	23.52	20.39	21.63	21.18	22.41
<i>Mediterranean - Cargoes FOB</i>													
Premium .15 g/l	30.43	29.21	34.56	31.34	35.79	34.34	40.12	34.49	34.10	34.39	38.43	39.31	42.37
Premium Unleaded	29.70	28.49	33.84	30.62	35.07	33.62	39.40	33.78	33.38	33.67	37.71	38.59	41.66
Naphtha	22.47	23.51	28.68	23.69	27.17	30.35	33.38	29.25	30.23	31.68	34.18	31.81	34.01
Jet/Kerosene ²	27.52	27.97	33.60	28.76	31.69	35.82	37.83	34.44	35.69	37.46	38.63	37.13	37.70
Gasoil .2 %	27.50	27.08	33.13	28.38	30.57	34.79	35.89	35.55	34.32	34.40	36.36	33.50	37.53
LSFO 1%	18.73	21.50	26.39	23.51	26.99	24.41	23.68	25.79	24.88	22.46	24.08	22.25	24.57
HSFO 3.5%	16.06	19.08	21.90	20.04	23.08	20.38	20.51	22.40	21.19	17.39	20.22	20.40	20.87
<i>NY Harbour, Barges</i>													
Super Unleaded ³	34.16	33.71	40.23	36.68	43.71	39.08	47.14	38.94	39.69	38.62	43.85	46.94	50.02
Unleaded ³	31.00	30.33	37.07	33.08	38.80	36.78	44.02	36.45	36.72	37.18	41.98	43.97	45.76
Jet/Kerosene	31.18	29.83	36.29	32.48	33.82	36.69	42.14	35.46	36.15	38.49	43.10	42.64	40.92
No. 2 (Heating Oil)	29.82	28.56	35.51	31.99	32.69	35.60	39.18	34.41	35.06	37.38	41.19	38.36	38.19
LSFO 1%	20.70	22.55	27.46	24.57	26.74	25.94	26.25	25.93	26.14	25.78	28.16	26.26	24.67
HSFO 6.3%	17.36	20.99	24.41	20.93	25.21	23.67	23.08	24.02	24.43	22.64	23.61	22.79	22.87
<i>Singapore, Cargoes</i>													
Premium Unleaded	27.43	28.04	34.69	29.70	34.96	36.96	42.83	35.55	35.78	39.52	44.25	39.87	44.10
Naphtha	23.75	24.93	29.93	24.69	28.40	32.52	36.52	30.46	32.54	34.67	39.49	34.15	36.03
Jet/Kerosene	28.32	28.08	32.90	28.36	31.53	35.71	38.23	33.84	35.89	37.50	39.60	37.46	37.72
Gasoil .5%	27.32	27.55	32.31	28.79	30.78	33.71	38.26	32.41	33.68	35.10	39.35	37.84	37.71
LSWR Cracked	21.83	23.80	28.11	27.21	25.33	28.28	29.11	26.14	28.73	30.13	27.88	30.14	29.27
HSFO 180 CST	20.65	22.89	26.14	24.78	25.87	25.09	26.09	25.38	25.01	24.85	26.29	26.19	25.85
HSFO 4%	20.38	22.95	26.25	24.74	26.19	25.23	26.00	25.56	25.17	24.93	26.18	26.10	25.76

¹ IEA CIF Average Import price for January is an estimate

² Following change of assessment, Jet Aviation Fuel for Mediterranean - Cargo FOB from 2002

³ From November 2003 assessments for NYH are for Max 0.3% MTBE

Table 9
MONTHLY AVERAGE END USER PRICES FOR PETROLEUM PRODUCTS
March 2004

	NATIONAL CURRENCY *						US DOLLARS					
	Total Price	% change from		Ex-Tax Price	% change from		Total Price	% change from		Ex-Tax Price	% change from	
		Feb-04	Mar-03		Feb-04	Mar-03		Feb-04	Mar-03		Feb-04	Mar-03
GASOLINE ¹ (Price per Litre)												
France	1.027	2.2	- 5.0	0.270	7.6	-14.3	1.259	-0.9	7.9	0.331	4.3	-2.6
Germany	1.092	1.7	- 4.0	0.286	5.5	-12.3	1.338	-1.4	9.0	0.350	2.3	-0.3
Italy	1.082	1.8	- 1.3	0.343	4.9	-7.5	1.326	-1.3	12.2	0.420	1.7	5.0
Spain	0.827	2.1	- 3.6	0.317	5.0	-7.8	1.014	-1.0	9.6	0.389	1.8	4.8
UK	0.754	0.5	- 3.9	0.184	2.2	-12.4	1.378	-1.7	11.0	0.336	-0.0	1.2
Japan	105.0	-	- 2.0	46.2	-	-4.1	0.968	-1.8	7.3	0.426	-1.8	4.9
Canada	0.760	- 0.9	- 4.8	0.458	-1.5	-7.3	0.572	-0.8	5.8	0.345	-1.4	3.0
USA	0.457	5.1	1.6	0.354	6.6	1.4	0.457	5.1	1.6	0.354	6.6	1.4
AUTOMOTIVE DIESEL ² (Price per Litre)												
France	0.691	2.8	- 7.9	0.274	7.5	-23.5	0.847	-0.3	4.7	0.336	4.2	-13.1
Germany	0.753	1.1	- 8.8	0.283	2.9	-20.5	0.923	-2.0	3.6	0.347	-0.2	-9.7
Italy	0.738	1.5	- 5.6	0.335	3.4	-11.6	0.904	-1.6	7.2	0.411	0.2	0.4
Spain	0.600	2.0	- 9.0	0.306	4.1	-16.2	0.736	-1.0	3.5	0.375	1.0	-4.7
UK	0.655	0.6	- 4.4	0.197	2.1	-13.2	1.197	-1.6	10.5	0.360	-0.2	0.3
Japan	85.1	-	- 1.2	48.9	-	-2.0	0.784	-1.8	8.1	0.451	-1.8	7.2
Canada	0.714	0.1	- 14.0	0.489	0.2	-18.2	0.538	0.2	-4.5	0.368	0.3	-9.2
USA	0.430	2.9	- 6.1	0.310	4.0	-8.8	0.430	2.9	-6.1	0.310	4.0	-8.8
DOMESTIC HEATING OIL (Price per 1000 Litres)												
France	401.80	5.7	-16.5	279.35	7.0	-19.2	492.4	2.5	-5.1	342.3	3.7	-8.2
Germany	367.66	8.2	-16.9	255.60	10.4	-20.1	450.6	4.9	-5.5	313.2	7.0	-9.2
Italy	853.72	2.7	-8.1	308.22	6.4	-16.8	1046.2	-0.5	4.4	377.7	3.1	-5.5
Spain	377.39	1.7	-18.0	240.63	2.3	-22.9	462.8	-1.3	-6.8	295.1	-0.7	-12.4
UK	205.19	-0.0	-14.6	153.42	-0.0	-22.5	375.1	-2.2	-1.4	280.5	-2.2	-10.4
Japan ³	46259	-0.6	-3.5	44056	-0.6	-3.5	426.4	-2.4	5.5	406.0	-2.4	5.5
Canada	610.83	0.6	-17.8	548.81	0.6	-17.8	460.0	0.7	-8.7	413.3	0.7	-8.7
USA	-	-	-	-	-	-	-	-	-	-	-	-
LOW SULPHUR FUEL OIL FOR INDUSTRY ² (Price per Metric Ton)												
France	176.16	4.9	-24.7	157.66	5.5	-26.8	215.9	1.7	-14.5	193.2	2.3	-16.9
Germany	157.20	1.1	-28.1	132.20	1.4	-31.7	192.6	-2.0	-18.3	162.0	-1.7	-22.4
Italy	218.67	4.1	-16.5	187.28	4.9	-18.7	268.0	0.9	-5.1	229.5	1.7	-7.6
Spain	206.34	-0.5	-25.9	191.91	-0.6	-27.3	253.0	-3.5	-15.8	235.3	-3.6	-17.4
UK	139.25	-1.7	-18.6	101.25	-2.3	-29.2	254.6	-3.8	-5.9	185.1	-4.4	-18.2
Japan	-	-	-	-	-	-	-	-	-	-	-	-
Canada	-	-	-	-	-	-	-	-	-	-	-	-
USA	-	-	-	-	-	-	-	-	-	-	-	-

1 Unleaded premium (95 RON) for France, Germany, Italy, Spain, UK; regular unleaded for Canada, Japan and the United States.

2 VAT excluded from prices for automotive diesel and heavy fuel oil when refunded to industry.

3 Kerosene for Japan.

* Prices for France, Germany, Italy and Spain are in Euro; UK in British Pounds, Japan in Yen, Canada in Canadian Dollars.

Table 10
Regional OECD Crude Imports by Source
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 04	Year Earlier Jan 03	change
OECD North America												
Venezuela	1.58	1.58		0.93	1.81	1.74	1.85	1.83	1.84	1.64	0.49	1.15
Other Central & South America	0.61	0.58		0.52	0.56	0.65	0.60	0.48	0.66	0.79	0.51	0.28
North Sea	1.25	1.03		1.07	1.03	1.12	0.91	0.88	0.90	0.79	1.06	-0.26
Other OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Non-OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Former Soviet Union	0.09	0.16		0.11	0.20	0.31	0.02	-	0.02	0.02	0.13	-0.11
Saudi Arabia	1.60	1.82		1.79	2.16	1.74	1.58	1.76	1.49	1.53	1.92	-0.39
Kuwait	0.22	0.21		0.20	0.25	0.20	0.19	0.18	0.22	0.24	0.14	0.11
Iran	-	-		-	-	-	-	-	-	-	-	-
Iraq	0.58	0.56		0.84	0.34	0.22	0.83	0.81	0.82	0.65	0.74	-0.09
Oman	0.02	0.04		-	0.04	0.06	0.04	0.07	-	-	-	-
United Arab Emirates	0.01	0.01		0.01	0.01	0.01	0.01	0.02	-	-	0.03	-
Other Middle East	0.04	0.01		0.02	0.02	-	-	-	-	-	0.02	-
West Africa ²	1.19	1.50		1.37	1.51	1.68	1.44	1.12	1.49	1.50	1.39	0.10
Other Africa	0.18	0.31		0.15	0.33	0.44	0.32	0.41	0.21	0.30	0.10	0.20
Asia	0.16	0.14		0.12	0.10	0.19	0.15	0.12	0.10	0.10	0.14	-0.03
Other	0.06	0.08		0.04	0.08	0.12	0.08	0.08	0.09	0.08	0.03	0.05
Total	7.52	7.95		7.17	8.44	8.48	8.01	7.77	7.83	7.65	6.70	0.95
of which Non-OECD	6.28	6.97		6.08	7.39	7.31	7.08	6.87	6.93	6.83	5.63	1.21
OECD Europe												
Canada	-	-		-	-	-	-	-	-	-	-	-
Mexico + USA	0.19	0.18		0.17	0.18	0.23	0.13	0.15	0.12	0.14	0.14	0.00
Venezuela	0.18	0.10		0.04	0.13	0.12	0.11	0.07	0.12	0.03	-	-
Other Central & South America	0.05	0.07		0.02	0.04	0.11	0.11	0.10	0.13	0.06	0.03	0.02
Non-OECD Europe	0.01	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Former Soviet Union	3.12	3.50		3.16	3.43	3.76	3.63	3.50	3.66	3.50	3.01	0.49
Saudi Arabia	1.16	1.31		1.14	1.54	1.38	1.16	1.25	0.95	1.18	0.99	0.19
Kuwait	0.12	0.12		0.07	0.17	0.12	0.13	0.05	0.13	0.09	0.06	0.03
Iran	0.62	0.85		0.69	0.90	0.99	0.84	0.83	0.72	0.64	0.81	-0.18
Iraq	0.40	0.20		0.44	0.07	0.10	0.19	0.20	0.25	0.26	0.42	-0.16
Oman	0.00	-		-	-	-	-	-	-	-	-	-
United Arab Emirates	-	-		-	-	-	-	-	-	-	-	-
Other Middle East	0.46	0.28		0.36	0.26	0.22	0.30	0.29	0.26	0.26	0.35	-0.09
West Africa ²	0.68	0.65		0.74	0.57	0.60	0.68	0.65	0.70	0.57	0.85	-0.28
Other Africa	1.39	1.59		1.60	1.60	1.56	1.60	1.54	1.68	1.66	1.53	0.13
Asia	-	0.01		-	-	-	0.02	0.03	0.03	0.01	-	-
Other	0.28	0.11		0.23	0.09	0.03	0.11	0.28	0.02	0.75	0.16	0.59
Total	8.66	8.97		8.68	8.97	9.22	9.01	8.95	8.76	9.16	8.36	0.80
of which Non-OECD	8.47	8.79		8.51	8.79	8.98	8.88	8.80	8.64	9.02	8.22	0.80
OECD Pacific												
Canada	0.00	0.00		-	0.01	0.00	-	-	-	-	-	-
Mexico + USA	0.01	0.01		-	-	0.02	-	-	-	0.06	-	-
Venezuela	0.00	0.00		0.00	-	-	-	-	-	-	-	-
Other Central & South America	0.08	0.08		0.10	0.08	0.05	0.08	0.10	0.05	0.09	0.14	-0.05
North Sea	0.03	0.01		0.04	-	0.01	-	-	-	-	0.08	-
Other OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Non-OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Former Soviet Union	0.07	0.06		0.04	0.03	0.09	0.09	0.12	0.08	0.01	0.07	-0.06
Saudi Arabia	1.72	1.80		1.97	1.90	1.59	1.74	1.73	1.94	1.79	1.89	-0.10
Kuwait	0.57	0.59		0.60	0.54	0.58	0.62	0.58	0.77	0.49	0.66	-0.17
Iran	0.64	0.83		0.89	0.80	0.76	0.88	0.81	1.01	0.81	0.83	-0.02
Iraq	0.02	0.03		-	-	-	0.11	0.13	0.19	0.16	-	-
Oman	0.37	0.31		0.42	0.36	0.23	0.24	0.20	0.19	0.19	0.39	-0.20
United Arab Emirates	1.28	1.44		1.47	1.50	1.47	1.32	1.17	1.38	1.51	1.47	0.04
Other Middle East	0.52	0.54		0.56	0.57	0.45	0.58	0.53	0.67	0.52	0.54	-0.02
West Africa ²	0.21	0.17		0.28	0.11	0.14	0.15	0.19	0.25	0.28	0.09	0.19
Other Africa	0.05	0.05		0.09	0.07	0.04	0.02	-	0.06	0.10	0.16	-0.06
Non-OECD Asia	0.86	0.79		0.89	0.85	0.70	0.74	0.70	0.84	0.81	1.00	-0.19
Other	-	0.00		-	-0.09	-0.03	0.12	0.19	0.13	0.01	-	-
Total	6.42	6.71		7.36	6.81	6.13	6.56	6.26	7.45	6.81	7.32	-0.51
of which Non-OECD	6.38	6.69		7.32	6.71	6.06	6.68	6.45	7.58	6.76	7.24	-0.48
Total OECD Trade	22.61	23.63		23.21	24.23	23.82	23.59	22.98	24.03	23.61	22.38	1.23
of which Non-OECD	21.14	22.45		21.90	22.90	22.35	22.64	22.12	23.15	22.61	21.08	1.53

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes, and converted to barrels at 7.37 barrels per tonne. Data will differ from Table 11 which is based on submissions in barrels.

2. West Africa includes Angola, Nigeria, Gabon, Congo and Democratic Republic of Congo.

Table 11
IEA Member Country Destinations of Selected Crude Streams¹
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 04	Year Earlier	
											Jan 03	change
Saudi Light & Extra Light												
North America	0.70	0.64		0.52	0.75	0.63	0.66	0.62	0.55	0.56	0.54	0.02
Europe	0.92	0.99		0.94	1.14	0.99	0.91	0.98	0.71	1.04	0.86	0.18
Pacific	1.22	1.18		1.39	1.16	1.04	1.12	1.10	1.27	1.13	1.39	-0.26
Saudi Medium												
North America	0.86	0.83		0.88	0.94	0.79	0.71	0.80	0.60	0.79	0.89	-0.10
Europe	0.11	0.11		0.10	0.13	0.14	0.07	0.08	0.06	0.05	0.10	-0.05
Pacific	0.16	0.24		0.21	0.26	0.20	0.30	0.34	0.28	0.28	0.21	0.07
Saudi Heavy												
North America	0.20	0.30		0.28	0.48	0.25	0.19	0.21	0.19	0.21	0.25	-0.04
Europe	0.09	0.19		0.11	0.26	0.21	0.16	0.17	0.12	0.13	0.06	0.07
Pacific	0.12	0.16		0.14	0.21	0.15	0.15	0.16	0.16	0.14	0.15	-0.01
Iraqi Basrah Light²												
North America	0.35	0.44		0.50	0.24	0.20	0.82	0.65	0.78	0.63	0.37	0.26
Europe	0.08	0.09		0.10	0.05	0.04	0.15	0.17	0.19	0.21	0.10	0.11
Pacific	0.02	0.03		..	..	..	0.11	0.13	0.19	0.16	..	..
Iraqi Kirkuk												
North America	0.14	0.06		0.22	0.02	..	..	..	..	..	0.26	..
Europe	0.32	0.12		0.42	0.04	0.04	..	..	..	..	0.41	..
Pacific	0.00	..		..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..		..	..	..	..	..	..	..	..	..
Europe	0.17	0.19		0.18	0.24	0.17	0.17	0.13	0.19	0.19	0.23	-0.04
Pacific	0.12	0.17		0.18	0.16	0.16	0.17	0.15	0.21	0.20	0.15	0.05
Iranian Heavy³												
North America	..	..		..	..	..	..	..	..	..	..	..
Europe	0.44	0.59		0.52	0.57	0.74	0.51	0.58	0.37	0.38	0.57	-0.19
Pacific	0.54	0.69		0.75	0.67	0.58	0.74	0.69	0.79	0.65	0.72	-0.07
Venezuelan Light & Medium												
North America	0.68	0.69		0.35	0.83	0.75	0.84	0.73	0.87	0.67	..	..
Europe	0.08	0.02		0.02	0.04	0.01	0.01	..	..	..	0.02	..
Pacific	0.00	0.00		0.00	..	0.00	0.00	..	0.00	..	..	..
Venezuelan 22 API and heavier												
North America	0.55	0.60		0.17	0.66	0.83	0.73	0.75	0.77	0.74	..	..
Europe	0.05	0.06		0.02	0.05	0.07	0.09	0.08	0.13	0.05	0.00	0.04
Pacific	..	..		..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.92	1.32		1.12	1.31	1.46	1.37	1.40	1.43	1.30	1.09	0.20
Europe	0.17	0.16		0.14	0.17	0.21	0.13	0.14	0.12	0.11	0.11	0.00
Pacific	0.00	0.00		..	..	0.01	..	..	..	0.02	..	..
Mexican Isthmus												
North America	0.01	0.00		0.01	0.00	..	..	..	..	..	0.01	..
Europe	0.01	0.00		0.00	0.00	..	0.00	..	..	..	..	..
Pacific	0.01	0.00		..	..	0.01	..	..	..	0.04	..	..
Russian Urals												
North America	0.03	0.14		..	0.23	0.33	..	..	..	0.00	..	..
Europe	1.32	1.61		1.51	1.50	1.70	1.71	1.82	1.87	1.78	1.54	0.24
Pacific	0.01	0.00		..	..	..	0.01	0.01	0.02	0.01	..	..
Nigerian Light⁴												
North America	0.39	0.63		0.47	0.59	0.78	0.67	0.57	0.71	0.76	0.50	0.26
Europe	0.32	0.41		0.42	0.38	0.44	0.38	0.45	0.30	0.38	0.36	0.02
Pacific	0.06	0.08		0.13	0.03	0.05	0.09	0.12	0.16	0.19	..	..
Nigerian Medium												
North America	0.16	0.17		0.17	0.21	0.10	0.21	0.16	0.24	0.22	0.18	0.04
Europe	0.06	0.06		0.07	0.04	0.04	0.09	0.06	0.10	0.04	0.14	-0.10
Pacific	0.01	0.01		0.04	..	..	..	..	..	0.03	0.06	-0.03

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 21 of the Report.

IEA North America includes United States and Canada.

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

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

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 12a
Regional OECD Gasoline Imports by Source¹
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 04	Year Earlier	
											Jan 03	change
OECD North America												
Venezuela	0.08	0.07		0.00	0.10	0.07	0.09	0.07	0.09	0.07	-	-
Other Central & South America	0.10	0.10		0.10	0.10	0.12	0.07	0.08	0.04	0.07	0.15	-0.07
ARA (Belgium Germany Netherlands)	0.09	0.12		0.11	0.11	0.13	0.12	0.15	0.08	0.04	0.10	-0.06
Other Europe	0.20	0.20		0.20	0.30	0.16	0.14	0.16	0.16	0.13	0.19	-0.06
FSU	0.06	0.06		0.09	0.06	0.05	0.05	0.06	0.06	0.04	0.06	-0.02
Saudi Arabia	0.06	0.07		0.06	0.08	0.08	0.05	0.04	0.02	0.07	0.06	0.00
Algeria	0.00	0.00		-	0.01	0.00	0.00	-	0.01	0.01	-	-
Other Middle East & Africa	0.04	0.03		0.03	0.03	0.03	0.02	0.01	0.03	0.01	0.05	-0.04
Singapore	0.01	0.01		0.00	0.02	0.00	-	-	-	0.00	0.00	0.00
OECD Pacific	0.01	0.01		0.01	0.01	0.01	-	-	-	-	-	-
Non-OECD Asia (excl. Singapore)	0.03	0.03		0.02	0.05	0.03	0.00	-	0.01	-	0.02	-
Other	-	0.00		0.00	0.00	-	-	-	-	-	-	-
Total ²	0.68	0.69		0.62	0.89	0.69	0.56	0.58	0.50	0.43	0.62	-0.19
of which Non-OECD	0.39	0.38		0.31	0.49	0.40	0.30	0.27	0.26	0.26	0.35	-0.08
OECD Europe												
OECD North America	0.00	0.00		0.00	-	0.00	0.00	0.00	-	-	0.00	-
Venezuela	-	0.00		-	0.00	0.00	-	-	-	-	-	-
Other Central & South America	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-OECD Europe	0.04	0.04		0.04	0.04	0.04	0.03	0.04	0.03	0.03	0.03	-0.01
FSU	0.03	0.03		0.02	0.03	0.03	0.03	0.04	0.02	0.03	0.02	0.01
Saudi Arabia	0.00	0.00		0.00	0.01	0.00	0.00	0.00	-	0.00	0.00	0.00
Algeria	0.01	0.01		0.00	0.02	0.01	0.02	0.03	0.02	0.01	0.00	0.01
Other Middle East & Africa	0.03	0.03		0.01	0.03	0.04	0.03	0.02	0.02	0.02	0.01	0.01
Singapore	0.00	0.00		0.00	-	0.00	0.00	-	-	0.00	-	-
OECD Pacific	-	0.00		-	0.00	0.00	0.00	-	0.00	0.00	-	-
Non-OECD Asia (excl. Singapore)	-	0.00		-	0.00	0.00	-	-	-	-	-	-
Other	0.07	0.06		0.10	0.05	0.02	0.07	0.03	0.09	0.07	0.11	-0.04
Total ²	0.18	0.17		0.18	0.17	0.15	0.18	0.15	0.18	0.17	0.18	-0.02
of which Non-OECD	0.18	0.17		0.18	0.17	0.14	0.18	0.15	0.18	0.17	0.18	-0.02
OECD Pacific												
OECD North America	0.00	-		-	-	-	-	-	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	-	0.01	-	-
FSU	0.00	-		-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	-		-	-	-	-	-	-	0.01	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	-	-		-	-	-	-	-	-	-	-	-
Singapore	0.03	0.04		0.03	0.03	0.05	0.06	0.05	0.08	0.08	0.04	0.04
Non-OECD Asia (excl. Singapore)	0.02	0.03		0.03	0.04	0.03	0.02	0.03	0.01	0.01	0.04	-0.03
Other	0.00	-		-	-	-	-	-	-	-	-	-
Total ²	0.06	0.07		0.06	0.07	0.08	0.08	0.08	0.09	0.10	0.08	0.02
of which Non-OECD	0.06	0.07		0.06	0.07	0.08	0.08	0.08	0.09	0.09	0.08	0.01
Total OECD Trade ²												
of which Non-OECD	0.92	0.93		0.86	1.13	0.92	0.82	0.81	0.78	0.70	0.89	-0.19
	0.63	0.62		0.55	0.73	0.63	0.55	0.50	0.53	0.52	0.61	-0.09

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12b
Regional OECD Gasoil/Diesel Imports by Source¹
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 04	Year Earlier Jan 03	change
OECD North America												
Venezuela	0.03	0.03		0.01	0.02	0.03	0.06	0.06	0.06	0.08	-	-
Other Central & South America	0.02	0.02		0.01	0.02	0.01	0.02	0.01	0.02	0.02	0.00	0.02
ARA (Belgium Germany Netherlands)	0.00	0.01		0.03	-	0.00	-	-	-	-	0.08	-
Other Europe	0.00	0.01		0.02	0.01	0.00	-	-	-	0.01	0.01	0.00
FSU	0.02	0.04		0.13	0.02	0.02	0.01	-	-	0.03	0.03	0.00
Saudi Arabia	0.00	0.00		-	0.00	0.00	-	-	-	0.01	-	-
Algeria	0.00	0.00		0.00	-	0.00	-	-	-	-	0.01	-
Other Middle East & Africa	0.00	0.00		0.00	0.00	-	-	-	-	-	-	-
Singapore	0.00	0.00		0.00	0.01	0.01	-	-	-	-	0.00	-
OECD Pacific	0.01	0.01		0.00	0.00	0.02	-	-	-	-	-	-
Non-OECD Asia (excl. Singapore)	0.00	0.01		0.00	0.02	0.03	0.00	-	0.00	0.01	-	-
Other	-	0.00		-	-	-	0.00	-	0.01	-	-	-
Total²	0.10	0.13		0.21	0.09	0.13	0.09	0.07	0.09	0.16	0.14	0.02
of which Non-OECD	0.09	0.11		0.16	0.08	0.10	0.09	0.07	0.09	0.15	0.04	0.11
OECD Europe												
OECD North America	0.03	0.02		0.00	0.01	0.01	0.04	0.04	0.06	0.00	0.01	0.00
Venezuela	0.00	-		-	-	-	-	-	-	-	-	-
Other Central & South America	0.01	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-OECD Europe	0.07	0.06		0.06	0.06	0.07	0.05	0.04	0.04	0.03	0.04	-0.01
FSU	0.42	0.49		0.43	0.57	0.53	0.45	0.44	0.50	0.39	0.46	-0.08
Saudi Arabia	0.01	0.01		0.01	0.00	-	0.01	0.02	0.02	-	0.01	-
Algeria	0.02	0.02		0.02	0.02	0.03	0.01	0.03	0.01	0.05	-	-
Other Middle East & Africa	0.02	0.01		0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00
Singapore	0.02	0.01		0.00	-	0.00	0.01	-	0.03	0.00	-	-
OECD Pacific	0.00	0.01		-	0.01	0.01	0.00	-	0.00	0.01	-	-
Non-OECD Asia (excl. Singapore)	0.01	0.01		0.02	0.00	0.01	0.02	0.03	0.02	0.00	0.01	0.00
Other	0.10	0.06		0.10	0.10	0.00	0.06	0.09	0.05	0.14	0.10	0.04
Total²	0.70	0.70		0.67	0.79	0.67	0.66	0.69	0.75	0.63	0.64	-0.01
of which Non-OECD	0.67	0.68		0.67	0.77	0.65	0.62	0.66	0.69	0.62	0.64	-0.02
OECD Pacific												
OECD North America	0.00	0.00		-	-	-	0.00	-	0.00	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	0.00	0.00		-	-	-	0.00	-	-	-	-	-
Other Europe	0.00	0.00		-	-	0.00	-	-	-	-	-	-
FSU	0.01	0.01		0.01	0.01	0.00	0.01	0.00	0.01	0.01	0.01	0.00
Saudi Arabia	0.00	-		-	-	-	-	-	-	-	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	0.00	-		-	-	-	-	-	-	-	-	-
Singapore	0.02	0.04		0.02	0.04	0.04	0.05	0.04	0.06	0.04	0.02	0.01
Non-OECD Asia (excl. Singapore)	0.02	0.03		0.05	0.04	0.02	0.02	0.01	0.03	0.01	0.06	-0.05
Other	0.00	0.00		-	0.00	-	-	-	-	0.01	-	-
Total²	0.05	0.07		0.07	0.08	0.07	0.08	0.06	0.10	0.06	0.09	-0.03
of which Non-OECD	0.05	0.07		0.07	0.08	0.07	0.08	0.06	0.10	0.06	0.09	-0.03
Total OECD Trade²	0.86	0.90		0.96	0.96	0.87	0.83	0.82	0.93	0.85	0.87	-0.02
of which Non-OECD	0.81	0.86		0.90	0.93	0.82	0.79	0.79	0.87	0.84	0.78	0.06

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12c
Regional OECD Jet and Kerosene Imports by Source¹
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 04	Year Earlier	
											Jan 03	change
OECD North America												
Venezuela	0.02	0.03		0.02	0.04	0.03	0.04	0.02	0.04	0.03	0.00	0.03
Other Central & South America	0.01	0.02		0.01	0.03	0.02	0.01	-	0.02	0.00	0.01	-0.01
ARA (Belgium Germany Netherlands)	-	0.00		0.00	0.00	-	-	-	-	-	-	-
Other Europe	0.00	0.00		-	0.00	-	-	-	-	-	-	-
FSU	-	-		-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.00		0.00	-	-	0.00	-	-	-	-	-
Algeria	0.00	0.00		0.00	0.00	-	-	-	-	-	-	-
Other Middle East & Africa	0.01	0.01		0.04	0.01	0.01	-	-	-	-	0.07	-
Singapore	0.00	0.00		0.00	0.00	0.00	0.00	-	-	-	0.00	-
OECD Pacific	0.04	0.02		0.01	0.02	0.05	0.01	0.01	0.01	0.00	0.01	0.00
Non-OECD Asia (excl. Singapore)	0.01	0.00		0.01	-	0.00	0.00	-	0.01	0.01	0.02	-0.01
Other	-	-		-	-	-	-	-	-	0.00	-	-
Total²	0.10	0.10		0.10	0.11	0.11	0.07	0.03	0.07	0.05	0.11	-0.06
of which Non-OECD	0.06	0.07		0.09	0.08	0.06	0.05	0.02	0.06	0.04	0.11	-0.06
OECD Europe												
OECD North America	0.01	0.00		0.00	0.00	0.00	0.00	-	0.00	-	-	-
Venezuela	0.02	0.01		0.00	0.01	0.01	0.01	0.01	0.00	0.02	-	-
Other Central & South America	0.00	0.01		0.00	0.01	0.00	0.02	0.01	0.00	0.00	0.00	0.00
Non-OECD Europe	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	-0.01
FSU	0.03	0.02		0.02	0.02	0.02	0.02	0.04	0.01	0.01	0.03	-0.02
Saudi Arabia	0.02	0.02		0.01	0.03	0.01	0.02	0.03	0.01	0.02	0.01	0.01
Algeria	0.01	0.01		0.01	0.01	0.02	0.01	0.02	-	0.01	0.02	-0.01
Other Middle East & Africa	0.10	0.11		0.11	0.11	0.15	0.09	0.10	0.07	0.13	0.09	0.05
Singapore	0.01	0.00		0.00	-	0.00	0.00	-	-	0.00	-	-
OECD Pacific	-	0.00		-	0.00	0.00	0.00	-	0.00	0.00	-	-
Non-OECD Asia (excl. Singapore)	0.00	0.00		-	-	0.00	0.01	0.02	-	-	-	-
Other	0.02	0.02		0.01	0.02	0.02	0.04	0.04	0.03	0.03	0.00	0.03
Total²	0.22	0.21		0.17	0.20	0.25	0.22	0.29	0.13	0.22	0.16	0.07
of which Non-OECD	0.21	0.21		0.17	0.20	0.25	0.21	0.29	0.12	0.22	0.16	0.06
OECD Pacific												
OECD North America	-	0.00		0.01	-	-	-	-	-	-	0.01	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	-	-	-	-
FSU	-	-		-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.01		0.02	-	-	0.00	0.01	-	0.00	0.04	-0.04
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	0.01	0.01		0.03	-	-	0.01	0.01	0.03	0.01	0.06	-0.05
Singapore	0.01	0.01		0.02	0.01	0.01	0.02	0.01	0.03	0.02	0.03	-0.01
Non-OECD Asia (excl. Singapore)	0.02	0.02		0.04	0.00	0.01	0.02	0.02	0.04	0.00	0.06	-0.06
Other	0.05	0.05		0.07	0.04	0.03	0.08	0.07	0.08	0.06	0.07	-0.01
Total²	0.10	0.10		0.18	0.05	0.05	0.13	0.12	0.17	0.10	0.28	-0.18
of which Non-OECD	0.10	0.10		0.18	0.05	0.05	0.13	0.12	0.17	0.10	0.27	-0.17
Total OECD Trade²	0.42	0.41		0.45	0.36	0.41	0.42	0.44	0.37	0.37	0.55	-0.18
of which Non-OECD	0.37	0.38		0.44	0.33	0.35	0.40	0.43	0.36	0.36	0.53	-0.17

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12d
Regional OECD Residual Fuel Oil Imports by Source¹
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 04	Year Earlier	
											Jan 03	change
OECD North America												
Venezuela	0.04	0.04		0.03	0.06	0.04	0.05	0.03	0.05	0.05	0.00	0.05
Other Central & South America	0.14	0.15		0.18	0.14	0.14	0.14	0.10	0.13	0.14	0.14	0.00
ARA (Belgium Germany Netherlands)	0.01	0.01		0.02	0.02	0.01	0.01	-	0.01	-	0.02	-
Other Europe	0.01	0.03		0.03	0.02	0.03	0.02	0.05	0.03	0.02	0.07	-0.04
FSU	0.01	0.04		0.03	0.03	0.03	0.05	0.08	0.04	0.05	0.03	0.02
Saudi Arabia	-	0.00		-	0.00	0.00	-	-	-	-	-	-
Algeria	0.00	0.01		0.01	0.01	0.01	-	-	-	-	0.01	-
Other Middle East & Africa	0.02	0.03		0.05	0.03	0.02	0.04	0.04	0.05	0.05	0.03	0.02
Singapore	0.00	0.01		0.01	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.00
OECD Pacific	-	-		-	-	-	-	-	-	-	-	-
Non-OECD Asia (excl. Singapore)	0.00	0.01		-	0.00	0.01	0.01	0.02	0.01	0.01	-	-
Other	0.00	0.01		0.00	0.01	0.01	-	-	-	-	0.00	-
Total²	0.24	0.33		0.35	0.32	0.31	0.33	0.33	0.32	0.33	0.31	0.02
of which Non-OECD	0.22	0.29		0.30	0.28	0.27	0.29	0.28	0.29	0.30	0.22	0.08
OECD Europe												
OECD North America	0.02	0.00		0.00	-	-	0.01	0.03	0.01	0.00	0.01	-0.01
Venezuela	0.00	0.00		0.00	-	-	-	-	-	-	-	-
Other Central & South America	0.02	0.01		0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.01	0.00
Non-OECD Europe	0.01	0.01		0.01	0.01	0.01	0.01	0.00	0.01	0.01	0.02	-0.01
FSU	0.27	0.21		0.17	0.20	0.25	0.21	0.17	0.24	0.12	0.13	0.00
Saudi Arabia	-	-		-	-	-	-	-	-	-	-	-
Algeria	0.01	0.01		0.00	0.01	0.02	0.02	0.03	0.01	0.01	0.00	0.00
Other Middle East & Africa	0.06	0.06		0.04	0.06	0.06	0.07	0.07	0.08	0.04	0.04	0.01
Singapore	0.00	0.00		-	-	-	0.00	-	-	0.00	-	-
OECD Pacific	0.00	-		-	-	-	-	-	-	0.00	-	-
Non-OECD Asia (excl. Singapore)	0.01	0.01		0.01	0.01	0.02	0.01	0.02	0.02	0.01	0.01	0.00
Other	0.07	0.08		0.06	0.08	0.09	0.11	0.12	0.08	0.18	0.05	0.12
Total²	0.47	0.40		0.31	0.38	0.45	0.45	0.46	0.45	0.37	0.26	0.11
of which Non-OECD	0.45	0.40		0.31	0.38	0.46	0.44	0.43	0.45	0.37	0.25	0.12
OECD Pacific												
OECD North America	0.00	0.00		-	0.00	-	-	-	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	0.00		-	0.00	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	-	-	-	-
FSU	0.00	0.00		-	0.00	0.00	-	-	-	-	-	-
Saudi Arabia	0.00	-		-	-	-	-	-	-	-	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	0.00	-		-	-	-	-	-	-	-	-	-
Singapore	0.01	0.00		0.01	-	-	0.00	0.01	-	-	0.02	-
Non-OECD Asia (excl. Singapore)	0.06	0.06		0.07	0.07	0.05	0.05	0.05	0.07	0.04	0.06	-0.02
Other	0.02	0.02		0.01	0.03	0.02	0.03	0.00	0.03	0.02	0.01	0.02
Total²	0.09	0.09		0.10	0.10	0.07	0.08	0.06	0.11	0.06	0.09	-0.03
of which Non-OECD	0.09	0.09		0.10	0.10	0.07	0.08	0.06	0.11	0.06	0.09	-0.03
Total OECD Trade²	0.80	0.81		0.76	0.80	0.83	0.86	0.85	0.88	0.77	0.66	0.10
of which Non-OECD	0.75	0.77		0.71	0.76	0.80	0.82	0.78	0.84	0.74	0.57	0.17

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12e
Regional OECD Trade Balances^{1,2}
(million barrels per day)

OECD North America

Net Imports/(Exports) of										Latest month vs.	
	2002	2003	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 04	Dec 03	Jan 03
Crude Oil	7.20	7.62	6.71	8.06	8.08	7.62	7.39	7.36	7.25	-0.11	0.94
Products & Feedstocks	1.18	1.29	1.17	1.51	1.41	1.06	1.03	0.99	1.27	0.28	0.17
Gasoil/Diesel	0.00	0.03	0.08	-0.02	0.06	0.00	-0.03	-0.04	0.10	0.14	0.07
Gasoline	0.56	0.56	0.48	0.74	0.56	0.45	0.50	0.40	0.36	-0.04	-0.12
Heavy Fuel Oil	0.08	0.18	0.22	0.13	0.16	0.20	0.18	0.18	0.25	0.07	0.11
LPG	0.04	0.03	0.04	0.02	0.02	0.03	0.03	0.03	0.05	0.02	0.00
Naphtha	0.04	0.07	0.03	0.09	0.09	0.06	0.07	0.06	0.06	0.01	0.05
Jet & Kerosene	0.09	0.09	0.08	0.09	0.11	0.06	0.03	0.06	0.03	-0.02	-0.06
Other	0.37	0.34	0.24	0.45	0.41	0.26	0.25	0.31	0.42	0.12	0.13
Total	8.38	8.91	7.88	9.57	9.49	8.68	8.42	8.36	8.52	0.16	1.11

OECD Europe

Net Imports/(Exports) of										Latest month vs.	
	2002	2003	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 04	Dec 03	Jan 03
Crude Oil	7.17	7.79	7.61	7.69	7.89	7.98	7.96	7.70	7.63	-0.07	0.41
Products & Feedstocks	1.48	1.18	1.13	1.05	1.37	1.17	1.40	1.12	1.15	0.04	0.10
Gasoil/Diesel	0.43	0.43	0.36	0.54	0.46	0.36	0.41	0.53	0.31	-0.22	0.04
Gasoline	-0.34	-0.39	-0.40	-0.43	-0.36	-0.36	-0.38	-0.37	-0.36	0.01	-0.04
Heavy Fuel Oil	0.23	0.14	0.08	0.09	0.23	0.16	0.19	0.11	0.09	-0.03	0.08
LPG	0.14	0.07	0.11	0.02	0.07	0.07	0.07	0.11	0.15	0.04	0.06
Naphtha	0.25	0.22	0.27	0.23	0.19	0.21	0.26	0.10	0.18	0.08	-0.10
Jet & Kerosene	0.20	0.17	0.11	0.15	0.22	0.18	0.25	0.11	0.19	0.08	0.07
Other	0.57	0.54	0.60	0.45	0.56	0.55	0.60	0.52	0.60	0.08	-0.01
Total	8.65	8.97	8.74	8.74	9.26	9.14	9.36	8.81	8.78	-0.03	0.52

OECD Pacific

Net Imports/(Exports) of										Latest month vs.	
	2002	2003	1Q03	2Q03	3Q03	4Q03	Nov 03	Dec 03	Jan 04	Dec 03	Jan 03
Crude Oil	6.20	6.51	7.17	6.51	5.85	6.52	6.30	7.41	6.69	-0.72	-0.46
Products & Feedstocks	1.31	1.44	1.56	1.37	1.37	1.44	1.34	1.62	1.38	-0.24	-0.37
Gasoil/Diesel	-0.14	-0.08	-0.08	-0.06	-0.11	-0.05	-0.05	-0.01	-0.10	-0.09	-0.07
Gasoline	0.02	0.04	0.02	0.04	0.05	0.06	0.05	0.07	0.06	0.00	0.00
Heavy Fuel Oil	-0.02	-0.04	-0.04	0.00	-0.07	-0.06	-0.10	0.00	-0.11	-0.12	-0.10
LPG	0.54	0.52	0.55	0.52	0.53	0.50	0.56	0.51	0.52	0.01	0.00
Naphtha	0.70	0.77	0.77	0.71	0.84	0.76	0.66	0.79	0.75	-0.04	-0.01
Jet & Kerosene	0.00	0.05	0.14	-0.02	-0.02	0.11	0.10	0.14	0.06	-0.08	-0.21
Other	0.20	0.17	0.21	0.18	0.16	0.14	0.12	0.13	0.20	0.07	0.02
Total	7.51	7.95	8.73	7.88	7.22	7.97	7.64	9.03	8.07	-0.96	-0.83

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halff (+33) 0*1 40 57 65 93 e-mail: antoine.halff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org
	Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France
Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 69
E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

Readers are referred to the Users' Guide, published in conjunction with the Annual Statistical Supplement (current issue dated 11 August 2003), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to US\$ per barrel according to the Platt's specification of products (©2004 Platt's - a division of McGraw-Hill Inc.).

The monthly Oil Market Report is published on the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member Governments, largely on the basis of information received from oil companies, neither governments nor companies necessarily share the Secretariat's views or conclusions as expressed therein. ©OECD/IEA2004

12 May 2004

HIGHLIGHTS

- Global demand in 2004 has been revised up by 330 kb/d to 80.6 mb/d, putting growth against 2003 at nearly 2 mb/d. The increase reflects synchronous global economic expansion. First quarter estimates were revised higher as OECD transport fuel use soared. First quarter demand growth in China is now seen at almost 1 mb/d.
- NYMEX WTI futures hit \$40 in early May, driven higher by record gasoline prices and strength in diesel and jet fuel. Prices also found support in robust global demand and ongoing concerns over Middle East security issues. Crude prices subsequently eased after key OPEC members suggested that production targets should be reviewed higher.
- World oil production declined 440 kb/d in April to 81.5 mb/d. OPEC crude supply fell by 415 kb/d. Non-OPEC output growth for 2004 has been revised down despite gains in Russia, due notably to a lower forecast for OECD supply. In all, supply and demand changes boost the 2004 “call on OPEC crude and stock change” by 500 kb/d.
- OPEC-10 April crude supply fell 380 kb/d to 25.4 mb/d or 1.9 mb/d above target. Export disruptions caused Iraqi supply in April to dip to 2.34 mb/d. Recent calls for an upward adjustment to production targets allied to higher May export nominations could suggest a rebound in OPEC-10 crude supply.
- OECD industry oil stocks in the first quarter saw declines in product stocks outpacing gains in crude, for a net draw of 280 kb/d. Combined reformulated gasoline (RFG) and blending component stocks in the US Northeast rose in March and again in April, suggesting progress in the move to ethanol blended RFG supplies in New York and Connecticut.

Next Issue: 10 June 2004

Dear Subscriber,

CHANGES TO THE OIL MARKET REPORT

IEA Refining Margins

With effect from the next report dated 10 June 2004, the IEA will change its refinery margin calculations, providing broader coverage, incorporating a greater number of crude and refining regions to better reflect refinery economics. These new calculations have been prepared in conjunction with leading petroleum industry consultants Purvin & Gertz.

In addition to more representative cracking and hydroskimming margins in the existing four centres (North West Europe, Mediterranean, US Gulf Coast and Singapore), we will be incorporating a US West Coast and a Chinese margin calculation. More representative sweet and sour crudes will be monitored in each region and a coking margin will be added to the US Gulf Coast calculation. In total, 13 separate crude streams will be monitored in six key refining centres.

The IEA's current margin calculations are based on a methodology that dates back to 1992 and reflects the marginal revenue gained through the processing of an incremental barrel of oil. Changing refinery configurations, product specifications and environmental regulations mean that our margin calculations needed to be overhauled.

Discussions with industry suggested that we should switch from a 'marginal' to a 'full cost' margin calculation methodology. The latter yields a comprehensive assessment of the profitability of the petroleum industry segment. This is particularly relevant to the consideration of downstream investment in the current environment, while the resulting margin trend should provide a better indication of profitability.

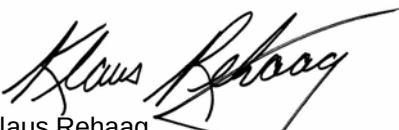
The new methodology is significantly more comprehensive than our existing calculations and will incorporate a wider range of product outputs. It incorporates a much broader range of inputs and operating costs, including adjustments for energy, interest, inflation, insurance and wage costs along with variable costs such as electricity and refinery fuel costs and freight rates.

The IEA plans to publish a full historical series of the refining margins on our website: www.oilmarketreport.org, which will enable subscribers to make comprehensive use of the data in their analyses of the oil market.

Tables Section

Also with effect from next month's report, you will find a new shortened version of the tables section at the back of the report. A number of tables will be moved from the published version of the Report, but will still be available for download from our web site: www.oilmarketreport.org. Tables 1, 1A, 4, 5 and 11 will be retained in the Report. The Summary of Global Oil Demand table, currently featuring in the Demand Section, will be moved to the Tables section.

Best regards,



Klaus Rehaag
Editor – Oil Market Report

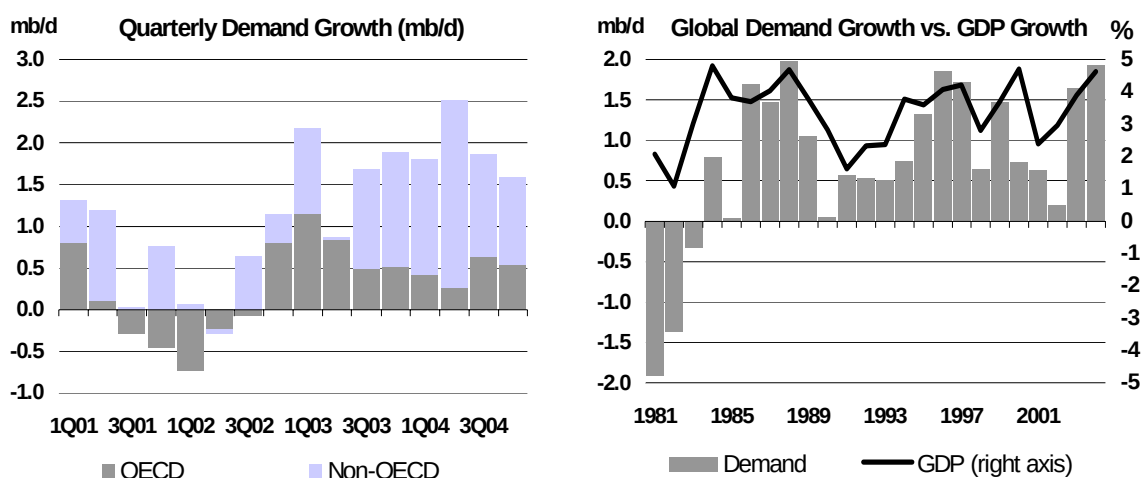
CONTENTS

HIGHLIGHTS.....	1
A MARKET ON STEROIDS	4
DEMAND	5
Summary	5
OECD.....	6
Early Indications of Current Demand	6
Europe	8
North America	9
Pacific.....	10
Non-OECD.....	10
China	10
SUPPLY.....	13
Summary	13
OPEC	14
Rising Caspian-Iranian Crude Swaps	17
OECD.....	17
North America	17
North Sea.....	19
Former Soviet Union (FSU).....	19
Export Capacity Unlikely to Curb Short Term Russian Growth.....	21
Other Non-OPEC.....	21
OECD STOCKS.....	24
Summary	24
OECD Industry Stock Changes in March 2004.....	25
Revisions to Preliminary OECD Stocks and Inventory Position at End-March.....	25
OECD Regional Stock Developments	26
North America	26
Europe	27
Pacific.....	27
Singapore Stock Developments in April.....	28
PRICES AND REFINERY ACTIVITY	30
Summary	30
April Overview.....	31
Higher Prices Not Exclusively an Oil Market Phenomenon	32
Crude Oil Prices.....	33
Spot Crude Prices and Differentials in April.....	33
Changes to Oseberg Assessment Could Affect Key Brent Benchmark	33
Crude Futures in April	35
Delivered Crude Prices in February.....	35
Product Prices.....	36
Spot Product Prices in April	36
Product Futures in April	39
End-User Product Prices in April	40
Freight.....	40
Refining Margins in April.....	40
Refinery Throughput in March.....	42
TABLES	45
OIL MARKET REPORT CONTACTS	

A MARKET ON STEROIDS

Preliminary estimates of robust OECD oil deliveries have raised the assessment of global first quarter demand. Previous Reports reflected upward revisions to non-OECD demand, particularly that of China. This time, OECD countries are responsible for a sharp upward revision. We have revised upwards the first quarter 2004 estimate of global demand by 660 kb/d, of which OECD countries account for over 580 kb/d. This suggests that world oil demand has risen by almost 1.8 mb/d year-on-year.

The revisions to OECD demand are related to transport fuels and are predominantly centred in North America and Europe. First quarter European demand has been revised upwards by 320 kb/d, primarily in distillates and other products. Revisions to jet fuel and LPG are the driving force in North America. All in all, these revisions push 2004 global demand growth up to 1.95 mb/d. On an annualised basis, this equates to 2.5% demand growth, a rate not seen since 1996. In absolute terms, the 2004 increase represents the single largest gain since 1988, when oil demand grew by 1.98 mb/d.



At the same time, the miscellaneous-to-balance item in our Table 1 has risen sharply, growing to an uncomfortable 1.2 mb/d in the first quarter. Miscellaneous-to-balance is the residual between global supply and global demand plus reported stock changes. It reflects statistical error and takes into account unobserved supply, underreported demand and unreported stock changes. Under normal conditions, the item averages below 400 kb/d. Spikes typically occur in conjunction with underlying structural shifts in the global economy, rendering model projections and trends unstable. Recently, the global economy has been jolted out of recession, and the lack of transparency in oil markets that plagues forecasts in normal times, is all the more acute in today's conditions.

The current positive miscellaneous-to-balance can be explained in terms of a strong non-OECD stock build, overstated supply, under-reported demand or some combination thereof. At nearly \$40/barrel oil, one would expect that any producer that can ramp up production will. Hence, it is unlikely that our balances significantly overstate supply. While OECD preliminary stock estimates are frequently revised, a potential upward revision would seem to run contrary to the strength of prices on physical markets. By extension, it is unlikely that vast amounts of commercial inventory have been added in non-OECD countries. Non-OECD governments could be adding to strategic storage, but not in the order of 1.2 mb/d. A stock build of this order of magnitude (+100 mb) would be visible to the market. That leaves unreported non-OECD and under-reported OECD demand.

And yet, our balances already reflect an unusual 1.95 mb/d, or 2.5%, growth in global oil demand. Such steep growth is not incommensurate with a surge in the global economic recovery. But this welcome resurgence in economic activity brings to the fore the issue of securing the necessary supplies to sustain the recovery. With a tight balance and commercial oil stocks still relatively low, price signals over the past year have made clear the need to sustain production and expand capacity. An increase in drilling and investments in refining capacity are required if the demand projections are to be sustainable. Beyond today's needs, suppliers would be well advised to give thought to boosting investment to secure production for tomorrow.

DEMAND

Summary

- The forecast of global demand growth for 2004 has been raised by 270 kb/d, reflecting indications of stronger growth than previously estimated for the year-to-date period. Growth estimates for 2003 have also been adjusted upwards, by 50 kb/d. All in all, total forecast demand for 2004 has been increased by an aggregate 330 kb/d, to 80.6 mb/d.
- At nearly 2 mb/d, forecast demand growth for 2004 is expected to be the highest in 16 years, reflecting synchronous economic growth spanning most of the globe.
- First-quarter demand has been adjusted upwards by 660 kb/d, with the OECD accounting for the bulk of the increase. Revisions to preliminary data point to a more shallow OECD demand contraction in February than previously estimated, while provisional March data for the nine largest OECD economies indicate a much steeper-than-expected rebound in oil deliveries.

Global Oil Demand from 2002 to 2004

	Demand (mb/d)	Annual Change* (%)	(mb/d)	Changes from last month's Report (mb/d)
1Q02	77.0	-0.9	-0.7	-
2Q02	75.3	-0.4	-0.3	-
3Q02	76.7	0.7	0.6	-
4Q02	79.1	1.5	1.1	-
1Q03	79.2	2.8	2.2	-
2Q03	76.1	1.1	0.9	0.1
3Q03	78.4	2.2	1.7	0.1
4Q03	80.9	2.4	1.9	0.1
1Q04	81.0	2.2	1.8	0.7
2Q04	78.7	3.4	2.6	0.4
3Q04	80.2	2.4	1.9	0.2
4Q04	82.5	2.0	1.6	0.1
2002	77.0	0.3	0.2	-
2003	78.7	2.1	1.6	0.1
2004	80.6	2.5	1.9	0.3

* year-on-year change

- Despite substantial upward adjustments, OMR estimates may still understate first-quarter global demand. In the current high-price environment, an unusually large “miscellaneous-to-balance” item of 1.2 mb/d in OMR first-quarter supply/demand balances is likely to reflect primarily unidentified demand, rather than overstated supply or unreported stock builds. While there is not yet enough evidence to trace any amount of understated demand to specific countries and products, future data revisions may help narrow the gap.

Estimated Annual World Oil Demand Growth 1999-2004

	(million barrels per day)					
	99-98	00-99	01-00	02-01	03-02	04-03
North America	0.71	0.26	-0.06	0.15	0.48	0.39
Latin America	0.02	-0.01	0.02	-0.11	-0.12	0.08
FSU	-0.15	0.09	-0.01	-0.20	0.10	-0.07
Europe	-0.15	-0.12	0.21	-0.15	0.14	0.24
OECD Pacific	0.28	-0.08	-0.08	-0.04	0.13	-0.14
China	0.21	0.26	0.12	0.27	0.55	0.75
Other Asia	0.41	0.09	0.16	0.12	0.18	0.40
Subtotal, Asia	0.90	0.28	0.20	0.35	0.86	1.01
Middle East	0.04	0.18	0.19	0.13	0.14	0.26
Africa	0.11	0.05	0.09	0.02	0.04	0.05
World	1.48	0.72	0.63	0.19	1.65	1.95

- Soaring demand for transportation fuels led the surge in OECD oil deliveries. Aggregate March demand for gasoline and diesel in the nine largest OECD economies grew by close to 1 mb/d year-on-year, while that for jet fuel-kerosene posted the steepest gain in a year.
- Chinese oil demand expanded by nearly 1 mb/d in the first quarter and is expected to rise even faster in the second quarter, offsetting the impact of the Severe Acute Respiratory Syndrome (SARS) outbreak last year. Growth is currently forecast to slow in the second half of the year, but a high-case scenario of 1 mb/d or more annual growth cannot be ruled out. Government measures to cool economic growth are not expected to have a significant impact on oil demand in the short term. China remains the main driver of world demand growth in both absolute and percentage terms for 2004.

Global Oil Demand by Region

(million barrels per day)

	Demand	Annual Change			Annual Change (%)		
	2003	2002	2003	2004	2002	2003	2004
North America	24.64	0.15	0.48	0.39	0.6	2.0	1.6
Europe	16.00	-0.15	0.14	0.24	-1.0	0.9	1.5
OECD Pacific	8.63	-0.04	0.13	-0.14	-0.5	1.5	-1.6
China	5.49	0.27	0.55	0.75	5.9	11.1	13.6
Other Asia	7.87	0.12	0.18	0.40	1.6	2.3	5.1
Subtotal Asia	21.99	0.35	0.86	1.01	1.7	4.1	4.6
FSU	3.56	-0.20	0.10	-0.07	-5.5	3.0	-2.0
Middle East	5.20	0.13	0.14	0.26	2.6	2.8	4.9
Africa	2.61	0.02	0.04	0.05	0.9	1.7	1.7
Latin America	4.66	-0.11	-0.12	0.08	-2.3	-2.5	1.7
World	78.66	0.19	1.65	1.95	0.3	2.1	2.5

OECD

Early Indications of Current Demand

Preliminary statistics for the nine largest OECD economies show remarkably steep growth in oil deliveries in March (see Table below). For the four largest European economies, unadjusted inland delivery data show growth of 7.9% year-on-year, led by double-digit gains in France and the UK. In North America, both Canadian and Mexican demand grew at more than 6%, compounding the gains resulting from milder growth in the US. Korean demand expanded at a 3% clip. Japan bucked the trend, following the restart of previously idled nuclear power generators, with demand contracting by 5.9% on the year. All in all, March demand growth for the nine leading industrialised economies, as reflected in unadjusted preliminary data, reached 1.6% year-on-year. Adjusted data used in OMR balances suggest even faster expansion of 2.4%.

Preliminary Inland Deliveries – March 2004¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	8.95	4.3	1.54	-3.0	2.67	2.3	1.32	-4.4	0.82	-9.4	4.45	-3.2	19.76	0.4
Canada	0.67	3.7	0.14	8.8	0.42	8.0	0.12	-11.2	0.14	13.0	0.24	15.9	1.73	6.1
Mexico	0.64	10.5	0.06	7.1	0.31	6.6	0.00	na	0.38	1.3	0.39	7.1	1.78	6.9
Japan	1.06	3.8	0.78	-9.0	0.69	-1.7	0.61	0.2	0.51	-16.7	1.66	-9.7	5.32	-5.9
Korea	0.15	2.1	0.06	45.5	0.42	7.8	0.16	-5.7	0.33	2.2	1.05	1.4	2.17	3.0
France	0.26	-1.4	0.13	6.3	0.65	10.4	0.40	41.2	0.07	20.9	0.51	7.3	2.01	12.8
Germany	0.58	-3.5	0.14	1.3	0.60	6.8	0.59	15.8	0.10	-9.2	0.50	6.9	2.50	5.1
Italy	0.34	1.0	0.07	-10.1	0.50	10.0	0.11	4.8	0.21	4.9	0.42	3.8	1.66	4.5
UK	0.46	3.7	0.33	18.1	0.40	17.1	0.15	12.5	0.04	-14.4	0.37	7.2	1.76	10.1
Total	13.12	3.9	3.26	-1.1	6.65	5.2	3.46	4.0	2.60	-5.6	9.60	-1.5	38.68	1.6

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

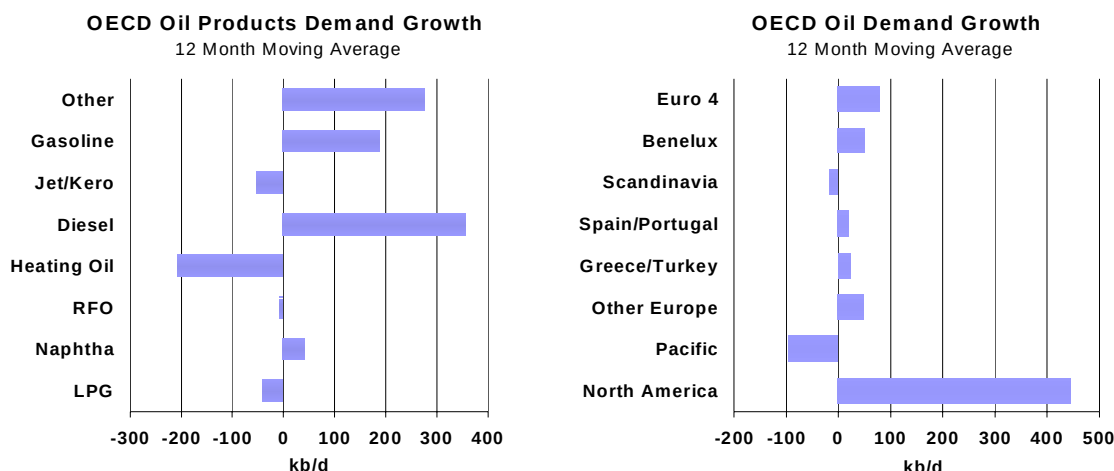
Percentage change is calculated from the same month of the previous year

1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

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

Relatively weak deliveries in both the month-earlier and the year-earlier periods partly explain the March rebound. In 2003, a February demand spike in the largest OECD economies had led to much slower growth in March, when deliveries plummeted by 2.26 mb/d on the month. In contrast, this year, February demand fell by 570 kb/d year-on-year, shifting back into robust growth in March. From February to March of 2004, the seasonal drop in demand narrowed to about 730 kb/d.



However, while month-to-month shifts in demand patterns may account in part for the strength of March deliveries, underlying fundamentals, rather than short-term fluctuations, are a more decisive factor behind the steep demand growth. Upward adjustments to preliminary oil delivery data indicate that the February demand contraction was itself much shallower than previously assessed. Compounding upward adjustments of more than 1.14 mb/d for March, revisions of 550 kb/d for February and a smaller, 60 kb/d, upward adjustment for January lift the first quarter average of total OECD demand by 580 kb/d from last month's Report. First-quarter OECD demand, which was previously thought to have edged lower on the year, is now estimated to have expanded annually by about 390 kb/d. This reversal occurs despite the fading impact of one-off factors which had fuelled robust demand growth of 1.15 mb/d in the first-quarter 2003, such as colder-than-normal weather across the OECD and fuel-switching into oil from natural gas in North America and nuclear power in Japan.

Moving Annual Average Change in Oil Demand* – March 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	-3.5%	5.1%	1.8%	-1.9%	4.5%	-6.4%	6.3%	4.0%	1.3%	255
Canada**	5.3%	-2.1%	1.5%	6.5%	0.2%	5.5%	19.5%	8.2%	4.8%	101
Mexico	0.1%	15.4%	6.1%	0.8%	6.5%	6.5%	-7.8%	33.8%	4.2%	83
Japan	-6.2%	-1.5%	0.8%	-5.8%	-3.7%	-1.5%	3.5%	-2.4%	-1.9%	-104
Korea	-6.0%	3.2%	-5.3%	-9.0%	8.1%	-9.3%	-2.1%	-52.7%	-0.6%	-14
France	2.5%	30.5%	-6.8%	5.3%	0.8%	2.4%	-1.2%	18.2%	4.1%	82
Germany	3.0%	2.3%	-3.9%	1.9%	8.1%	-10.2%	-0.3%	1.0%	-1.2%	-32
Italy	3.6%	6.9%	2.1%	22.3%	13.9%	-25.9%	-8.6%	-2.7%	0.8%	14
UK	8.7%	5.4%	-2.2%	0.8%	4.1%	4.1%	1.5%	-2.3%	1.0%	17
Total	-2.0%	3.6%	1.2%	-1.8%	4.3%	-4.9%	0.4%	5.4%	1.0%	401
kb/d	-83	94	159	-62	256	-177	14	199	401	

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

** near-month data are estimated

In contrast with the first quarter of 2003, when demand for heating oil grew faster than for any other product, in 2004 surging demand for transportation fuels is leading the overall gain. First-quarter gasoline demand jumped by a provisional 450 kb/d while diesel demand soared by 310 kb/d. Jet fuel demand inched lower by close to 20 kb/d on average, but swung back into growth in March, in line with rebounding air travel demand. The trend is consistent with accelerating economic recovery across the OECD.

Despite substantial revisions to first-quarter OECD demand assessments and robust global demand growth of 1.9 mb/d, or 2.5%, OMR supply/demand balances include an unusually large “miscellaneous-to-balance” item for the first quarter. This suggests that demand may still be understated. In principle, any amount in the miscellaneous-to-balance category – the statistical difference between global supply and global demand plus reported stock changes – may reflect overstated supply, unobserved stocks, unidentified demand, or any combination of those factors. In a high-price environment such as we are currently experiencing, however, the high costs associated with any build-up of stocks make it relatively unlikely that inventories would be substantially understated. Higher stocks would also appear inconsistent with current price levels in that commercial inventory builds tend to put downward pressure on prices. In addition, high oil prices offer producers a strong incentive to maximise output, so the chances of significantly overstating oil supply appear comparatively slim. The most likely explanation for the spike in the miscellaneous-to-balance item would thus be understated demand.

Given OMR methodological requirements that oil demand assessments be tracked as much as possible to observed levels of deliveries, first-quarter demand estimates cannot be adjusted upwards until the increment can be confidently allocated to specific countries and products. It is expected that at least part of the miscellaneous-to-balance item for the first quarter of 2004 and the fourth quarter of 2003 may be shifted into demand once ongoing reviews of OECD member countries’ historical demand are completed. That may result in upward adjustments in 2003 demand and a corresponding increase in baseline demand that would trim the statistical difference for 2004. Any attempt to force balances now would run the risk of coming undone once more statistical light is shed on recent demand trends in both OECD Member and non-Member countries.

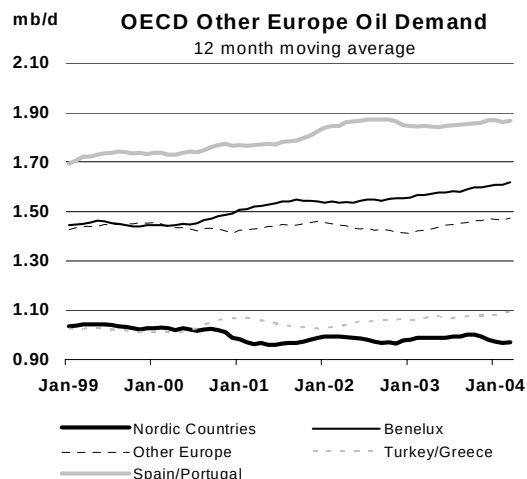
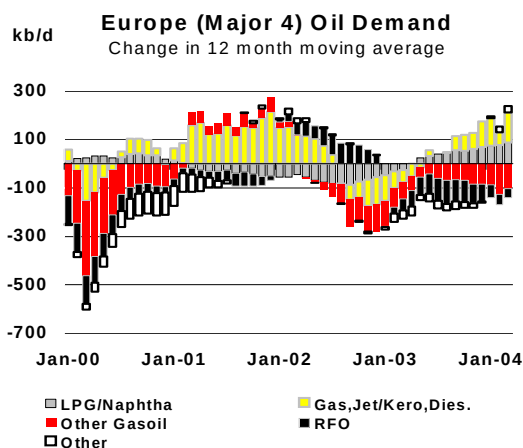
Europe

OECD Europe accounted for the bulk of this month’s revision in first quarter OECD demand. On aggregate, demand was adjusted upwards by 320 kb/d. European demand now looks to have expanded significantly in the first quarter, rather than edged lower as previously thought. The first quarter gain now stands at 300 kb/d, or 2% year-on-year.

Transportation fuels account for a significant share of the revisions. In light of the adjustments, their role as the main driver of demand growth comes into even sharper relief than before. Distillate demand was adjusted upwards by 80 kb/d, bringing diesel demand growth to a steep 200 kb/d, or 5.7%. Jet fuel-kerosene demand was raised by 20 kb/d. This translates into year-on-year growth of 30 kb/d, or 3%. A 40 kb/d provisional upward adjustment in gasoline, if confirmed, would signal a 10 kb/d increase in demand. That would be the first break in European gasoline demand contraction since the second quarter of 1999. All in all, transportation fuels account for roughly 240 kb/d of first-quarter demand growth, or 80% of the total year-on-year increment.

In addition, first-quarter demand for LPG was revised upwards by 80 kb/d, to show year-on-year growth of 85 kb/d, and by 100 kb/d for other products, to 150 kb/d growth. However, a degree of uncertainty clouds Spanish estimates of other product demand, which soared from the spring of 2003 onwards, even as naphtha demand plunged. It is assumed in this Report that the two trends are unrelated and that the decline in Spanish naphtha deliveries, starting in May of last year, reflects a temporary disruption in petrochemical operations which started reversing last March, leading to an expected gradual rebound in naphtha demand in March and April of this year. If the drop in naphtha demand and spike in other products were instead to reflect a definitional or methodological change in oil statistics, or some kind of product substitution at the end-user level, then the estimate of Spanish demand for March and the demand forecast for the remainder of the year would be subject to downward revisions.

Broken down by month, the steep rebound in OECD demand appears heavily loaded towards the end of the quarter. Total European demand rose by 60 kb/d in January, contracted by 135 kb/d in February – offsetting growth of 490 kb/d in February last year – and swung back into growth of 935 kb/d in March. Unadjusted preliminary estimates of inland March deliveries show growth of 12.8% in France, 10.1% in the UK, 5.1% in Italy and 4% in Germany. Much of the March gain was in diesel, demand for which shot up by 350 kb/d (including unadjusted gains of 17.1% in the UK, 10.4% in France, 10% in Italy and 6.8% in Germany). This may reflect a pick-up in the pace of economic recovery, which may have spurred stronger trucking activity. But it also likely reflects increased agricultural demand, in line with sharply higher agricultural commodity prices, which have prompted farmers to grow more crops. The effect of more intensive farming on diesel demand is twofold: farmed land is expanded as land is taken out of pasture to maximise output. In a bid to boost yields, farmers also resort to more intensive fertiliser, weed-killer and pesticide usage. All this intensifies the use of farm machinery and consequently diesel.



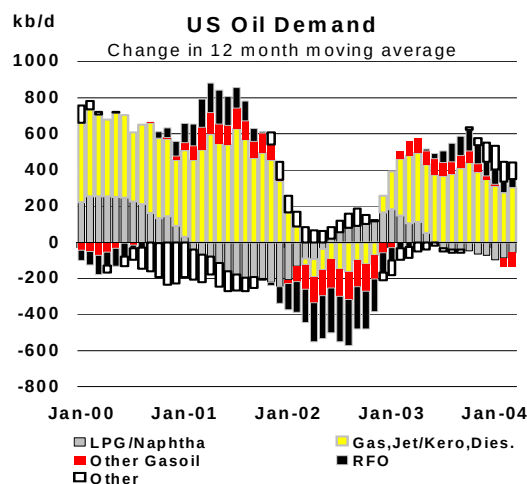
The potential impact of increasing farming activity of diesel consumption raises the issue of the sustainability of current demand growth rates. Farming demand tends to come in spurts, owing to the substantial amount of agricultural storage capacity. The spike in March diesel demand, in line with the seasonal resurgence in farming, may thus amount to a one-off factor, as farmers draw down for some time on tertiary storage accumulated early in the season. Concerns over the availability of transportation fuels during the summer may also have encouraged end-user precautionary storage, both among agricultural users and in other sectors.

North America

First quarter North American demand was revised upwards by an aggregate 200 kb/d, mostly in Canada, bringing year-on-year growth to 470 kb/d, or 1.9%. Even more than in Europe, transportation fuels were clearly the driver of demand growth: first-quarter demand for gasoline soared by 350 kb/d (+3.4%), 110 kb/d for diesel (+3.4%) and 50 kb/d for jet fuel-kerosene (+2.6%).

As in Europe, a spike in agricultural demand, compounding the effect of the economic recovery and increased trucking activity, may have contributed to the yearly increase in diesel. Demand for diesel gathered momentum over the quarter, expanding by 180 kb/d in February and 200 kb/d in March after contracting by 50 kb/d in January. While a refilling of farm diesel storage tanks may have been a factor, increased secondary or tertiary demand for storage may also have contributed to the surge in gasoline demand, in light of well-publicised fears over potential gasoline tightness and price spikes this summer. However, this appears unlikely to have been a major factor, given storage constraints and the fast turnover at retail facilities.

Storage issues are not an issue for jet fuel, however, given the product's short shelf life and storage capacity limits. A strong rebound in air travel is clearly trickling through to the jet fuel market, though the initial resurgence was partly muted by a marked recovery in aircraft load factors. As more planes are brought back into service to meet growing passenger demand, jet fuel consumption appears set for a continued recovery through the remainder of the year.

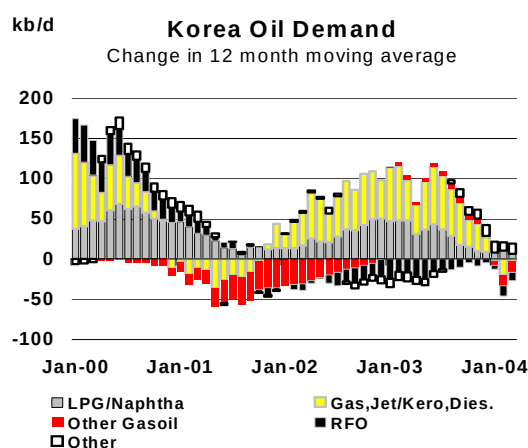
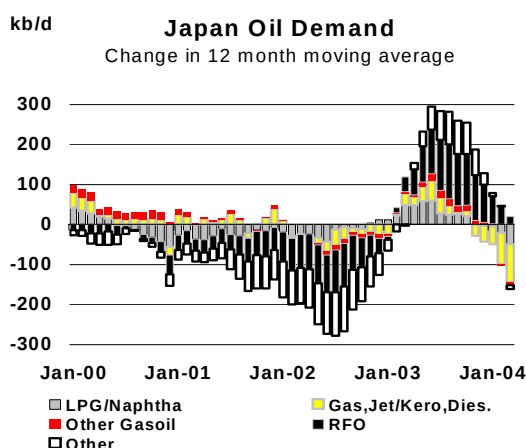


One area of uncertainty concerns Canadian demand for other products, which soared by 80 kb/d in January (+36%) and 90 kb/d (+34.5%) in February. Part of that increase reflects unexplained gains of 20 kb/d and 40 kb/d, respectively, in petroleum coke deliveries. Stronger coke demand may stem from fuel substitution at oil sands production facility, perhaps on a pilot basis. Producers have been known to favour replacing natural gas with coke as the energy source at producing facilities, as a way of both bringing down operating costs and disposing of unwanted by-products. However, no breakthrough has yet been reported in implementing that change. Nor does the increase in coke deliveries account for the full jump in other products. In this Report, it is assumed that strong other

product demand growth will continue through the first quarter. March preliminary assessments have thus been adjusted upwards in anticipation of future revisions (January and February preliminary estimates had not fully captured the gain in other products and were revised substantially upwards). However, the forecast for the remainder of the year has been left unchanged and remains subject to large upward revisions if current trends hold.

Pacific

Demand in the OECD Asia-Pacific region contracted in the first quarter, bucking the OECD trend. The first-quarter drop in demand widened to 380 kb/d from 270 kb/d in the fourth quarter 2003, reflecting primarily the restart of temporarily idled nuclear power plants in Japan. At the time of writing, 12 of Tokyo Electric Power Co.'s (Tepco) 17 generators had been brought back into service. Japan's loss of nuclear power generating capacity, which started in the fall of 2002 due to a controversy over safety records and inspection practices, had virtually come to an end.



The bulk of the first-quarter contraction in Asian demand was in residual fuel oil and other products, including heavy, sweet crude oil used for direct burn at electricity generators. Residual fuel oil demand contracted by 130 kb/d, with other products posting a 60 kb/d drop. The effect of recovered Japanese nuclear power generation capacity was compounded by milder winter weather in Northeast Asia, which reduced heating requirements. Demand for jet fuel-kerosene, which jumps seasonally in Japan and Korea for winter heating, contracted by 128 kb/d and 100 kb/d year-on-year in the fourth quarter 2003 and first quarter 2004, in line with lower heating degree days.

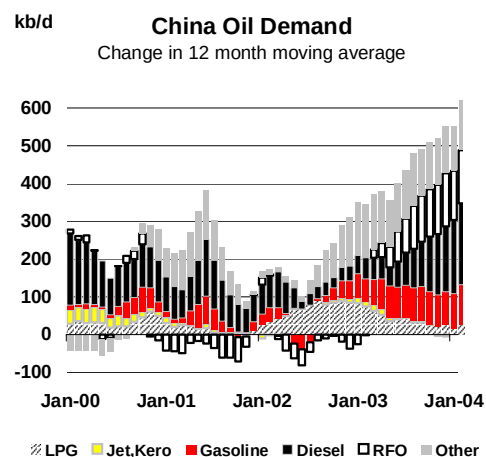
However, the drop in Japanese demand in the first quarter was slightly less than expected. Preliminary estimates for February were revised upwards by 90 kb/d, while preliminary data for March exceeded forecast levels by 70 kb/d.

Non-OECD

China

Chinese apparent demand – defined as domestic output of refined products plus net product imports – appeared to ease as expected in March, mostly on the back of refining maintenance and lower LPG imports, but remained well above last year. Apparent March demand fell month-on-month to a provisional 5.97 mb/d from 6.37 mb/d in February and 6.18 mb/d in January, but rose by an estimated 745 kb/d, or 14.2%, from March 2003.

On average, Chinese apparent demand is estimated at 6.17 mb/d in the first quarter, a year-on-year surge of 18.5%, or 960 kb/d. For the second quarter, demand is expected to reach 6.26 mb/d, a gain of 1.08 mb/d, or 20.9%, over the previous year. While Chinese product demand tends to grow seasonally from the first to the second quarter, as agricultural demand and fishing demand kick in, year-on-year growth is expected to pick up



momentum this year in the second quarter, offsetting the adverse impact of the SARS outbreak in the spring of 2003. Current projections see growth slowing somewhat in the second half of the year. However, demand growth for the year, now assessed at about 750 kb/d, could be even higher under a high-case scenario.

China Crude & Product Trade

(thousand barrels per day)

	2002	2003	2Q03	3Q03	4Q03	1Q04	Jan 04	Feb 04	Mar 04	Latest month vs.	
										Feb 04	Mar 03
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1556	1731	1716	2290	2262	2547	2079	-468	551
Products & Feedstocks	361	442	415	586	445	583	617	616	519	-97	239
Gasoil/Diesel	-16	-28	-32	-42	-9	22	19	23	23	0	50
Gasoline	-142	-175	-191	-184	-151	-95	-10	-139	-140	-1	55
Heavy Fuel Oil	281	407	401	531	361	448	376	509	461	-48	145
LPG	197	202	209	211	203	172	173	195	150	-44	-1
Naphtha	-16	-22	-25	-22	-24	-21	-16	-35	-13	22	9
Jet & Kerosene	9	1	4	15	-6	21	28	12	22	10	6
Other	48	58	50	77	70	37	46	51	15	-35	-25
Total	1609	2106	1972	2317	2161	2874	2879	3163	2598	-565	791

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

On the other hand, it is not expected that recent government measures to cool off economic expansion will result in significantly lower oil demand growth, regardless of their effect on the underlying economy. Distillate demand growth, which took the lion's share of incremental Chinese demand in 2003, results in large part from the growing gap between electricity demand growth and increases in power generation capacity. That gap, which boosts reliance on individual diesel generators, may take years to bridge. Growth in demand for transportation fuels reflects structural changes in the transportation infrastructure which appear unlikely to revert. Rising demand for naphtha results from the rapid growth of ethylene cracking capacity, along with that of the broader petrochemical and plastic industries. Planned ethylene cracking expansions, for which large investments have already been mobilised, are expected to come to fruition, thereby boosting oil demand.

India Crude & Product Trade

(thousand barrels per day)

	2002	2003	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04 ¹	Latest month vs.	
										Jan 04	Feb 03
Net Imports/(Exports) of:											
Crude Oil	na	1863	1752	1957	1801	1943	1875	1974	1799	-175	-18
(by Public Oil Cos)	1088	1243	1137	1317	1137	1379	1449	1218	1001	-216	-257
Products & Feedstocks	-83	-152	-125	-185	-205	-91	-14	21	-186	-207	-60
Gasoil/Diesel	-53	-119	-113	-120	-144	-99	-63	-62	-154	-92	-28
Gasoline	-48	-72	-66	-71	-88	-62	-68	-54	-98	-44	-22
Heavy Fuel Oil	6	5	-10	24	13	-8	-13	26	-33	-59	-35
LPG	22	55	75	28	38	79	117	89	88	-1	9
Naphtha	4	-1	13	-43	-3	30	45	42	18	-25	-15
Jet & Kerosene	10	-22	-14	-3	-28	-42	-48	-35	-16	18	9
Other	-23	1	-11	-1	7	11	16	14	9	-5	22
Total	1005	1091	1627	1771	1596	1852	1861	1995	1613	-382	-78

¹ Preliminary

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

Yearly data for net imports of crude oil for 2002 are not available.

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

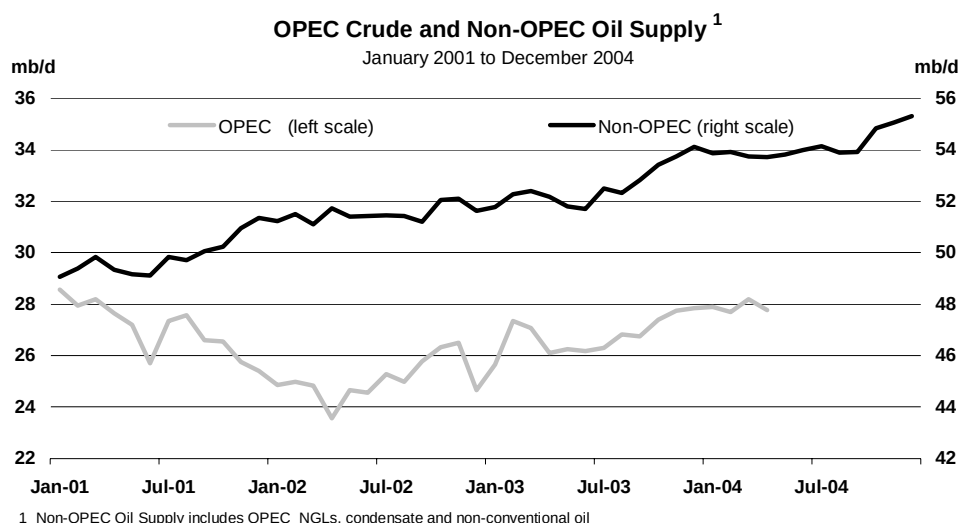
Summary of Global Oil Demand

	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
Demand (mb/d)																
North America	24.00	23.94	24.02	24.31	24.34	24.16	24.56	24.16	24.89	24.93	24.64	25.03	24.44	25.29	25.34	25.03
Europe	15.27	15.21	14.69	15.20	15.33	15.11	15.19	14.98	15.26	15.52	15.24	15.49	15.20	15.44	15.72	15.46
Pacific	8.54	9.06	7.64	8.03	9.26	8.50	9.60	8.04	7.88	8.99	8.63	9.23	7.85	7.94	8.93	8.49
Total OECD	47.81	48.21	46.35	47.54	48.93	47.76	49.36	47.19	48.03	49.44	48.50	49.75	47.50	48.67	49.98	48.98
FSU	3.65	3.48	3.11	3.38	3.84	3.45	3.81	3.10	3.45	3.87	3.56	3.49	3.19	3.40	3.84	3.48
Europe	0.75	0.81	0.75	0.70	0.76	0.75	0.82	0.76	0.71	0.77	0.77	0.84	0.78	0.73	0.79	0.78
China	4.67	4.64	5.02	4.94	5.20	4.95	5.21	5.18	5.73	5.85	5.49	6.17	6.26	6.19	6.34	6.24
Other Asia	7.57	7.56	7.70	7.62	7.87	7.69	7.72	7.67	7.80	8.29	7.87	8.11	8.20	8.19	8.58	8.27
Latin America	4.89	4.72	4.81	4.86	4.72	4.78	4.46	4.64	4.78	4.74	4.66	4.55	4.73	4.86	4.80	4.74
Middle East	4.93	5.02	4.94	5.15	5.13	5.06	5.18	4.96	5.34	5.33	5.20	5.38	5.36	5.61	5.48	5.46
Africa	2.55	2.58	2.59	2.51	2.60	2.57	2.63	2.63	2.54	2.66	2.61	2.67	2.68	2.58	2.71	2.66
Total Non-OECD	29.00	28.80	28.92	29.15	30.13	29.25	29.83	28.94	30.34	31.50	30.16	31.22	31.19	31.56	32.54	31.63
World	76.82	77.01	75.27	76.69	79.06	77.01	79.19	76.12	78.37	80.94	78.66	80.97	78.69	80.23	82.52	80.61
Of which:																
US	19.65	19.53	19.72	19.92	19.87	19.76	20.01	19.67	20.33	20.27	20.07	20.28	19.95	20.67	20.60	20.38
Euro 4	8.43	8.35	7.99	8.38	8.27	8.25	8.21	8.17	8.23	8.34	8.24	8.44	8.19	8.26	8.36	8.31
Japan	5.39	5.68	4.62	5.03	5.87	5.30	6.19	4.99	4.87	5.57	5.40	5.86	4.76	4.85	5.49	5.24
Korea	2.13	2.35	1.99	2.01	2.37	2.18	2.41	2.03	1.98	2.37	2.20	2.33	2.04	2.03	2.34	2.19
Mexico	1.99	1.99	1.98	1.97	1.98	1.98	2.02	2.07	2.07	2.07	2.06	2.08	2.06	2.09	2.13	2.09
Canada	2.04	2.08	2.02	2.09	2.15	2.09	2.17	2.10	2.17	2.25	2.17	2.31	2.11	2.20	2.26	2.22
Brazil	2.20	2.15	2.16	2.22	2.19	2.18	2.00	2.07	2.15	2.17	2.10	2.04	2.09	2.17	2.19	2.13
India	2.27	2.31	2.31	2.21	2.33	2.29	2.36	2.29	2.23	2.43	2.33	2.46	2.44	2.35	2.52	2.44
Annual Change (% per annum)																
North America	-0.2	-1.6	0.8	1.0	2.4	0.6	2.6	0.6	2.4	2.4	2.0	1.9	1.2	1.6	1.6	1.6
Europe	1.1	0.0	-0.5	-2.0	-1.7	-1.1	-0.1	2.0	0.4	1.3	0.9	2.0	1.5	1.2	1.3	1.5
Pacific	-0.9	-3.6	-4.2	0.0	5.4	-0.5	6.0	5.3	-1.9	-2.9	1.5	-3.9	-2.4	0.8	-0.7	-1.6
Total OECD	0.1	-1.5	-0.5	-0.2	1.7	-0.1	2.4	1.8	1.0	1.0	1.6	0.8	0.7	1.3	1.1	1.0
FSU	-0.3	-6.3	-7.1	-1.6	-6.6	-5.5	9.3	-0.2	2.1	0.6	3.0	-8.3	2.9	-1.2	-0.6	-2.0
Europe	6.0	0.8	1.1	1.4	1.5	1.2	1.8	1.5	1.6	1.7	1.6	1.8	1.9	2.0	2.2	2.0
China	2.5	3.9	1.1	9.7	9.0	5.9	12.3	3.3	16.1	12.5	11.1	18.5	20.9	8.1	8.3	13.6
Other Asia	2.1	0.7	1.7	1.9	2.1	1.6	2.1	-0.5	2.3	5.3	2.3	5.0	7.0	5.0	3.5	5.1
Latin America	0.4	-1.2	-2.8	-1.9	-3.1	-2.3	-5.4	-3.6	-1.6	0.5	-2.5	2.0	1.9	1.7	1.4	1.7
Middle East	4.0	2.6	2.4	2.7	2.7	2.6	3.2	0.3	3.7	3.7	2.8	3.9	8.1	5.1	2.8	4.9
Africa	3.5	0.0	0.5	2.2	1.0	0.9	2.1	1.7	1.0	2.2	1.7	1.7	1.7	1.8	1.8	1.7
Total Non-OECD	2.1	0.2	-0.2	2.2	1.2	0.9	3.6	0.1	4.1	4.5	3.1	4.6	7.8	4.0	3.3	4.9
World	0.8	-0.9	-0.4	0.7	1.5	0.3	2.8	1.1	2.2	2.4	2.1	2.2	3.4	2.4	2.0	2.5
Annual Change (mb/d)																
North America	-0.06	-0.39	0.18	0.24	0.58	0.15	0.62	0.13	0.58	0.59	0.48	0.47	0.28	0.39	0.40	0.39
Europe	0.17	0.00	-0.08	-0.31	-0.26	-0.16	-0.02	0.30	0.06	0.19	0.13	0.30	0.22	0.18	0.20	0.22
Pacific	-0.08	-0.34	-0.33	0.00	0.48	-0.04	0.55	0.41	-0.15	-0.27	0.13	-0.38	-0.19	0.06	-0.06	-0.14
Total OECD	0.03	-0.73	-0.23	-0.07	0.80	-0.05	1.15	0.84	0.49	0.51	0.74	0.39	0.31	0.64	0.54	0.47
FSU	-0.01	-0.24	-0.24	-0.05	-0.27	-0.20	0.33	-0.01	0.07	0.02	0.10	-0.32	0.09	-0.04	-0.02	-0.07
Europe	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02
China	0.12	0.17	0.05	0.44	0.43	0.27	0.57	0.17	0.79	0.65	0.55	0.96	1.08	0.46	0.49	0.75
Other Asia	0.16	0.05	0.13	0.15	0.16	0.12	0.16	-0.04	0.18	0.41	0.18	0.39	0.53	0.39	0.29	0.40
Latin America	0.02	-0.06	-0.14	-0.09	-0.15	-0.11	-0.25	-0.17	-0.08	0.02	-0.12	0.09	0.09	0.08	0.07	0.08
Middle East	0.19	0.13	0.12	0.13	0.14	0.13	0.16	0.01	0.19	0.19	0.14	0.20	0.40	0.27	0.15	0.26
Africa	0.09	0.00	0.01	0.05	0.03	0.02	0.06	0.04	0.03	0.06	0.04	0.04	0.04	0.04	0.05	0.05
Total Non-OECD	0.60	0.06	-0.05	0.63	0.34	0.25	1.03	0.02	1.19	1.37	0.91	1.39	2.25	1.23	1.04	1.47
World	0.63	-0.67	-0.28	0.56	1.14	0.19	2.18	0.86	1.68	1.88	1.65	1.78	2.57	1.86	1.58	1.95
Changes from Last Month's Report																
North America	-	0.01	-	-0.03	-0.01	-0.01	-	-	-	0.01	-	0.20	0.10	0.02	0.04	0.09
Europe	-	-	-	-	-	-	-	-	-	0.03	0.01	0.32	0.06	0.02	0.03	0.11
Pacific	-	-	-	-	-	-	-	-	-	-	-	0.07	-	-	0.01	0.02
Total OECD	-	0.01	-	-0.03	-0.01	-0.01	-	-	-	0.04	0.01	0.58	0.17	0.04	0.08	0.22
FSU	-	-	-	-	-	-	-	-	-	-0.01	-	0.04	0.12	-	-0.01	0.04
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	0.03	0.04	0.05	0.05	0.05
Other Asia	-	0.01	0.01	0.01	0.01	0.01	0.04	0.04	0.04	0.04	0.04	0.01	0.04	0.04	-0.01	0.02
Latin America	-	-	-	-	-	-	-	-	-	-	-	-0.01	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	0.03	0.01	0.01	-	0.02	0.02	0.03	0.02	-	0.02	0.02	0.03	0.02
Total Non-OECD	-	0.01	0.02	0.04	0.02	0.02	0.04	0.05	0.06	0.05	0.05	0.07	0.22	0.12	0.06	0.12
World	-	0.02	0.02	0.01	0.01	0.01	0.04	0.05	0.06	0.09	0.06	0.66	0.38	0.16	0.13	0.33

SUPPLY

Summary

- **World oil supply** declined by 440 kb/d in April and averaged 81.5 mb/d. OPEC crude oil supply for April is estimated to have fallen by 415 kb/d. For non-OPEC supply, a 175 kb/d reduction in output from OECD producers was counteracted by a 185 kb/d increase in non-OECD supply. OPEC other liquids and processing gain fell by a combined 35 kb/d. Production this April averaged 3.2 mb/d higher than last year.
- **April non-OPEC supply** was 30 kb/d lower than in March due to developments in OECD countries. North Sea maintenance, a seasonal decline in western Canadian supply and renewed Australian gas plant problems underpinned the reduction. In contrast, Russian production continued to grow strongly, rising 65 kb/d versus March. Output from Brazil, China, Ecuador and Angola rebounded from suppressed March levels and pipeline flows from Chad are believed up. Non-OPEC supply could now rise by 350 kb/d through July, levelling off in third quarter.
- This month sees a further reduction in 2004's **non-OPEC supply growth** of 100 kb/d, to 1.2 mb/d, following last year's 0.9 mb/d rise. 2003 supply has been reduced by 50 kb/d and 2004's total by 150 kb/d. The latter revision is concentrated in the first half of the year. Supply from the US Gulf of Mexico has been revised down 35 kb/d for 2003 and by 100 kb/d for this year, but remains on a rising trend as new fields start up. Downward revisions for the non-OECD amount to 30 kb/d in 2004. A 45 kb/d upward revision for Russia only partially counteracts lower expectations for Oman, Brazil and Angola.
- **OPEC crude supply for April** is assessed at 27.8 mb/d, 415 kb/d below March's total. Saudi Arabia and the UAE reduced supply by around 150 kb/d each, while Nigeria, Iran, Iraq, Venezuela and Algeria all saw production lower by 10-50 kb/d each. Iraq produced an estimated 2.34 mb/d. Conversely, Kuwait, Qatar, Indonesia and Libya are thought to have boosted supply modestly.
- **OPEC-10** (excluding Iraq) produced 25.4 mb/d in April, confirming widely-held perceptions that the Organisation's 23.5 mb/d production target, in force from 1 April, was not going to be realised while crude prices remain high. May production should also prove to be well ahead of target levels. OPEC Ministers are next due to meet formally in early June in Beirut. Recent statements from Saudi Arabia and others, meanwhile, suggest that upward revision of the supply target is already being actively considered.
- The **"call on OPEC crude and stock change"** has been increased by 500 kb/d for 2004 and by 100 kb/d for 2003. The change for 2004 is predicated 60% upon higher demand and 40% on lower non-OPEC supply. The supply and demand adjustments are weighted towards the OECD and the impact of both tapers off as the year progresses. The "call" now rises from 2003's 26.1 mb/d to 26.4 mb/d for 2004. The 2Q "call" is now 24.8 mb/d, before accounting for seasonal stock changes, and rises to 27.5 mb/d by end-year.



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

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

OPEC

Moves by OPEC producers to enforce the new 23.5 mb/d production ceiling were limited in April, not surprisingly, given the rise of benchmark crude prices through April and early May towards the psychologically important \$40/bbl level. This Report estimates that OPEC-10 cut supply by just under 400 kb/d in April, with production (as implied by export and domestic consumption levels) averaging 25.4 mb/d or 1.9 mb/d above target. Furthermore, initial signs are that May could see even these modest curbs partially reversed. Saudi Arabia, Iran, and UAE all appear to have made extra volumes available for May lifting for customers in Asia and Europe. Qatar and Kuwait show no sign of curbing recent production levels, with indications of May supplies to Asia also remaining high. Algeria has scant motivation to cut back in light of an expanded quota agenda. While Libya suggested in late April it would begin to curb production in May, this appears in contrast to increased capacity aspirations, particularly in light of the partial lifting of US sanctions in April. This leaves Iraq, Nigeria, Venezuela and Indonesia providing the recurrent potential downside for OPEC supply in weeks ahead, albeit by accident rather than design.

Early May statements by the UAE, Iran and most recently, Saudi Arabia appeared to signal a willingness to consider raising official production levels at the early-June Beirut meeting of OPEC Ministers. Indeed Saudi Oil Minister Ali al-Naimi on 10 May specifically called for a 1.5 mb/d increase in the production ceiling. For its part, Kuwait also re-iterated a desire for production levels to remain high, having opposed 31 March's ratification of the April target cut. The Organisation seems to have been stung into making reassuring noises, guaranteeing supply to customers and abandoning any pretence of production cuts in line with target. Paying lip service to output targets at \$30/bbl is one thing, but this seems to have fallen by the wayside once prices approached politically sensitive levels some 30% above the upper end of the Organisation's notional price band. Renewed calls by Nigeria and Venezuela in April for the possible raising of the price band, reiterated by the OPEC Secretariat, were quickly slapped down by Saudi Arabia and Iran, who may be in the process of forming a new axis within OPEC.

OPEC Crude Production

(million barrels per day)

	1 Apr 2004 Target	Apr 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs Apr 2004 Production	Production vs. Target
Algeria	0.75	1.12	1.25	0.13	0.37
Indonesia	1.22	0.98	1.10	0.12	-0.24
Iran	3.45	3.91	4.00	0.09	0.46
Kuwait ²	1.89	2.28	2.30	0.02	0.39
Libya	1.26	1.49	1.55	0.06	0.23
Nigeria	1.94	2.28	2.55	0.27	0.35
Qatar	0.61	0.77	0.85	0.08	0.16
Saudi Arabia ^{2, 3}	7.64	8.29	9.50	1.21	0.65
UAE	2.05	2.15	2.45	0.30	0.10
Venezuela ⁴	2.70	2.17	2.35	0.19	-0.54
Subtotal	23.50	25.43	27.90	2.47	1.93
<i>excl. Ven/Nig/Ind</i>				1.89	
Iraq ⁵		2.34	2.80	0.46	
Total		27.77	30.70	2.93	

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

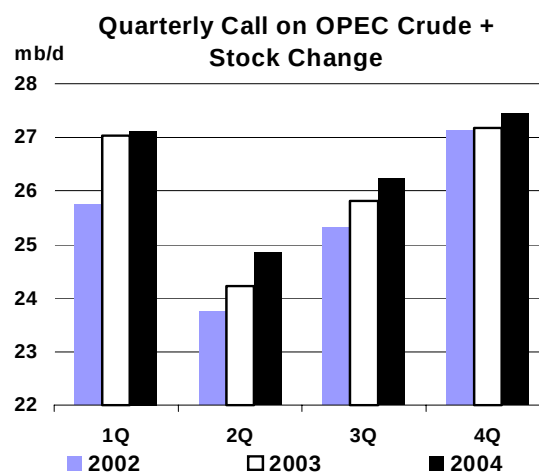
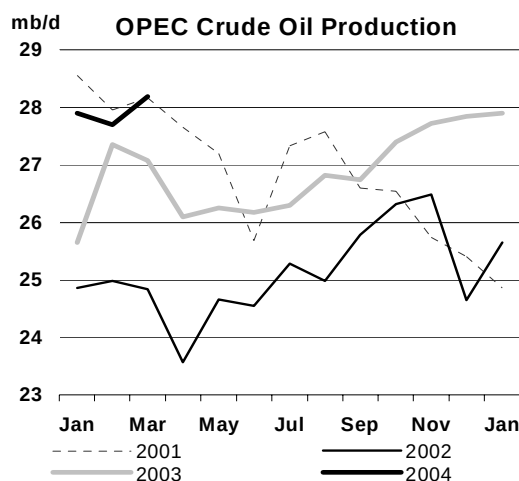
2. Includes half of Neutral Zone production

3. Saudi Arabia's capacity can reach 10.5 mb/d within 90 days

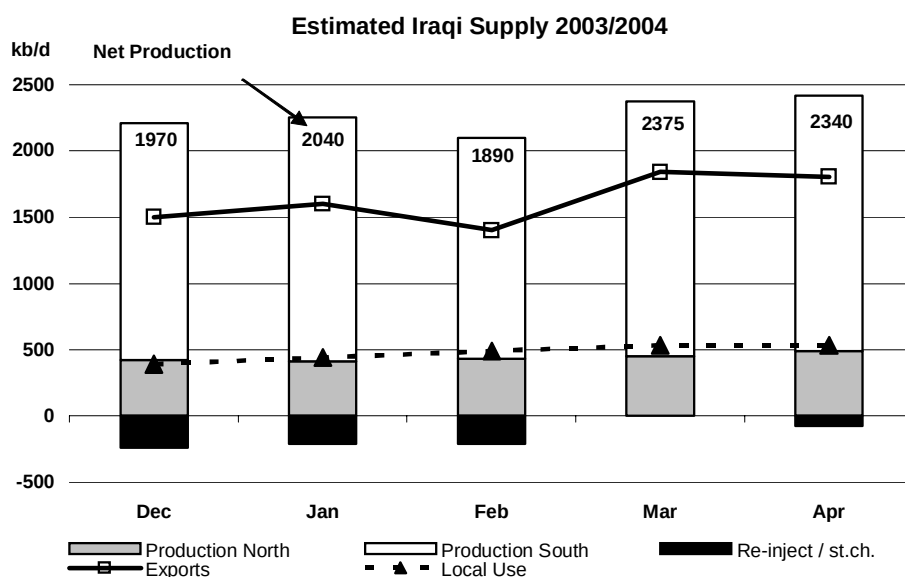
4. Excludes upgraded Orinoco extra-heavy oil, which averaged 378 kb/d in April

5. Iraqi capacity represents pre-war estimate

For now the credibility of production targets has all but evaporated, and so too has any illusion about price control. The former may be perceived within OPEC as a problem if and when the market enters a more bearish phase. Many factors have indeed combined of late in driving prices higher. Geopolitical concerns, the lack of supply flexibility in the US gasoline market and the influx of speculative capital are part of the answer. However, more important has been OPEC's ongoing policy of trying to ensure inventories remain at low levels in consuming regions, just when demand is surging in both Asia, and now apparently also in the OECD. A clearer-cut signal of OPEC's preparedness to see consumer inventories rise to more comfortable levels might actually lessen the impact of these secondary price drivers, deemed to be outside OPEC's control. Furthermore, OPEC fears of a 2Q price collapse, receding as mid-May approaches, should in any case be less pressing from a near-\$40/bbl starting point than they were from \$30/bbl. The Organisation may indeed be coming to recognise this, so a gradual increase in flows may now materialise.



Crude exports from **Iraq** in April averaged 1.81 mb/d, down from March's 1.84 mb/d. With local use by refineries and for power generation steady at around 540 kb/d, production net of additions to storage and re-injection averaged 2.34 mb/d compared to 2.38 mb/d in March. Gross southern output averaged 1.9 mb/d, largely unchanged from March while northern fields averaged a slightly higher 490 kb/d. Increases in production henceforward will continue to rely on improved security and the provision of adequate funding to sustain recent production gains and to boost refinery offtake. Surging internal gasoline demand is increasingly being met via imports as local refinery operations remain constrained.



Exports in April were adversely affected, first by weather-related loading delays at the southern terminals early in the month, and then by a short-term closure of these outlets on 24-25 April after water-borne suicide bombings targeting the Basrah Oil Terminal and neighbouring Khor al-Amaya facilities. Damage was superficial, though the attacks clearly raised questions over the sustainability of, hitherto unrestricted, southern exports. Southern exports averaged 1.55 mb/d compared to 1.64 mb/d in March, and with southern production and demand largely unchanged from March, the balance of supply is believed to have gone into storage. The attacks led coalition authorities to set up 2km maritime warning and exclusion zones around the Khor al-Amaya and Basrah terminals and have also resulted in increased insurance rates for vessels plying those routes. Southern exports could struggle to exceed April levels this month, after the 8 May sabotage on a pipeline feeding the Basrah Oil Terminal. At the time of writing exports from Basrah were running at a reduced rate of 1.2 mb/d but were scheduled to be raised near to capacity 1.6-1.7 mb/d levels again by 12 May.

An average of 250 kb/d was exported from the Turkish port of Ceyhan via 7.6 mb worth of tenders loading in the week of 19-26 April. Liftings were destined primarily for European destinations. Pumping rates along the Kirkuk to Ceyhan pipeline at times reached 400-450 kb/d but flows remained disrupted through April. A two week interruption in northbound deliveries ended when pumping resumed 3 April, only for suspected pipeline sabotage to cause another pause on 19 April. Deliveries resumed on 26 April but were again curtailed during the period 29 April to 4 May. With around 1.5 mb in storage at Ceyhan in early May, another export tender for 6-8 mb might be expected to be announced around the third week of May, if deliveries on the pipeline remain undisrupted. However, a combination of attacks on the northern pipeline and technical problems on both the pipeline and at the oil fields continues to plague operations here, so a tender later in May may be more realistic.

Saudi Arabia is assessed to have cut supply by 160 kb/d in April, amidst lower exports, notably in the first half of the month, and refinery maintenance at the Rabigh plant. With maintenance at other refineries continuing through the second quarter, initial signs are that crude exports could increase in May. Spot tanker chartering for May lifting amounted to some 12mb, after a lull in such activity for April loading. Asian and European contract customers were also informed of higher term volumes for May. These "extra" supplies may in reality derive from crude freed-up by lower internal demand as refinery maintenance proceeds, rather than higher production per se. Either way, a potential 200-300 kb/d of estimated extra export supplies in May are consistent with repeated Saudi pronouncements that market requirements would be met, regardless of OPEC target restrictions.

In addition to possible Saudi concern over the speed and extent of recent price rises, the Kingdom will have been keen to stress its reliability as a stable source of supply following recent terrorist attacks. A car bomb at Saudi security facilities in Riyadh on 21 April was followed on 1 May by the shooting of western contractors working at the Yanbu petrochemical facilities.

Supply from the **UAE** was also down by 150 kb/d in April, despite the Emirates, alongside Kuwait, having lobbied against formalising the cut in target production levels from 1 April. This reduction however derived from maintenance at the Das Island gas facilities, and with restrictions on the flaring of associated gas, Abu Dhabi was forced to curb production from the Lower Zakum and Umm Shaif fields. This production is currently being re-instated, ADNOC having informed Asian term customers of a resumption of full contract volumes for May. Government sources indicated in April that the UAE plans to boost production capacity to 3.6 mb/d by 2006, the 1 mb/d increase centred on development of the Upper Zakum and onshore Bab fields.

Iranian supply fell by 50 kb/d in April on the back of lower export volumes but remained within 100 kb/d of production capacity of 4.0 mb/d. Further cuts in May Iranian supply look unlikely however, and several Asian buyers have been advised that full contract volumes will be maintained. There are also reports of extra spot crude availability for early May, notably in the Mediterranean, raising the possibility that May production from Iran could increase.

Developments in April provided a mixed picture in terms of further increases in Iranian production capacity. Shell announced the deferral of full capacity operations from the Nowruz and Soroush field by several months from an original March 2004 target. The Darkhovin field, originally scheduled to add to capacity in 2004 also had its start-up deferred to mid-2005. Set against this, NIOC announced that capacity at the offshore Abuzar field had been expanded by 65 kb/d to 190 kb/d. Moves to stimulate foreign upstream investment include proposals for a new hydrocarbon law which, although stopping short of allowing direct reserve ownership via production sharing, would nonetheless allow more direct participation than is evident under the current buy-back regime.

Rising Caspian-Iranian Crude Swaps

Iran currently receives some 120 kb/d of Russian, Kazakh and Turkmen crude delivered to its northern port of Neka on the Caspian Sea. Seaborne supplies comprise around 40 kb/d each from Russia and Kazakhstan and 20 kb/d from Turkmenistan, with a further 20 kb/d of Kazakh crude railed south to Neka via Turkmenistan. While the Neka terminal is currently operating close to capacity, expansion plans see capacity potentially expanding to 500 kb/d by end-year. Crude moves southwest from Neka to the Tehran refinery via a newly expanded 120 kb/d pipeline and is also fed on to the Tabriz refinery to the northwest of the capital. Prior to this month, capacity on the Tehran leg of the pipeline was 50 kb/d, while the addition of new pumping stations could reportedly see capacity expand in short order to 500 kb/d. (Swap volumes are excluded from this Report's assessment of Iranian domestic refinery runs for the purposes of calculating Iranian monthly crude supply.)

Most of the crude moves via swap agreements, Caspian producers paying Iran a swap fee around \$2/bbl and obtaining equivalent volumes of Iranian Light crude for export via Iran's Kharg Island terminal on the Gulf. In addition to swap fees, the scheme allows Iran ready access to growing, relatively local, Caspian supply volumes to feed its northern refineries. Iran's bid for a major Caspian export pipeline to cross its territory were scuppered when construction of the rival 1.0 mb/d Baku-Tbilisi-Ceyhan pipeline, due to enter service in 2005, was approved. For their part, Caspian producers can use the Neka route to by-pass congested Russian Black Sea and Mediterranean transport infrastructure while also accessing lucrative Asian markets via Iran's Gulf export terminals. Future continuation or expansion of this trade will depend on the relative competitiveness of the rival export outlets for Caspian producers and on Iranian refineries' ability to handle rising volumes of waxy, mercaptan-rich crude.

In **Nigeria**, ethnic unrest again flared in April, causing limited production shut-ins by Shell and the deferral by ChevronTexaco of work to re-instate 140 kb/d of production capacity closed since last spring's disturbances. The actual reduction in April production is assessed to have been limited to 50 kb/d, based on lower export allocations and ongoing constraints on local refinery operations. May export loading allocations suggest a more substantial cut of 100 kb/d or so, but supply could be augmented by extra cargoes if prices stay high, assuming Niger Delta disruption does not intensify.

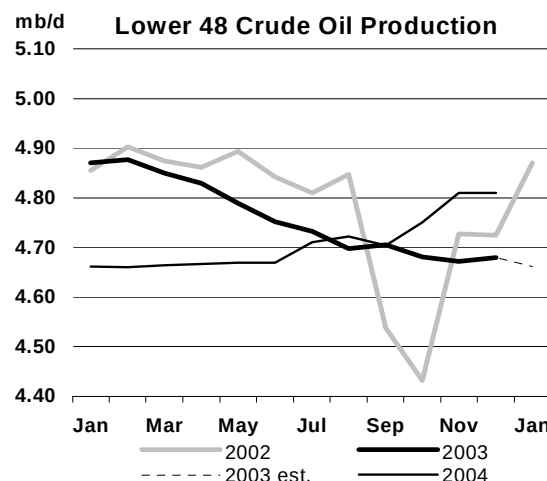
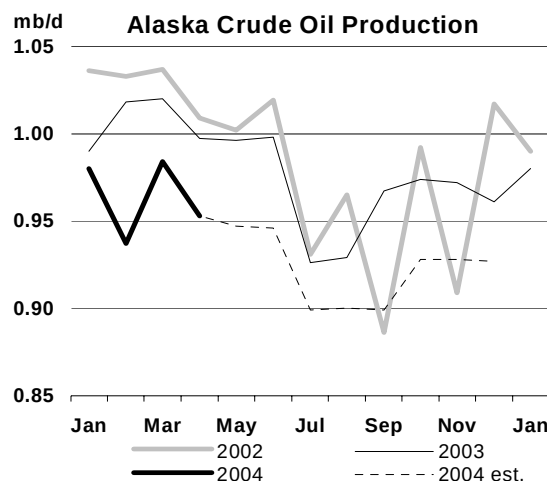
OECD

North America

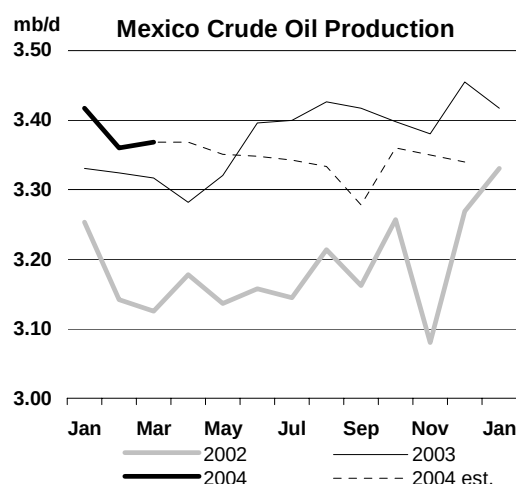
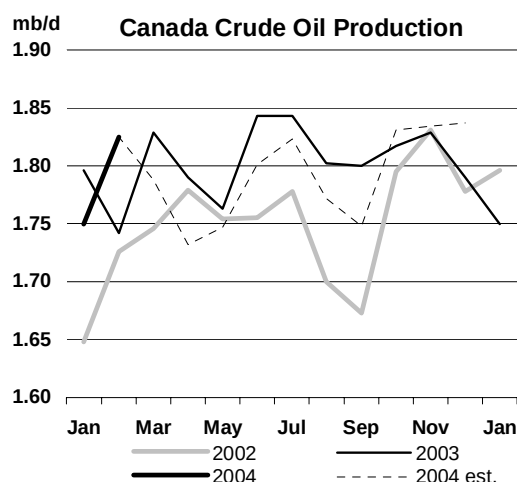
US – April Alaska actual, others estimated: Substantial downward revisions have been made to US production following the release of data for December 2003 and provisional indications from weekly data through April. US crude production is now seen as having declined by 20 kb/d in 2003, with a further 95 kb/d fall expected for 2004. NGL output is seen reversing 2003's 165 kb/d decline, rising by 120 kb/d. While April is thought to have seen crude and NGL supply rise by some 85 kb/d, this was from a markedly lower baseline than anticipated last month. Both NGL and US Gulf of Mexico (GOM) output now seem to be running at lower levels. This suggests that the build-up in supplies from new fields in the **GOM** area in particular is proving slower than anticipated and also that decline rates for mature, base load production are higher. Start-up of the Devil's Tower field was again pushed back, this time to end-April, having earlier been included in our projections from February. The assumed build-up towards peak production levels from new fields such as Marco Polo and Front Runner, due on stream in July 2004, has been slowed. Overall, Gulf of Mexico supply has been revised down by some 50 kb/d for second-half 2003 (35 kb/d for the year as a whole) and by 100 kb/d for 2004. Nonetheless, with 13 new field start-ups or expansion projects coming on stream between 4Q 2003 and end-2004, the area still sees production rise by 65 kb/d in 2004, similar to last year.

NGL supply has been revised down by 15 kb/d for 2004 after the release of sharply lower than expected February production data. However, weekly data suggests that a recovery in NGL output occurred in March and April, with production 0.2% and 8.5% respectively above year-ago levels. NGL supply in 2003 declined by nearly 300 kb/d between February and May as high natural gas prices caused gas producers to maximise their output by retaining liquids in the gas stream. For now we envisage NGL supply remaining substantially above depressed 2003 levels but await final March and April data for signs of any repeat of last year's production slump.

April saw another reversal of the previous month's production trend, as **Alaskan** crude supply fell by 30 kb/d compared to March. This was marginally less of a seasonal decline than projected by this Report last month. Nonetheless, the advent of warmer temperatures which hinders re-injection, and declines centred on the Northstar, Prudhoe Bay and Kuparuk fields all contributed. Compression problems involving a malfunctioning crude stabiliser at BP's Northstar field have repeatedly hampered production there although BP hopes that maintenance work undertaken in April will have resolved the problem.



Canada – March Newfoundland actual, others February actual: February Canadian crude supply rose by 75 kb/d, followed by estimated seasonal declines of 35 kb/d and 55 kb/d in March and April respectively. Forecast total Canadian supply for 2004 is revised up by around 10 kb/d for 2004 based on slightly higher Hibernia production offshore Newfoundland. Total liquids supply growth in 2004 is set at 75 kb/d, with growth concentrated in Albertan bitumen and syncrude. Prospects for growth elsewhere in Canada are likely to be concentrated post-2005, when extensions to the Terra Nova field and the new White Rose development are due to augment existing offshore Newfoundland supply. There were also reports in April that Newfoundland's Hebron-Ben Nevis project, dormant since 2002, could be reconsidered for development sometime during 2004. The 580 mb project was sidelined due to high costs related to the viscous nature of the crude, despite attempts by Newfoundland to favourably amend the royalty regime.

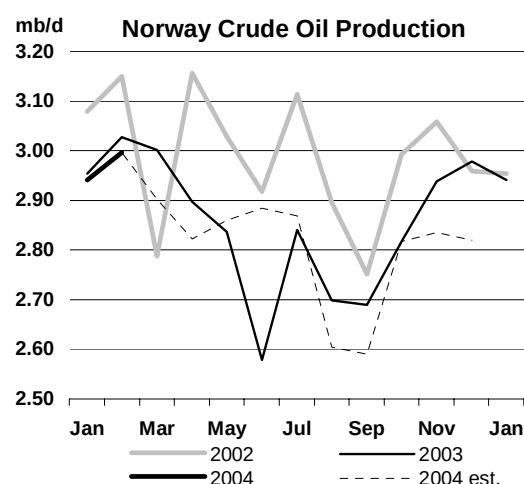
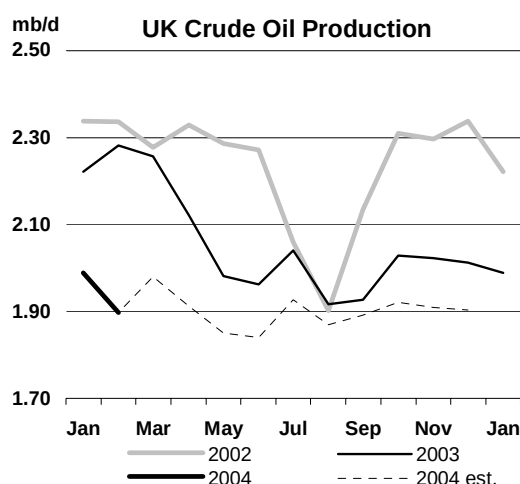


Mexico – March actual: March crude production was largely unchanged from February's 3.4 mb/d while NGL production gained 15 kb/d on the month, reaching 450 kb/d. Government sources put exports at a remarkably constant 1.86 mb/d for the 11th straight month. Heavy/sour Maya export volumes again gained in prominence as they have done since November. February's 70 kb/d of exports to the Far East and non-specified destinations dried up in favour of sales into the Americas.

Energy Ministry proposals for a change in the tax regime affecting state producer Pemex recommend curbing government take from new development projects. It is suggested that this will be counterbalanced by higher oil and gas production overall, maintaining state revenues, one third of which derives from receipts from Pemex.

North Sea

UK – February actual: UK offshore production data for February again showed a decline, output being over 70 kb/d lower than had been estimated in last month's Report. Forties system and NGL output again lagged expectations. An estimated rebound in March production is likely to have been followed by a 70 kb/d fall in April, with a similar reduction likely again this month as spring maintenance enters full swing. Indeed loading schedules for April and May have caused downward adjustments for supply in April/May compared to the last Report. Supply should temporarily rebound in July but dip again due to maintenance in August. However, the absence of detailed company maintenance schedules for the UK sector place a degree of uncertainty around the precise extent and duration of the likely seasonal dip in UK supply. Overall, UK output for 2004 has been revised down by 20 kb/d in light of early-year performance and also due to a slower build-up in production now expected from the new Clair field development west of Shetland from late-2004. Total UK production is now expected to fall by 130 kb/d in 2004, to average 2.16 mb/d, compared to the 215 kb/d drop evident in 2003.



Norway – February actual, March provisional: Although February and March supply data point to lower than expected production overall, the bulk of the shortfall derives from condensate supplies which are still expected to grow henceforward through 2004. February/March crude output from key fields within the Ekofisk, Troll/Oseberg and Sleipner/Frigg systems actually exceeded expectations and these account for a modest 10 kb/d upward revision to total liquids supply for 2004. This is despite outages running through April and May at the Oseberg field due to scheduled maintenance and a gas leak respectively. As noted last month, Norwegian production could now rise through July before heavy August/September field maintenance removes at least 200 kb/d from monthly crude production. Overall, Norwegian crude output is expected to decline by 25 kb/d this year compared to 2003, only partly offset by higher condensate and NGL supply. However, the prospects for production decline from Norway to be stemmed around mid-decade were given a boost in April with Statoil's announcement of the planned development of satellites of the Norne field. The Staer and Svalde fields could contribute up to 70 kb/d from late-2005. Alongside other 2005 development projects including the Kristin, Oseberg West and Volve fields, this could help stabilise Norwegian liquids output around the current 3.25 mb/d through 2007.

Former Soviet Union (FSU)

Russia – April actual: There was little sign of any slow-down in Russian production growth in April, with January-April oil supply of 8.96 mb/d remaining fully 830 kb/d, or 10.2%, above the same period last year. April Russian production broke through 9.0 mb/d, a level not seen since second quarter 1991. The Russian producers retain ambitious production growth targets for 2004 which add up to around 750 kb/d for domestic output alone.

Of the planned increase, Yukos accounts for 150 kb/d. The company's shares fell sharply in April as court proceedings began into claims of tax evasion amounting to \$3.5 billion. Clearly, enforced bankruptcy or nationalisation of Yukos, which are deemed as possible outcomes of the trial, could jeopardise overall production growth for 2004 and beyond. It is worth pointing out however that the company has already achieved 150 kb/d growth in 1Q. In the event that no further month-on-month growth were to come from Yukos (production levelling off at April levels), this could shave overall Russian production growth down by 40-50 kb/d. To take account of widespread uncertainties such as this, and incorporating a prudent degree of scepticism concerning the producers' plans (for illustration 5% in volume terms shaved off production growth targets) still suggests growth potential of some 650 kb/d. As evident below, this volume is less than incremental export capacity, so Russian oil production has been revised up by 45 kb/d for 2004, averaging 9.14 mb/d versus 8.49 mb/d in 2003.

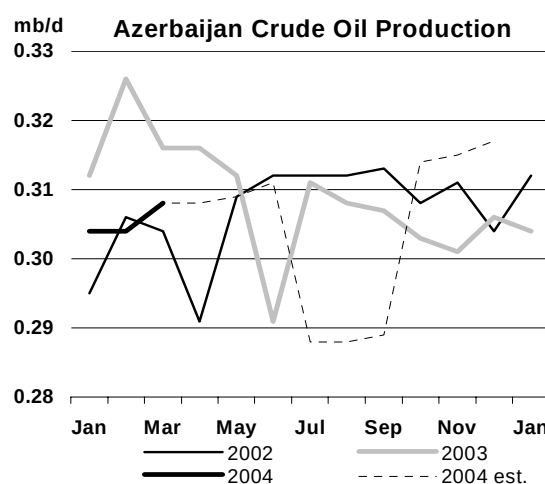
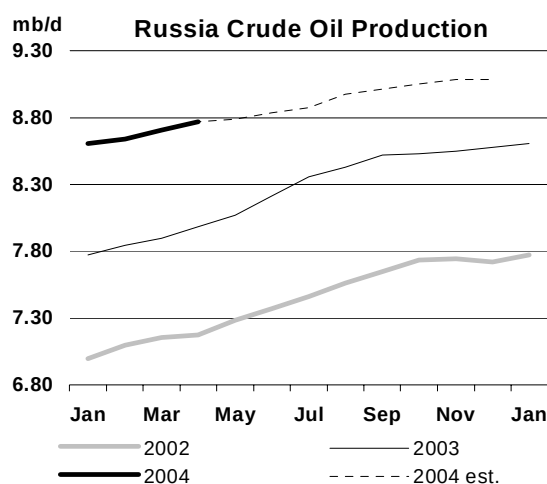
FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2002	2003	2Q03	3Q03	4Q03	1Q04	Revised Feb 04	Prelim. Mar 04	Prelim. Apr 04	Latest month vs. Mar 04	Latest month vs. Apr 03
Black Sea Exports	2.52	2.80	3.00	2.96	2.69	2.85	2.87	3.11	2.82	-0.28	0.09
Baltic/Arctic Exports	2.02	2.47	2.61	2.57	2.61	3.02	2.99	3.01	3.16	0.15	0.57
Total Seaborne	4.54	5.27	5.61	5.52	5.30	5.87	5.86	6.12	5.98	-0.14	0.66
Druzhba Pipeline	1.04	1.05	1.01	1.02	1.08	1.09	1.13	1.05	1.05	0.00	0.04
Other	0.35	0.46	0.46	0.51	0.49	0.48	0.46	0.48	0.48	0.00	-0.04
Total Exports	5.93	6.78	7.08	7.05	6.87	7.44	7.45	7.65	7.52	-0.14	0.66
Imports	0.01	0.01	0.02	0.01	0.01	0.01	0.02	0.01	0.01	0.00	0.00
Total Net Exports	5.92	6.76	7.06	7.04	6.86	7.43	7.43	7.64	7.50	-0.14	0.66
Crude	4.04	4.68	4.76	4.85	4.82	5.14	5.17	5.27	5.18	-0.09	0.70
of which: Russian Crude	3.02	3.30	3.21	3.36	3.38	3.65	3.72	3.77	3.70	-0.07	0.64
Products	1.89	2.10	2.32	2.20	2.05	2.30	2.28	2.38	2.34	-0.04	-0.04

Sources: Petro-Logistics, IEA estimates

FSU net exports fell by an estimated 140 kb/d in April from March highs. Coinciding with April's rise in FSU production the dip in exports clearly indicates a pick-up in implied internal demand. The trends for seaborne exports diverged, with Black Sea shipments falling by 280 kb/d but Baltic deliveries rising by 150 kb/d as shipments via the Baltic Pipeline system to Primorsk continued to rise. Russian April crude exports were assessed down by 70 kb/d from March's total of 3.77 mb/d. Further cuts in May Russian crude exports are seen likely, amounting to 55 kb/d. Maintenance on the pipeline feeding the Black Sea port of Novorossiysk could cut supplies by as much as 50 kb/d while cuts in Primorsk shipments of 35 kb/d are scheduled. These reductions are partially countered by a 60 kb/d increase in planned shipments from Ukraine's Black Sea port of Odessa. Russia's Parliament approved in April new export duties for crude, effective 1 August, aimed at boosting state revenues at times of high oil prices. Some estimates suggested oil company earnings for 2004 would be revised down by 2-4% because of the changes.



Export Capacity Unlikely to Curb Short-Term Russian Growth

Limits to export capacity growth may prove less of a check on Russian crude production in the next three to four years than earlier seemed likely. Political, fiscal and financial uncertainties could still undermine production growth plans in the short term, but the list of pipeline and export terminal expansions planned through 2008 is considerable. If all reach fruition with associated pipeline and storage de-bottlenecking, export capacity could rise by 500 kb/d per year during 2004-2008.

This Report estimates that export capacity grew by 600 kb/d in 2003, and could increase by a further 750 kb/d in both 2004 and 2005. Annual expansions could slow to average just over 400 kb/d over 2006-2008. Key developments augmenting 2003-2005 export flows include:

- ongoing expansion of the Baltic Pipeline System to Primorsk, rising from 600 kb/d capacity in late-2003, to a current 840 kb/d and attaining 1.0 million b/d well before end-2004;
- de-bottlenecking of the Novorossiysk export facilities which should add 60 kb/d in the second-half of 2004 and a further 50-60 kb/d in 2005;
- an effective de-bottlenecking of 100 kb/d at Tuapse on the Black Sea through de-segregation of Urals and Siberian Light flows;
- expansion of rail-fed facilities operated by Lukoil at Vysotsk, Kaliningrad and Varandey which will add at least 50 kb/d in 2004 and a further 65 kb/d in 2005;
- further incremental rail exports of up to 100 kb/d in 2004, including higher supply to China;
- 100 kb/d of new capacity on the northern leg of the Druzhba pipeline system feeding Plock;
- the potential reversal of the Adria to Druzhba pipeline, contributing 100 kb/d by 2005.

Sustaining longer-term production growth may however be more problematic. This will depend upon the upstream investment environment and the pace at which new provinces such as Eastern Siberia, the Russian Caspian, Barents Sea and Timan Pechora can be opened up for development. This in turn is inter-related with the issue of new crude export pipelines to augment the existing BPS and Druzhba trunk systems. BPS aside, piecemeal expansions such as the above projects can drive export capacity expansion for only so long. To ensure sustainable strong production growth through end-decade and the diversification of export markets will require decisions soon on key 1 mb/d-plus export trunk-line projects. These include the planned lines targeting Asian markets on one hand, and North America via Murmansk, or alternative northern ports, on the other. Earlier plans by the producing companies to drive forward these projects have receded. The government has been keen to stress that state pipeline operator Transneft will retain monopoly control of Russia's pipeline network.

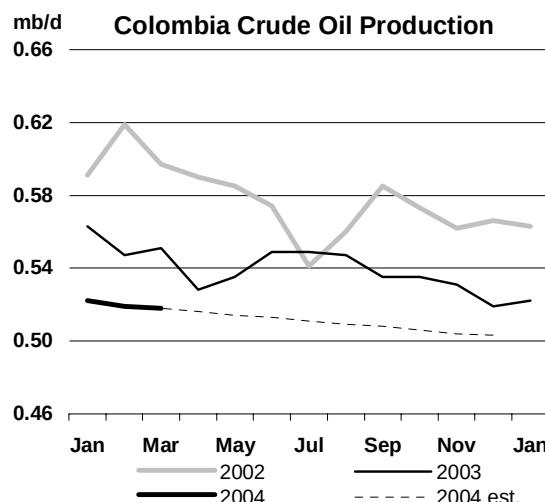
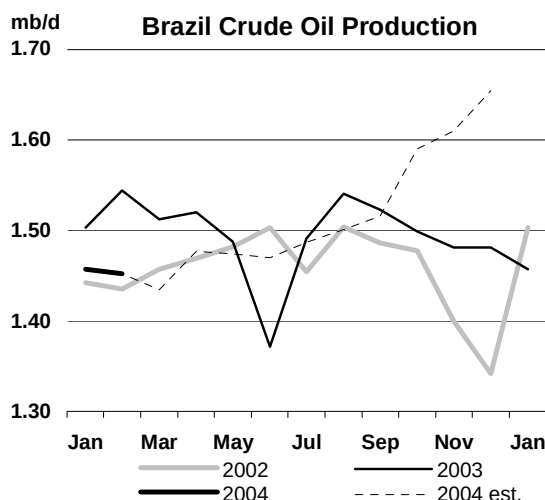
Azerbaijan – March actual: Production from Azerbaijan is expected to remain largely unchanged in 2004, averaging 310 kb/d for the year. However, third quarter maintenance at the AIOC consortium's offshore Chirag platform masks what is an otherwise modestly rising production trend (see graph, above). Azeri production could reach levels in excess of 1.0 mb/d over the medium term from current levels around 300 kb/d, with new transportation infrastructure the key, as was discussed for Kazakhstan last month. The first key piece of export capacity likely to allow a step up in Azerbaijan production is the 1.0 mb/d Baku-Tbilisi-Ceyhan (BTC) pipeline which is now scheduled to see first exports of crude in second-half 2005. An original target date of early-2005 has slipped, reportedly due to construction delays on the Turkish segment. More recently, developments in Georgia also threatened to further disrupt progress on construction. Renewed separatist unrest in the autonomous republic of Abkhazia during April threatened to curb not only existing oil exports from the port of Batumi, but also incoming shipments of equipment for the BTC pipeline. However, with the rebel leader reported in early-May to have fled to Moscow and exports having resumed at Batumi, the problems appear to have been resolved for now.

Other Non-OPEC

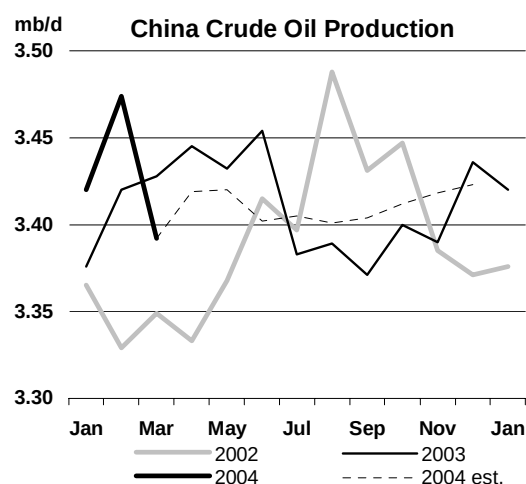
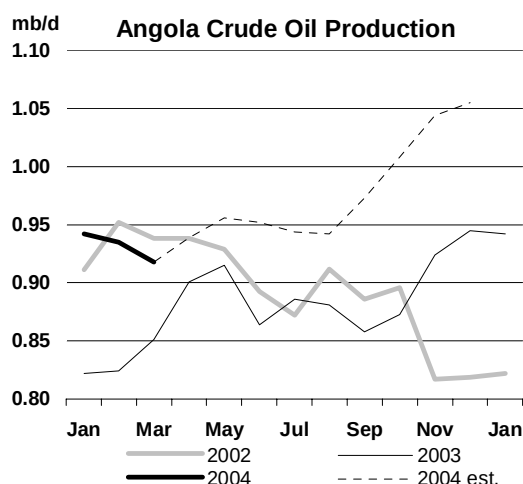
Brazil – February actual, March provisional: Brazilian crude production continued a disappointing start to 2004, declining by 5 kb/d in February and an estimated 20 kb/d in March. Lower than expected March performance reflected offshore maintenance work and also Petrobras' announcement that the test production phase for the Jubarte field had been terminated. With normal

production now not scheduled to commence until second-half 2005, 15 kb/d of Jubarte production has been stripped out from this Report's forecast for Campos Basin production for 2004.

A fire halted production for one day at the Albacore field in April but, this aside, Brazilian production is assumed to have rebounded from 1Q maintenance outages last month. Petrobras also announced a revised start-up schedule for the Barracuda and Caratinga fields in the deepwater Campos Basin, pulling forward the Report's earlier estimates for Barracuda by one month to October, but deferring Caratinga inauguration by one month, to December. Downward revisions were also made to the expected profile for onshore production, following revisions to historical government production data. The dip in 1Q production means that total Brazilian liquids supply growth in 2004 is now set to average 20 kb/d compared to 55 kb/d in 2003. Production nonetheless reaches 1.9 mb/d by end-year, from 1.7 mb/d in 1Q 2004.



Colombia – March actual: A Colombian production decline evident throughout 2003 continued in the first quarter of 2004. Production in 2004 is forecast to decline by 30 kb/d to an average 525 kb/d. The reduction is similar to those seen in 2003 and 2002. The extent of the drop could be exacerbated if oil operations become disrupted by an oil workers strike which has run since 23 April. However, to date there have been no reports of oil production, exports or refinery operations being adversely affected. Strikers oppose greater private participation in the oil sector, which for its part the government sees as crucial to stem output decline. Prior to the strike, the National Hydrocarbon Agency announced revisions to oil concessions whereby private companies would no longer be required to share concessions 70:30 with state oil company Ecopetrol.



Angola – March actual: Data for February and March show production running 15 kb/d and 35 kb/d respectively below levels expected in last month's Report. It was also reported that Exxon's deepwater Kizomba A development, due to begin production in 2004 and build to a peak of 250 kb/d, has had start-up deferred to September. Last month's Report had assumed an August start. In all, Angolan production for 2004 is revised down by 10 kb/d but still rises from 2003's average 880 kb/d to 970 kb/d for this year, potentially topping 1.0 mb/d in the fourth quarter.

Other Countries: Revisions to production profiles for other non-OECD countries are minimal this month with the exception of **Oman**. Newly available data for 2003, allied to indications for early-2004 point towards lower output, notably from Petroleum Development Oman fields. 2003 Oman production is revised down by 10 kb/d (by 35 kb/d for 4Q) and 2004 annual production by 40 kb/d.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last month's OMR			This month's OMR			This month v last month		
	2003	2004	04 vs. 03	2003	2004	04 vs. 03	2003	2004	04 vs. 03
North America	14.70	14.86	0.16	14.66	14.74	0.08	-0.03	-0.11	-0.08
Europe	6.35	6.24	-0.11	6.35	6.22	-0.13	0.00	-0.02	-0.02
Pacific	0.65	0.60	-0.05	0.65	0.61	-0.04	0.00	0.01	0.01
Total OECD	21.69	21.69	0.00	21.66	21.57	-0.09	-0.03	-0.12	-0.09
Former USSR	10.31	11.03	0.72	10.31	11.08	0.76	0.00	0.04	0.05
Europe	0.17	0.17	-0.01	0.17	0.17	-0.01	0.00	0.00	0.00
China	3.41	3.42	0.01	3.41	3.41	0.00	0.00	-0.01	-0.01
Other Asia	2.58	2.72	0.14	2.58	2.73	0.14	0.00	0.01	0.01
Latin America	3.93	4.01	0.08	3.94	4.00	0.06	0.01	-0.02	-0.02
Middle East	1.99	1.91	-0.09	1.98	1.87	-0.11	-0.01	-0.04	-0.03
Africa	3.07	3.45	0.38	3.06	3.43	0.37	-0.01	-0.01	-0.01
Total Non-OECD	25.47	26.71	1.24	25.46	26.68	1.22	-0.01	-0.03	-0.01
Processing Gains	1.80	1.83	0.03	1.80	1.83	0.03	0.00	0.00	0.00
Total Non-OPEC	48.97	50.24	1.27	48.92	50.09	1.17	-0.05	-0.15	-0.10

OMR = Oil Market Report

OECD STOCKS

Summary

- **OECD industry total oil inventories** closed March up 7 mb at 2474 mb and 67 mb above March 2003. Gains in crude stocks were partially offset by draws in distillate products. Over the first quarter 2004, product movements outpaced those in crude, leading to a draw in total oil stocks of 280 kb/d, slightly lower than the latest 5-year average of 400 kb/d. Forward demand cover gained one day to 52 days; the rise however was limited by upward revisions to product demand.

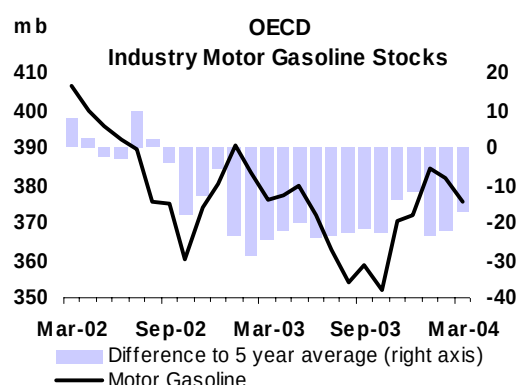
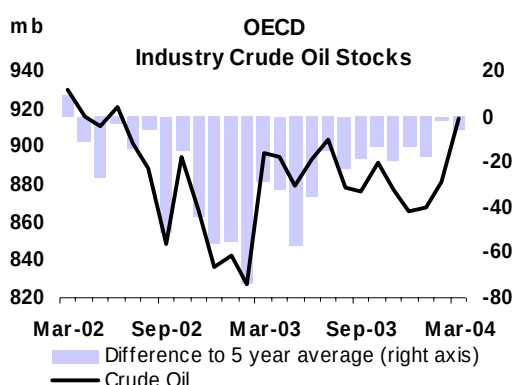
Preliminary Industry Stock Change in March 2004 and First Quarter 2004

(million barrels per day)

	March (preliminary)				First Quarter 2004 (preliminary)			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	0.51	0.69	-0.11	1.09	0.30	0.26	-0.02	0.54
Gasoline	-0.04	-0.13	-0.02	-0.19	0.00	0.00	0.04	0.04
Distillates	-0.22	-0.31	-0.23	-0.76	-0.36	-0.22	-0.22	-0.81
Residual Fuel Oil	-0.04	-0.01	-0.04	-0.09	0.03	-0.05	-0.03	-0.04
Other Products	0.12	0.02	-0.03	0.10	-0.08	0.01	-0.04	-0.10
Total Products	-0.18	-0.43	-0.33	-0.94	-0.41	-0.25	-0.25	-0.91
Other Oils ¹	0.12	-0.02	-0.03	0.06	0.10	0.03	-0.04	0.09
Total Oil	0.45	0.24	-0.48	0.21	-0.01	0.04	-0.31	-0.28

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** rose 540 kb/d during the first quarter with most of the build coming at the end of the period. Crude stocks increased 1.1 mb/d in March alone, closing 34 mb above last year. Gains came in the Atlantic Basin where the availability of heavier/sour type crudes was high. Urals saw steep discounts against Brent in Europe while an intermittent contango structure developed in the near months for the sour Mars crude on the US Gulf Coast. US-50 crude stocks rose 15 mb in March and 6 mb in April to reach 299 mb or 9 mb above last year.
- **OECD industry distillate** stocks fell 760 kb/d in March, placing the draw for the first quarter at 810 kb/d, a rate similar to that observed last year. This year however, the decline was more evenly distributed across regions and less severe in heating fuels than last year. In contrast, diesel inventories shifted lower, the movement prompted by lower output and robust demand.
- **US stocks of finished gasoline** fell in March and April, ending at comparatively low levels on a seasonal basis. However, combined reformulated gasoline (RFG) stocks and blending components held up in the Northeast. This suggests that positive supply developments in gasoline blendstock (RBOB) for ethanol blending are underway. RBOB is required in the states of New York and Connecticut where MTBE blended RFG has been banned. Additionally, European exports of summer specification RBOB were reported heading to the US in April. At the same time Venezuela's PDVSA, through its US operations, was reported to be shipping a test cargo in May.



OECD Industry Stock Changes in March 2004

OECD industry total oil stocks rose 210 kb/d in March to 2474 mb but fell over the first quarter by 280 kb/d. Despite March additions to crude stocks, industry oil stocks fell in the first quarter on distillates-driven draws. Overall, product stocks drew 910 kb/d during the quarter while crude stocks climbed 540 kb/d. Days of forward demand cover rose to 52 days but the increase was modest as OECD demand prospects in transport and industrial fuels grew on strong global economic recovery.

Industry crude oil stocks rose 1.1 mb/d in March putting the stock deficit against the average five-year position at 6 mb. Builds were centred in the Atlantic Basin while stocks were slightly down from comfortable levels in the Pacific. Europe saw an easing in crude runs with the beginning of turnarounds, while regionally confined Urals and North Sea supplies were plentiful. US-50 stocks rose in March by over 15 mb, absorbing discounted heavy/sour crude on the Gulf Coast. April gains came to 6 mb, leaving US-50 crude stocks at 299 mb. The build was modest considering lower than expected refinery utilisation rates and resulted from weaker imports at end-month. However, the wider discount of sweet and sour cash prices against WTI in mid-April suggest ample supplies on US Gulf Coast for May delivery. This should favour a return to a much-needed 10 mb/d plus import level necessary to support the ramp-up in crude runs to meet summer gasoline demand. Though Pacific crude stocks are expected to decline in April, upcoming scheduled maintenance in May/June and a return of full allocations in May from key term suppliers should maintain stocks at comfortable levels.

OECD distillates stocks fell 760 kb/d in March and 810 kb/d for the first quarter. The first quarter draw matched last year's weather driven rate, but this time, heating demand was sidelined in favour of strong diesel and jet deliveries. The decline, favoured by lower refinery distillate output, also led to a decline in distillate forward demand cover in March. In the US, maximisation of gasoline yield further reduced diesel supplies. Europe, where refiners entered maintenance, saw increased arrivals of Russian gasoil only build momentum later in the month. The region also suffered from Asian competition in bidding for Middle Eastern jet supplies. Gasoil in independent storage in the ARA area, which tends to rebound in April, held at depressed March levels. High physical gasoil premiums against IPE futures deterred stock holding leaving refiners and importers covering just contractual obligations.

OECD gasoline stocks, at 376 mb, added 3 mb over the first quarter. March saw stock draws centred in Europe caused by declining output and strong foreign demand-pull. European traders sent material to the US and Nigeria in March and again in April, with recent reports indicating that shipments to the US of summer blendstock for ethanol blended reformulated gasoline are taking place. US-50 gasoline stocks rose in the last week of April with an increase in blending components. The build-up in US gasoline stocks this season got off to a false start, with an expected ramp-up in crude runs occurring only by month's end. While demand growth was strong, year-ago deliveries were weak and late month imports wavered on competition from Nigeria and a tight European cargo market. Yet the extent of US refinery maintenance extended beyond planned schedules and refinery glitches hindered a resumption of higher throughputs necessary to build stocks.

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

Revisions to February OECD industry oil stocks lifted inventories a modest 5.5 mb. The rise followed from higher crude stocks (11 mb) while product inventories were revised down (5.1 mb). Most revisions came in Europe, mainly in products. European distillates were lowered by 7 mb as a result of stronger diesel and jet demand. In gasoline, combined Canadian and Mexican stocks were revised up 3.4 mb. Revisions to crude stocks were dominated by a 4.6 mb upward revision to Japanese inventories.

Revisions Versus 9 April 2004 Oil Market Report

(million barrels)

	North America		Europe		Pacific		OECD	
	Jan 04	Feb 04	Jan 04	Feb 04	Jan 04	Feb 04	Jan 04	Feb 04
Crude Oil	0.6	1.3	-1.0	4.9	0.0	4.8	-0.4	11.0
Gasoline	0.1	1.9	0.6	-1.9	0.0	0.4	0.8	0.4
Distillates	0.4	0.6	-0.7	-7.0	0.0	0.1	-0.3	-6.3
Residual Fuel Oil	-0.1	0.8	-0.4	-2.9	0.0	-0.3	-0.5	-2.4
Other Products	-0.2	3.1	-0.1	-0.3	0.0	0.4	-0.3	3.2
Total Products	0.2	6.5	-0.5	-12.1	0.0	0.6	-0.3	-5.1
Other Oils ¹	-2.2	-3.1	0.8	2.9	0.0	-0.2	-1.4	-0.4
Total Oil	-1.3	4.7	-0.7	-4.3	0.0	5.1	-2.1	5.5

¹ other oils includes NGLs, feedstocks and other hydrocarbons

Year-on-Year Industry Stock Comparisons for March 2004

	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	9.6	13.8	-5.0	18.3	Total Oil	1.6	0.6	0.5	1.1
Total Products	30.6	6.3	-3.0	34.0	<i>Versus 2002</i>	-4.4	-2.6	-5.2	-3.9
Other Oils ¹	11.1	1.4	1.9	14.4	<i>Versus 2001</i>	-1.6	-1.8	-4.3	-2.1
Total Oil	51.4	21.5	-6.2	66.7	Total Products	1.0	-0.1	0.1	0.5
<i>Versus 2002</i>	-86.8	-6.8	-28.6	-122.2	<i>Versus 2002</i>	-2.2	-3.7	-3.6	-2.9
<i>Versus 2001</i>	-9.1	-0.1	-40.2	-49.5	<i>Versus 2001</i>	-0.5	-2.1	-2.4	-1.3

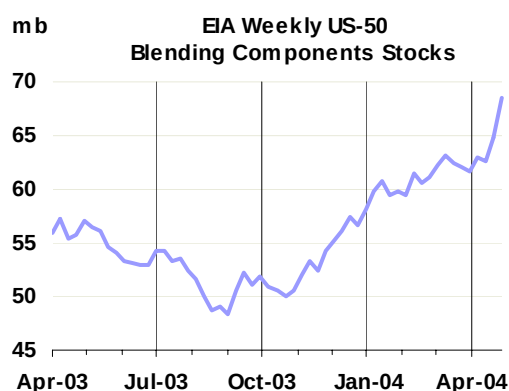
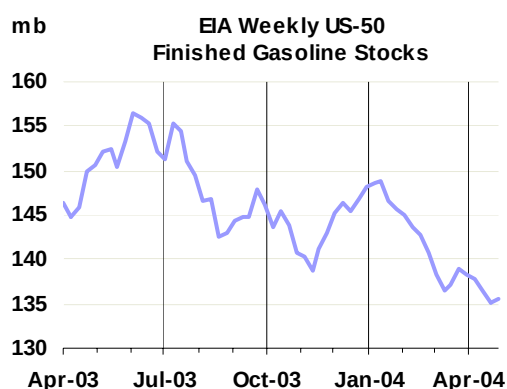
1 other oils includes NGLs, feedstocks and other hydrocarbons

Gains in crude oil inventories in March helped to push OECD industry total oil stocks up 67 mb above last year but the overall position compares unfavourably against the more ample positions seen in 2002. Industry oil stocks in March 2002 were 122 mb higher, of which about 100 mb was in product inventories. Days of forward demand cover rose in March to 52 days from 51 days in February, but the combination of tight product stocks and higher demand in OECD countries capped the rise. Forward demand cover in the Pacific and Europe was 52 and 60 days respectively, while in North America it reached 47 days.

OECD Regional Stock Developments

North America

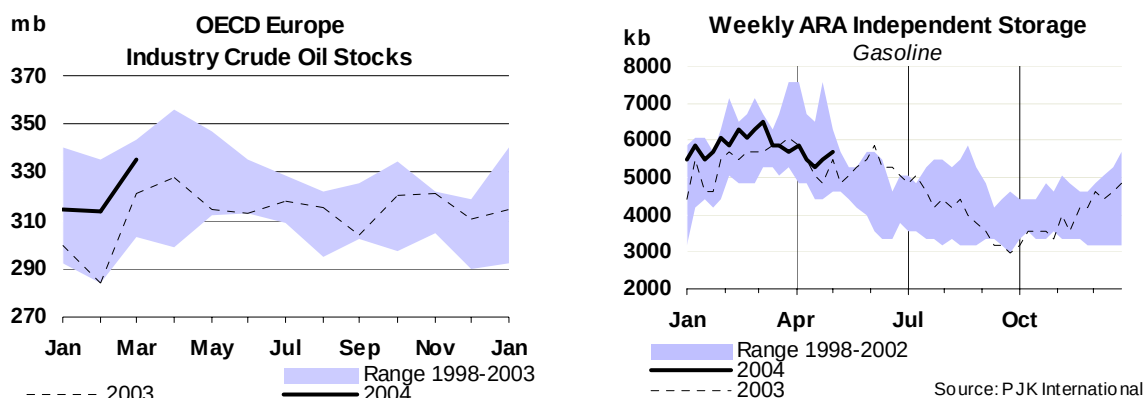
US-50 crude stocks added 15 mb in March as ongoing scheduled maintenance limited crude demand. With refinery utilisation rates holding around 88%, stocks rose as average imports climbed to 9.9 mb/d. Most of the build was centred in the main refining areas of the Mid-continent and the Gulf Coast where crude purchases were stepped up on attractively priced heavy/sour March barrels. April saw a modest increase in comparison. Crude stocks rose 6 mb, closing at 299 mb or about 9 mb above last year. The limited build came as a late-month resumption of throughputs was not matched by a further rise in imports. Crude prices in the cash market for April barrels saw a narrowing of discounts against WTI, dampening buying interest. Subsequently however, these spreads widened for May trade on ample supply prospects for sour. Availability of sweets also increased. WTI premiums over Brent attracted North Sea and West African crudes with a number of Nigeria's unsold May cargoes reportedly heading to the Gulf Coast. Also, May supplies from Ecuador are revised higher. End-April crude stocks may have an upwards margin for revision as crude makes its way inland from the Louisiana Offshore Oil Port. The port authorities in April were reportedly encouraging quicker movement of oil out of its facilities by reducing the period of free storage afforded to shippers. Though US crude stocks recovered, the extent of upcoming downward pressure on storage levels, prompted by refiners ramping up runs, will depend on how quickly imports can reach and maintain levels in excess of 10 mb/d.



US gasoline stocks of finished product fell from March to April, and in absence of a rise in blending components and weakening demand in end-April, total gasoline stocks would have ended lower. Behind the seasonally low levels of inventories are constrained levels of refinery output over the period. Output was contained in March due to turnarounds and again in April, due to a slower than expected exit from maintenance. In addition, weaker imports in the latter half of April also reduced availabilities. Crude runs reached 15.5 mb/d in the last week of April whereas gasoline imports weakened to 618 kb/d compared to an earlier 1.3 mb/d peak. Weakening end-month imports may in part be attributed to a tight European cargo market but also to competing outlets for European material into Nigeria. While strong domestic demand has played a part, growth this year needs to be set against weak deliveries a year-earlier. Import volumes however are expected to recover; trader estimates pegged European April supply to the US at 1.3 million tonnes, up from mid-month figures of below a million tonnes.

Europe

European industry crude stocks rose by 21 mb in March, closing at 335 mb or 14 mb above last year. The rise followed from ample regional availabilities and declining crude demand as a number of refiners began to enter scheduled maintenance. Crude runs were down 260 kb/d while regional supplies lacked arbitrage opportunities. Norway led the build in stocks with an increase of 8 mb; smaller additions came in Northwest Europe and Italy. Stocks in Germany however remained improbably unchanged at high levels; a downward correction is likely. More generally, Russian Urals availability was high in March and April from the Baltics, leading to heavy discounts of this grade against Brent. Arbitrage to the US or Asia apparently opened in late April, early May. North Sea crudes also had difficulties crossing the Atlantic amid strong European bidding. March volumes headed to the US were down from the highs observed in February.



Crude stocks in April look to hold at March's comfortable levels, if not slightly down. Runs are likely ease further and supply is likely to follow March trends. While some Urals left for Asia from the Mediterranean, loading schedules in the North out of Primorsk were high and April loading North Sea barrels were slow to clear. The temporary overhang in North Sea crude narrowed the backwardation between May and June forward month Brent BFO prices, these trading at parity by mid-month.

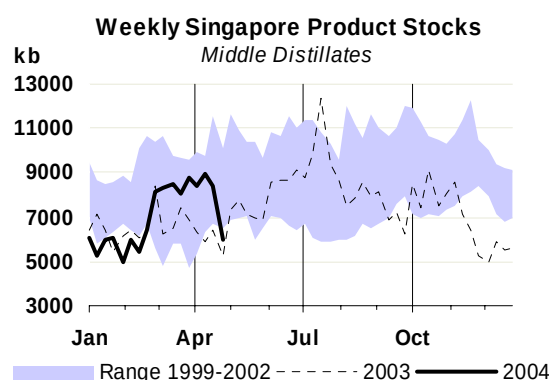
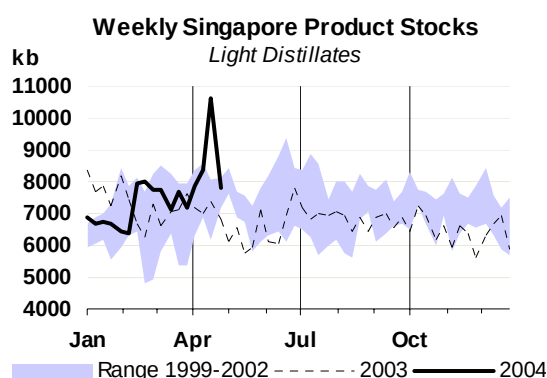
Strengthening demand in transport fuels over heating oil and lower refinery output helped to push product stocks lower in March. **Industry gasoline inventories** fell 4 mb to 117 mb whereas **industry distillate stocks** declined nearly 10 mb to 217 mb. This tightening trend is likely to be repeated in April as evidenced by backwardated swaps prices across these products in Northwest Europe. **Gasoline** exports continued to the US and Nigeria through April, with US demand rising for summer quality material for ethanol blending. A tight cargo market in Northwest Europe led stocks in independent ARA storage to hold level over April, but these volumes are expected to come out in May. The Mediterranean also saw support in April through the tender for 98 and 95 octane material sourced from Egypt, Lebanon, Morocco and Syria. Growth of inland deliveries of **diesel** (France, Italy, UK and Germany) and **jet** (UK) were strong in March, driving high premiums against gasoil futures and a fall in distillate stocks. Despite a late month up-tick, gasoil in ARA independent storage fell in April; cargo deliveries went to France but also to Nigeria via the Mediterranean. In addition to delays at loading/discharge ports, Russian gasoil sourced from the Baltics saw scarcer supplies toward the middle of the month. As well, there was little interest in storing **heating oil** in a backwardated market with thin demand and competitive refinery pricing in related export markets. Though end-consumer Swiss and German stocks were reportedly low, buyers remained sidelined by high prices.

Pacific

Pacific crude stocks fell in March to 178 mb, closing 5 mb below last year's ample position. The decline came mainly from a 3 mb draw in Korean stocks but Japanese inventories, based on onshore movements, also edged lower. Weekly data from the Petroleum Association of Japan indicate that Japanese onshore crude stocks declined through most of April, suggesting that tanker volumes at ports in end-March were likely down from February highs. As a result, the March draw in Japan is likely to be more marked. With both Korea and Japan heading into seasonal maintenance, industry crude inventories are likely to fall in April as refiners run down inventory. Though term suppliers were reportedly offering extra April supplies, these offers came too late to be fully lifted. With key suppliers offering full May term allocations, crude stocks will probably rebound just as refinery throughputs hit their seasonal low. **In product stocks**, the first quarter draw in distillates was stronger than a year-ago. Heating demand played less of a role this year. Japanese heating kerosene stocks fell heavily, but the decline resulted from constrained supply. Like in Europe, diesel demand in Korea and Japan was surprisingly strong, adding momentum to the seasonal distillate draw.

Singapore Stock Developments in April

Product stocks in Singapore, surveyed by International Enterprise declined in April, falling over 2 mb on draws of middle distillates. Combined gasoline and naphtha stocks also declined while fuel oil stocks continued to trend upwards. **Light product stocks** fell in April on strong gasoline demand. Supplies from China were capped by strong domestic demand and availability of export material was reduced because of refinery maintenance. Strength in gasoline demand prompted the 2.8 mb inventory draw at end-month, offsetting a previous naphtha-led build. Besides Australia, regional demand strength was also seen from Indonesia and Vietnam, both countries reportedly sourcing product from Singapore. Indonesia's state company Pertamina secured 300 000 tonnes of gasoline in its May tender, while Vietnam's Petrolimex volumes were higher than average. In contrast, naphtha supplies rose on extra offers from India and Pakistan. Demand was also weaker on second quarter turnarounds at petrochemical plants, mainly in Japan and Korea where stocks were reported high. Light product stocks are set to tighten further in May. With exports of gasoline from China reduced on a yearly basis, there will be a greater call on supplies from Singapore, Taiwan and Korea to meet other Asian and US demand.



Middle distillate stocks fell sharply by end-April on strong jet demand and limited gasoil supplies. Singapore distillate paper prices stayed in backwardation through April, suggesting little or no additions to stocks through the end of the second quarter. Jet fuel in particular was seen in short supply. Though the near-month spread in gasoil held stable, that for kerosene widened above a dollar as Chinese demand, for the second quarter kept apace with record levels early this year. China Aviation Oil tendered for some 660 000 tonnes of product in second quarter. Along side strong demand, jet and gasoil supplies were lower as Korean and Middle Eastern refiners went into maintenance. Jet's availability was further limited as Middle Eastern early month supplies were sent to Europe and arbitrage possibilities on paper to the US West Coast provided competing demand. Chinese diesel requirements were also strong in April as the country continues to secure product for power generation. Chinese gasoil imports in April were estimated around 210 000 tonnes up from some 160 000 in March. Singapore distillate stocks, as suggested by opening May numbers are to trend at low levels. Refinery turnarounds in Korea and Saudi Arabia will limit supplies and Chinese demand strength is likely to spill over into May.

Residual fuel oil stocks rose above 11 mb on ample supplies in April. While imports into China's Huangpu terminal rose against March, product was sourced from competing straight run material from Russia as well as offers from Japan and Korea, leaving arbitrated European and Caribbean supplies to fill Singapore tanks. Uncertainty in Chinese demand for the first half of May and more arbitrated supply in May, on top of regular Mideast volumes, suggest stocks are likely to hold near current levels

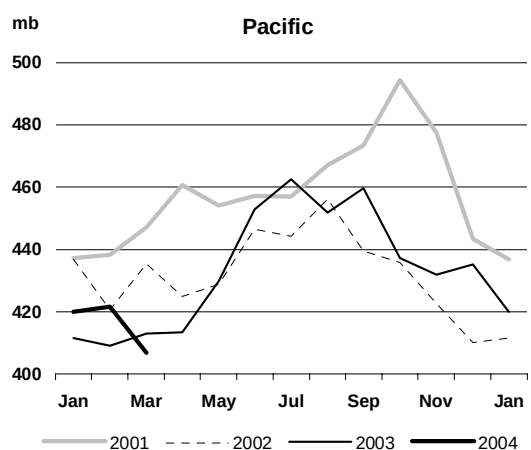
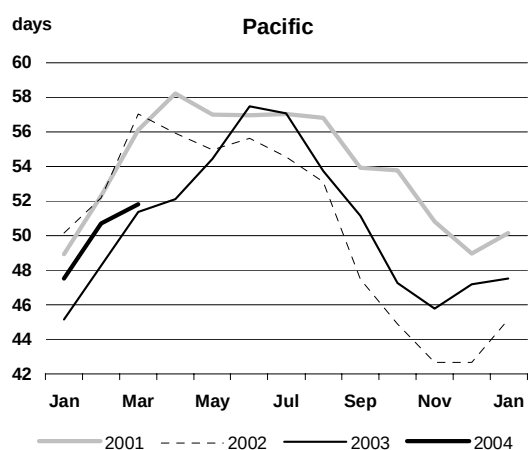
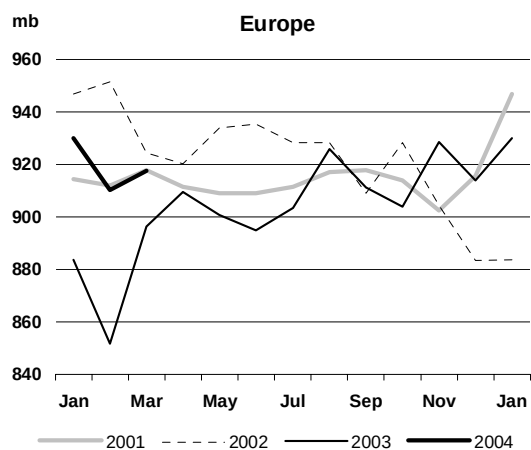
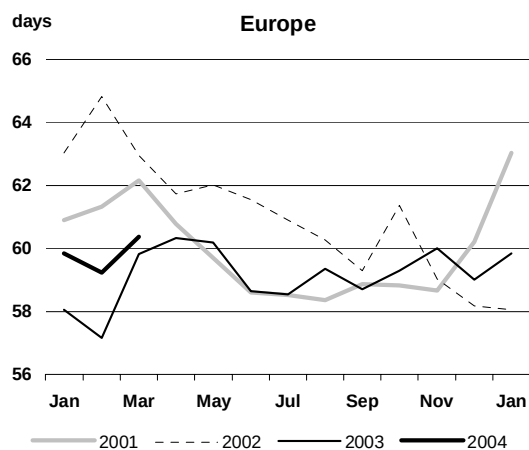
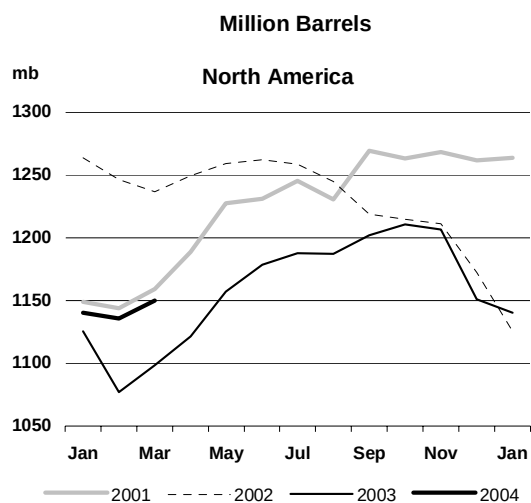
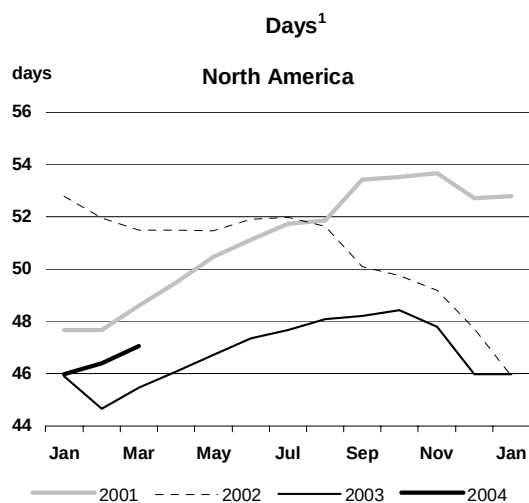
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	2Q03	3Q03	4Q03	1Q04	Jan 04	Feb 04	Mar 04	Latest month vs.	
										Feb 04	Mar 03
Crude Oil	819	755	892	593	654	777	677	718	933	215	51
Products & Feedstocks	-35	-96	-119	-93	-18	-64	-86	-112	2	114	171
Gasoil/Diesel	-154	-170	-171	-174	-161	-133	-184	-129	-85	44	67
Gasoline	-81	-83	-95	-67	-96	-88	-99	-74	-90	-16	-20
Heavy Fuel Oil	334	320	304	323	341	304	321	252	335	83	96
LPG	-19	-22	-26	-19	-19	-24	-23	-26	-24	1	-1
Naphtha	6	13	18	5	49	38	72	34	6	-29	22
Jet & Kerosene	-65	-99	-93	-103	-77	-99	-115	-107	-75	31	21
Other	-57	-55	-56	-58	-54	-62	-58	-63	-64	-1	-13
Total	784	659	774	501	636	713	591	606	935	329	223

Source: International Enterprise, IEA estimates

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

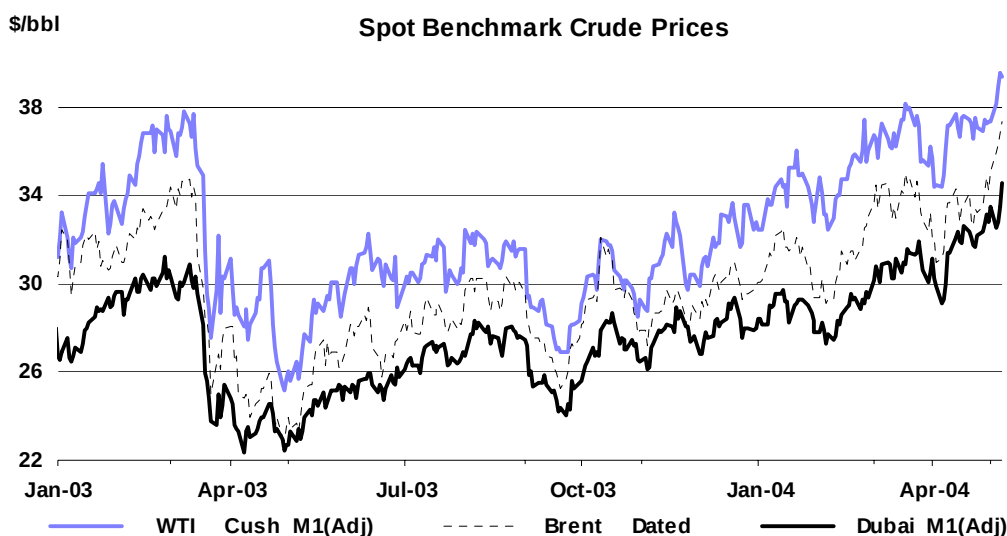


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **Benchmark WTI Cushing and Dated Brent** pushed to 13-year highs in early May following ongoing concern over Middle East security issues, persistent strength in the US gasoline market and strong global demand. WTI futures touched \$40 and IPE Brent futures have surpassed \$37 intraday, but have recently retraced following comments by key members that OPEC should raise targets at its 3 June meeting in Beirut.
- Crude inventories have been building seasonally, but **the price impact of stock movements** varies according to expectations of future supply tightness, seasonality, supply security issues and market trends. Rising global demand in the second half of the year, both seasonal and expansionary, will further tighten spare production capacity. Recent geopolitical concerns in the Middle East, Venezuela and Nigeria have undoubtedly had a psychological impact on the desire to hold crude stocks, even though there has been a minimal supply impact.
- Crude oil is only one of many **primary commodity markets** seeing sharp rises in prices in recent months. A large number of commodities have seen steep upward price trends since the middle of last year as world economic growth has accelerated. Steel, base metals, grains and oil seeds and other industrial and agricultural products have all seen dramatic upward revaluations in conjunction with higher global growth.
- Tight **product markets** have been a major driving force behind the rise in crude prices. Concern over the level of **gasoline** inventories on the US East and West Coast ahead of the summer driving season has been the major focus, but there has also been demand-led strength in **diesel** and **jet fuel** prices. Strong US product prices naturally have an impact on values in other regions, but refinery maintenance and robust demand has caused independent strength in Europe and Asia in other products.
- **Refining margins** have climbed in Asia, Europe and the US, driven by high prices at the mid-to-light end of the barrel. Cracking refineries have outperformed hydroskimming refineries in most regions, but even these marginal units are likely to be making attractive profits at current levels. Upward revisions show that first quarter OECD throughput was higher than expected, and the recent ramp-up in margins should encourage refiners to maximise available capacity, increasing crude demand during the normally weak second quarter.
- **Dirty freight** rates appear to be following the normal seasonal decline pattern, prompted by lower second quarter demand from Asia as refiners prepare for maintenance. Other market indicators show few signs of suggesting that the market is awash with crude.



April Overview

Benchmark WTI and Brent crudes pushed to 13-year highs in early May following ongoing concern over Middle East security issues, persistent strength in the US gasoline market and strong global demand. WTI futures have touched \$40 and intraday IPE Brent futures have surpassed \$37. Gains in product prices have been more significant, particularly gasoline, diesel and jet fuel, leading to a sharp rise in global refinery margins.

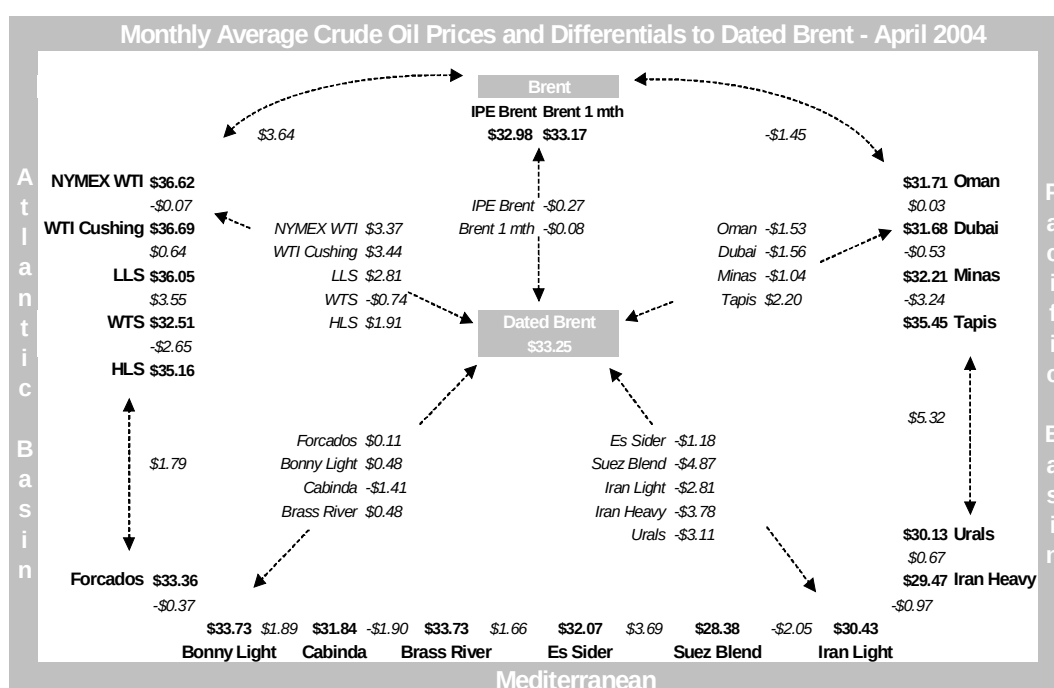
Seasonal gains in global crude stocks (and more recently in US gasoline stocks) have so far failed to dent the positive price trend, and prices appear to be diverging from movements in crude stocks. However, stock/ price relationships reflect expectations of the future supply and demand balance and seasonality. It is normal for inventories to build in the second quarter: the market has to assess whether that build will persist and/or is sufficient to meet future demand needs.

Recent geopolitical concerns in the Middle East, Venezuela and Nigeria have undoubtedly been supportive features, with the market particularly concerned over two attacks on supplies to the Basrah oil terminal and the killing of five foreign workers based at a petrochemical plant in Saudi Arabia. These have raised concern about broader security issues within Iraq and Saudi Arabia, even though the impact on oil supplies from these incidents have been small or non-existent. Similarly, the comments by key OPEC countries that they favour raising crude production quotas in June have had a psychological impact on the market.

It would be wrong to overstate the significance of geopolitical issues on the oil price and rapid global economic growth and the tight US gasoline market are more prominent supportive influences.

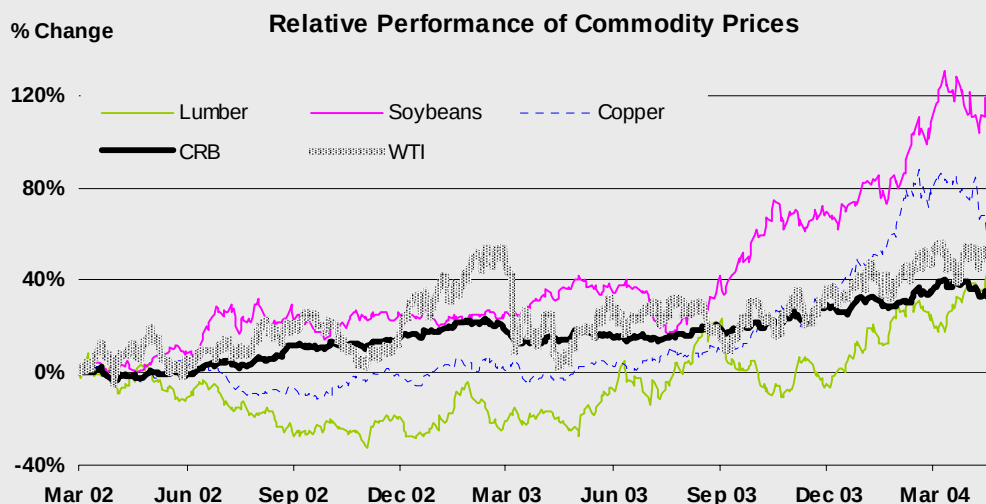
US gasoline stocks spent most of April below the psychologically important 200 mb level, and supplies were much tighter in California and the US East Coast. Traders have been particularly concerned about driving season supplies in PADD 1 with the introduction of MTBE-free summer grade gasoline in New York and Connecticut. Draws in PADD 1 and PADD 3 conventional RFG supplies towards the end of April switched attention to broader gasoline tightness, including protracted refinery maintenance (scheduled and unscheduled) in the US, Europe, the Middle East and Asia. This, combined with continued robust product demand has contributed to a surge in global refining margins.

The one area of weakness in the oil market at present is the fall in dirty freight rates as seasonal crude oil demand weakness has reduced chartering activity. Seasonal refinery maintenance programmes in Asia are underway, freeing up VLCC tanker availability. This suggests that a "normal" seasonal decline in crude demand is under way in Asia, but crude differential movements would not appear to suggest that there is a global surplus of crude.



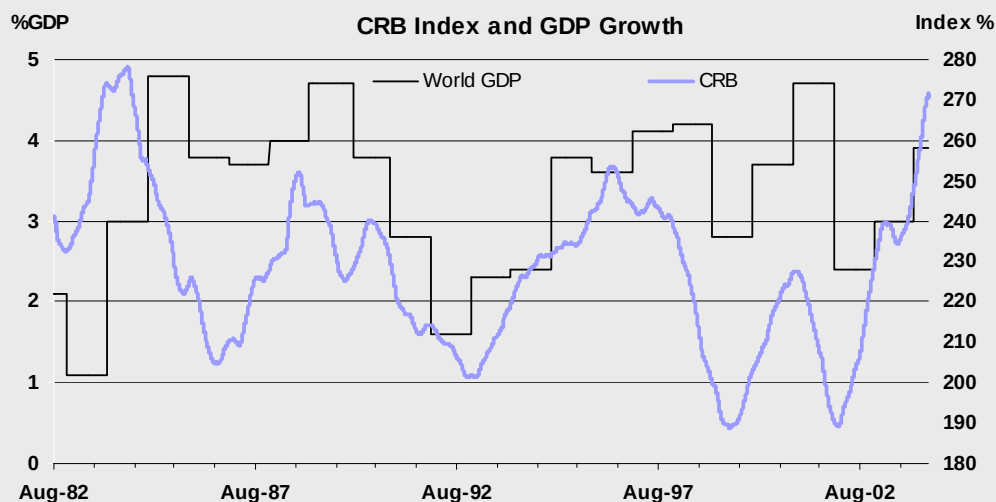
Higher Prices Not Exclusively an Oil Market Phenomenon

Oil is not the only commodity seeing sharp price rises recently. A broad base of commodities has seen steep upward price trends since the middle of last year as world economic growth has accelerated. Steel, base metals, gold, grains and oil seeds and other industrial and agricultural products have all seen dramatic upward revaluations. Some, like soybeans have more than doubled in price, while the Commodity Research Bureau Index of commodity prices (CRB) has risen by 15% since last June and is almost 50% above its early 2002 level.



In almost all instances, soaring demand from China has been cited as a major factor behind the rise in prices as the populous nation moves from being a subsistence economy to the early stages of a consuming economy.

Robust commodity markets should not come as a surprise: This is the first time since the late 1980s (and briefly in 1999) that we have seen a period of protracted, concomitant global growth. As commodity demand is heavily influenced by the economic cycle, strong growth naturally results in lower stocks, higher prices and often backwardated markets. Indeed the current cycle might also be exaggerated slightly by the lack of a pronounced boom in commodity prices since the mid-1990s. Low or modest returns result in under-investment, which can exaggerate the upswing in the next cycle. For example, in the nickel market it was apparent several years ago that there would be no new mine expansions until 2005/6, regardless of the level of demand. The difference though between oil and the rest of the commodity markets is that during a period of peak demand in the latter, all producers maximise output. In oil, free market conditions rarely exist.



Crude Oil Prices

Spot Crude Prices and Differentials in April

The strength in gasoline and distillates provided strong support to sweet crudes relative to sour crudes as the month progressed. Brent prices rose sharply from the middle of April in comparison to both WTI and sour crudes as an overhang of North Sea Oseberg cargoes cleared. Oseberg, part of the Brent, Forties Oseberg (BFO) assessment has been out of favour with traders ahead of the addition of the relatively acidic Grane crude to the Oseberg stream from 1 May. However, the surge in gasoline prices in the second half of April, prompted refiners into bolder action and the overhang of Oseberg was quickly mopped up. This helped Brent to recover from its relative torpor, dragging Brent-related crudes with it.

Changes to Oseberg Assessment Could Affect Key Brent Benchmark

From 1 May, the Oseberg crude blend has included approximately 6% by volume of crude from the new Grane field. This change is potentially significant for the global crude market as Oseberg is part of the BFO assessment that sets the price for dated Brent-related crudes around the world. Norsk Hydro, the field operator expects the new crude quality to be approximately 37.3 API, 0.2% sulphur and a total acid number (TAN) 0.2 mgKOH/g (acidity). This compares with the old specification of 37.5 API, 0.23% sulphur and TAN 0.13 mgKOH/g.

The change in sulphur and API are minor issues for refiners, but there is some caution because of the increase in acidity of the new blend. High acidity can cause corrosion problems in refineries and even a small increase in capacity could be an issue for a refiner who is already operating at maximum TAN limits. Therefore, refiners are likely to be cautious about running the new crude until they have fully assessed the acidity implications.

Grane crude has an acidity above the tolerance of many of the less sophisticated European refineries and was only introduced to the market this year. Consequently, its value is relatively opaque, but traders reported that this acid/sweet crude had traded for as much as \$5 under Oseberg.

However, it would be wrong to take an equivalent percentage value for each of the crudes in their new proportions and imply that a new value for Oseberg would be around 30 cents under historical levels, potentially making it cheaper than Brent. The value of a sweet crude with acidity well within the refining tolerances of European refineries is likely to be proportionately more than a crude which can only be processed by a small number of refineries. The change in Oseberg is likely to make it cheaper than the old blend, but at present, the exact value will take some time to assess.

Simplistically, the assessment derives from the cheapest price of three crude streams, Brent, Forties and Oseberg. Traditionally Brent is the cheapest, followed by Forties, then Oseberg. However, following the changes, a closer relationship between Oseberg and Brent prices is likely and there could therefore be a more frequent switching of the cheapest crude for the Brent assessment. Some observers feel this could result in a marginal devaluation of Dated Brent, but on balance the closer the price relationship between crudes used in the assessment the less vulnerable the market should be to distortions.

A full assessment of the impact on the BFO market may take several months, but the initial price weakness of Oseberg was probably exaggerated by the reaction to the introduction of acid Grane crude at a relatively fragile period for North Sea crudes.

Strong European refiner demand for North Sea crudes towards the end of April, the sharp narrowing of the WTI-Brent spread and competition from West African crudes prompted a sharp decline in the transatlantic volume of North Sea crudes. Similarly, sour crudes such as Mars and WTS followed the transatlantic arbitrage economics, keeping Russian Urals differentials relatively steady. Very heavy sour crudes, such as Mexican Maya remained weak, and differentials to WTI came under pressure towards the end of April/early May, despite the narrower differentials on lighter heavies.

Spot Crude Oil Prices and Differentials*

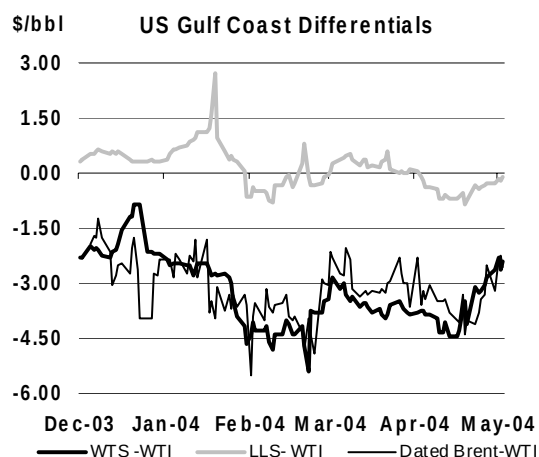
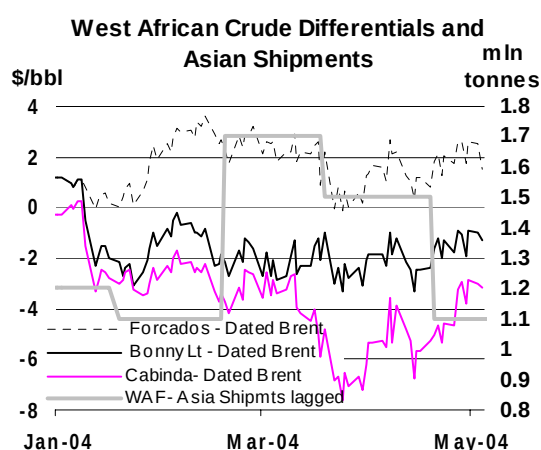
(monthly and weekly averages, \$/bbl)

	Feb 04	Mar 04	Apr 04	Apr-Mar		Week Commencing:				
				Change	%	05 Apr	12 Apr	19 Apr	26 Apr	03 May
Crudes										
Brent Dated	30.83	33.79	33.25	-0.54	-1.6	32.36	33.57	33.25	34.34	36.14
WTI Cushing 1 month (adjusted)	34.74	36.71	36.69	-0.02	-0.1	35.65	37.34	37.18	37.29	38.55
Urals (Mediterranean)	27.64	30.31	30.13	-0.18	-0.6	28.94	30.53	30.32	31.19	32.99
Dubai 1 month (adjusted)	28.61	30.85	31.68	0.84	2.7	29.94	32.16	32.03	32.91	32.69
Tapis	34.93	35.71	35.45	-0.26	-0.7	33.97	35.93	35.54	36.58	37.34
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	3.91	2.93	3.44	0.52		3.29	3.77	3.94	2.95	2.41
Urals (Mediterranean)	-3.20	-3.48	-3.11	0.36		-3.42	-3.03	-2.93	-3.15	-3.15
Dubai	-2.22	-2.94	-1.56	1.38		-2.42	-1.40	-1.22	-1.43	-3.45
Tapis	4.09	1.92	2.20	0.28		1.61	2.36	2.29	2.25	1.21
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.26	0.34	0.21	-0.13		0.20	0.16	0.25	0.37	0.37
WTI Cushing 1mth-2mth (adjusted)	1.07	0.64	0.56	0.21		0.56	0.77	0.31	0.21	0.21

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

Urals crude differentials to Dated Brent recovered slightly in April, helped by the uncertainty of supply of Kirkuk crude, but remain capped for most of the month by abundant supplies. However, towards the end of the month, aggressive refiner buying emerged from the Mediterranean and US, mopping up much of the overhang of material.

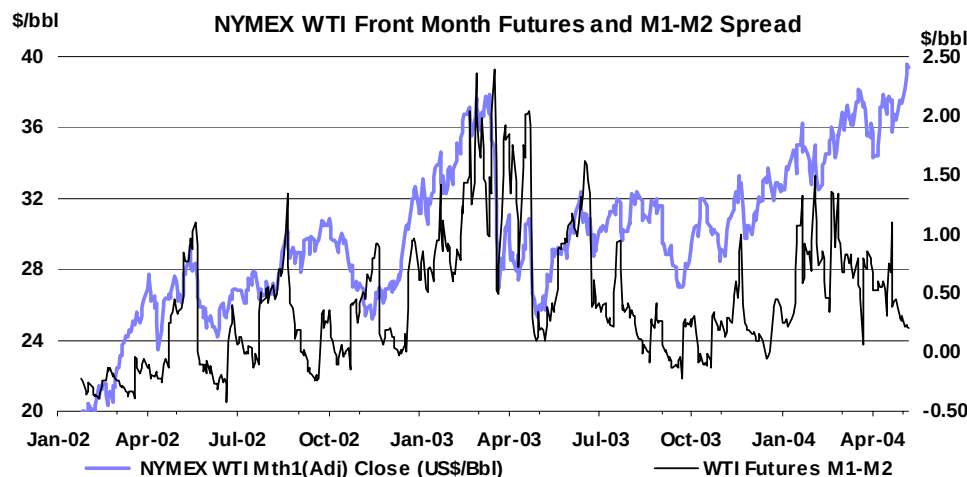
West African crude shipments to Asia have fallen sharply recently, partly due to lower demand due to seasonal refinery maintenance, but also due to demand for sweet crudes from the US. Trader estimates of West African crude shipments to Asia peaked in March at 1.7 million b/d and are expected to fall to around 1-1.1 mb/d in May. The sharp widening of the Brent-Dubai spread is likely to make it difficult to sell large volumes of June loading crude into Asia. West African differentials to Dated Brent remain strong, but there are anecdotal comments that many cargoes have been shipped to the US on a speculative basis and have yet to find homes. However, with refinery margins at unusually high levels it would seem likely that high-gasoline-yielding sweet crudes will be snapped up without undue price pressure.



Asian crude demand is declining in line with lower seasonal requirements due to maintenance - a factor supported by the lower VLCC rates to the region. However, freight rates remain above year ago levels, reflecting the stronger economic performance of the region in 2004. High refinery margins and limited supplies of jet fuel from the Middle East will persuade refiners to crank up runs where possible, supporting regional sweet crudes such as Tapis. Middle Eastern crudes will also likely find good refiner interest following the widening of the Brent-Dubai spread, and lower than expected official selling prices of some Middle Eastern crudes such as Oman.

Crude Futures in April

The late March/early April fall in crude prices proved an interesting barometer for the market. The exceptionally high non-commercial (speculative) net long position in NYMEX light crude futures (WTI) towards the end of March of over 80,000 lots had led to speculation that the market was vulnerable to a price correction. However, the fall in the net non-commercial long from 80,000 lots to 25,000 lots coincided with only a \$2 fall in price, highlighting how difficult it is to make any direct assumptions about price direction by the prevailing net level of speculative activity. That is not to say that speculators cannot have a significant influence in price determination at any point in time, but it is difficult to generalise about their impact.



Dramatic price swings in the oil market have historically been triggered by major events such as the Iraqi wars, the Asian crisis, and the effective abandoning of OPEC quotas in 1985/6. Experience from other commodity markets would tend to suggest that the puncturing of a price bubble, or the breach of a very long-term price trend can have a similar impact, but this usually occurs when the “herd mentality” of the markets leads to an excessively over-(or under) valued market. Consequently, price collapses tend to occur when the markets are significantly out of line with traditional market valuations, which can occur with or without significant speculative imbalances. Judging by the current high refining margins this is not necessarily the case, but should they disappear, then the shift in, and corresponding change in perception of fundamentals could lead to price pressure.

The front-month futures spread has often been regarded as a reliable proxy for the outright futures price. As crude supplies tighten, spot prices rise, while the front month spread (which is predominantly in backwardation) widens to reflect the tighter nearby availability of crude. Historically the movement in the front month spread has often moved in proportion to the outright rise in the crude futures: i.e. the higher futures prices move, the wider the backwardation. However, since June last year there has been a marked divergence between the front month spread and the futures price.

Although the WTI price increase has been accompanied by a broad improvement in OECD crude stocks, this was not the case for much of the time in the key US pricing market. While a smaller backwardation would tend to suggest a less-tight market, perhaps a better explanation for much of the divergence can be provided by a general flattening of the futures price curve because of the upward trend in longer-term futures prices. Essentially, price movements in the past year have been seen throughout the forward price curve, reflecting confidence that crude prices will remain robust for some time to come, rather than the traditional movements biased towards the spot price. Movements in the backwardation in these circumstances still reflect the degree of tightness in the oil market, but they are no longer in proportion to the rise in spot prices.

Delivered Crude Prices in February

Delivered prices for crude oil imported into IEA countries rose by 9 cents in February from January to \$30.81, but divergences between regions were significant. Higher freight costs and differences in shipping times resulted in European costs falling 34 cents to \$30.29, while respective IEA North American and Pacific prices rose by 21 cents and 54 cents over January to \$30.71 and \$31.78.

Product Prices

Spot Product Prices in April

The strength of global transport fuel prices is a major supportive feature to the oil market. Spot gasoline, jet fuel and diesel prices are high in Asia, Europe, the Middle East, and the US. North American gasoline tightness is the most dominant, with a knock-on influence around the world, but good demand in many other regions is contributing to higher prices in diesel and jet fuel as well.

The market focus has been on Northeast reformulated gasoline (RFG) stocks, which have been falling sharply for some months. However, this has been offset by the rise in blending stocks in the region, leaving the combined inventory position reasonably healthy.

The rejection of a proposal to relax sulphur limits this summer also supported prices. Such a relaxation would, however, severely penalise those refiners that have invested heavily in desulphurising capacity. The EPA has indicated that it will make a decision on the issue of oxygenate waivers for MTBE-free gasoline in the near future, but an EIA survey suggests that supply tightness in MTBE-free blends (on the East Coast at least) appears less of an issue than it had earlier been feared.

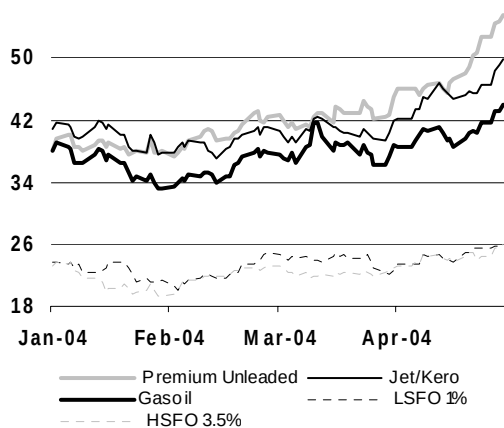
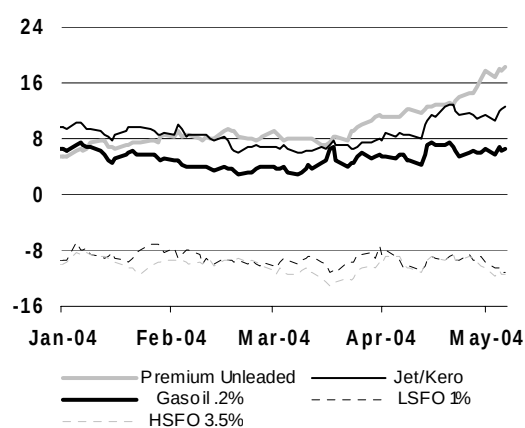
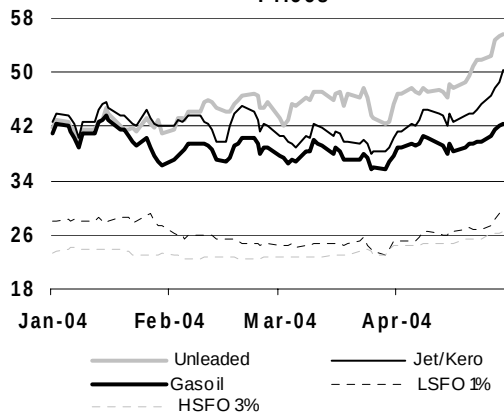
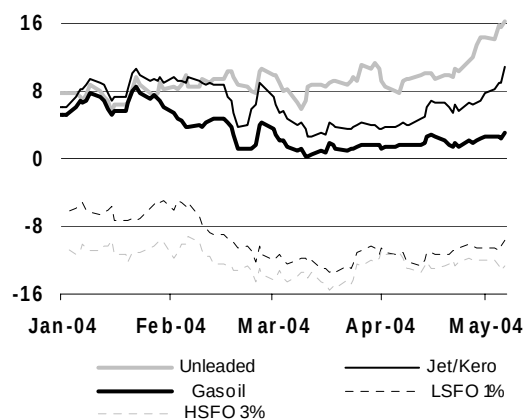
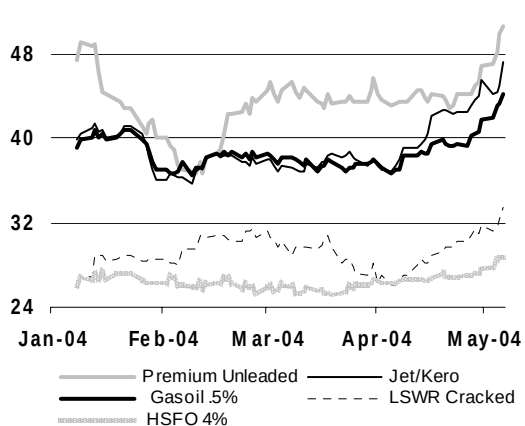
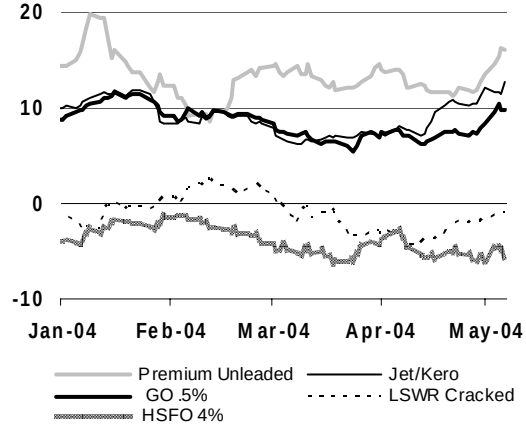
Higher-than-expected supplies of MTBE-free blending components have come from Europe, with trade reports suggesting around 250,000 tonnes of MTBE-free material was shipped to the US in April and additional cargoes are being assembled for May. However, high prices on the West Coast might cause some material to be diverted. It is also estimated that around 160 k tonnes of gasoline has been shipped from Asia to the West Coast.

Spot Product Prices

(monthly and weekly averages, \$/bbl)

	Feb	Mar	Apr	Apr-Mar		Week Commencing:					Feb	Mar	Apr
				Change	%	05 Apr	12 Apr	19 Apr	26 Apr	03 May			
Rotterdam, Barges FOB											Differential to Brent		
Premium Unleaded (Cargo)	39.25	42.43	46.40	3.97	9.4	43.99	45.91	46.47	50.12	54.40	8.42	8.64	13.15
Regular Unleaded	38.63	41.76	45.72	3.96	9.5	43.34	45.31	45.81	49.34	53.56	7.80	7.97	12.47
Naphtha	33.99	35.89	36.60	0.71	2.0	35.64	36.38	36.59	37.91	40.11	3.16	2.10	3.35
Jet/Kerosene	38.64	40.66	43.81	3.15	7.7	40.91	44.11	45.65	45.66	48.23	7.81	6.87	10.56
Gasoil	34.70	38.38	39.35	0.97	2.5	37.69	40.21	39.81	40.50	43.08	3.86	4.59	6.10
Fuel Oil 1.0%S	21.55	24.25	23.94	-0.31	-1.3	22.57	24.00	24.07	25.17	25.68	-9.28	-9.54	-9.31
Fuel Oil 3.5%S	21.18	22.40	23.74	1.34	6.0	22.77	24.08	24.10	24.56	25.43	-9.65	-11.38	-9.51
Mediterranean – Basis Italy, Cargoes FOB											Differential to Urals		
Premium Leaded (0.15 g/l)	39.31	42.37	46.07	3.69	8.7	43.63	45.73	46.32	49.31	53.41	11.67	12.06	15.94
Premium Unleaded	38.59	41.66	45.35	3.69	8.9	42.91	45.01	45.60	48.59	52.69	10.95	11.35	15.22
Naphtha	31.81	34.01	35.53	1.53	4.5	34.55	35.38	35.61	36.83	39.06	4.17	3.70	5.40
Jet/Kerosene	37.13	37.70	42.28	4.58	12.2	39.33	42.67	44.20	44.38	46.67	9.50	7.39	12.15
Gasoil	33.50	37.53	38.92	1.39	3.7	36.56	39.81	39.97	40.45	43.23	5.86	7.22	8.78
Fuel Oil 1.0%S	22.25	24.57	25.28	0.72	2.9	24.85	25.52	25.47	25.79	26.62	-5.39	-5.74	-4.85
Fuel Oil 3.5%S	20.40	20.87	21.90	1.03	4.9	21.43	21.73	21.90	22.87	23.86	-7.24	-9.44	-8.23
NY Harbour, Barges											Differential to WTI		
Super Unleaded *	46.94	50.02	52.60	2.58	5.1	50.22	52.97	52.65	55.58	60.36	12.19	13.31	15.91
Regular Unleaded *	43.97	45.76	47.15	1.38	3.0	44.38	47.34	47.33	50.48	53.57	9.22	9.05	10.46
Jet/Kerosene	42.64	40.92	42.31	1.40	3.4	39.71	43.26	43.26	44.18	47.14	7.90	4.20	5.62
No.2 Heating Oil	38.36	38.19	38.65	0.46	1.2	37.27	39.76	38.90	39.55	41.13	3.62	1.47	1.96
Fuel Oil 1.0%S (Cargo)	26.26	24.67	25.65	0.98	4.0	24.25	25.77	26.23	26.88	27.89	-8.49	-12.05	-11.04
Fuel Oil 3.0%S (Cargo)	22.79	22.87	24.55	1.68	7.4	23.91	24.54	24.78	25.33	26.13	-11.95	-13.85	-12.14
Singapore, Cargoes											Differential to Dubai		
Premium Unleaded 95	39.87	44.10	44.09	-0.01	0.0	43.32	44.14	43.61	45.19	47.65	11.25	13.25	12.40
Naphtha	34.15	36.03	36.48	0.46	1.3	35.00	36.81	36.75	37.37	38.35	5.53	5.18	4.80
Jet/Kerosene	37.46	37.72	40.92	3.19	8.5	37.88	40.27	42.59	43.79	44.34	8.84	6.88	9.23
Gasoil	37.84	37.71	38.93	1.22	3.2	37.31	38.71	39.49	40.51	42.61	9.22	6.87	7.25
LSWR (0.3%S)	30.14	29.27	28.75	-0.53	-1.8	26.31	28.32	29.68	31.03	31.40	1.52	-1.57	-2.94
HSFO (3.5%S 180cst)	26.19	25.85	26.90	1.05	4.1	26.46	26.75	27.13	27.35	28.01	-2.42	-5.00	-4.79
HSFO 4%S	26.10	25.76	26.76	1.01	3.9	26.43	26.58	26.96	27.18	28.04	-2.51	-5.09	-4.92

* From 1 November 2003 assessments for NYH are for Max 0.3% MTBE

\$/bbl Rotterdam Spot Product Prices**\$/bbl Rotterdam Spreads to Dated Brent****\$/bbl New York Harbour Spot Product Prices****\$/bbl New York Harbour Spreads to WTI****\$/bbl Singapore Spot Product Prices****\$/bbl Singapore Spreads to Dubai**

The late return of several US refineries from maintenance in April further limited supplies, although the addition of new capacity should mean that the peak gasoline production level is higher than last year. However, regardless of the rate of US crude throughput, the US market is reliant on gasoline imports and maintenance constraints in both Venezuela and Europe have tightened availability.

Despite the strength of the US RFG gasoline market, arbitrage opportunities from NWE to the US East Coast have been marginal for most of April, with the European market tightened by refinery maintenance, technical problems and strong demand. This is highlighted by the end-of-April fall in US gasoline imports to 618,000 b/d in the last week in April from a four-week average of 1.13 mb/d in the middle of the month. However, if US refineries start to operate near peak capacity and imports recover slightly there remains the potential for US gasoline stocks to build in the coming weeks.

The lack of an obvious arbitrage between Europe and the US is partly a function of robust demand, but there are also a large number of European gasoline producing units that are down for maintenance. This has led to tighter European stocks and limited supplies for export, but high refinery margins will ensure that all available refinery capacity is maximised in the coming weeks.

In Asia, refinery turnarounds have also helped to tighten regional gasoline supplies. Although Chinese gasoline exports have picked up since January, they remain well below 2003 levels. Also, refinery closures in the Philippines and Australia have reduced regional supplies this year. Japanese Korean, Taiwanese and Indian refiners are moving into maintenance, compounded by limited exports from the Middle East due to refinery maintenance in the Gulf. Singapore gasoline prices however have lagged those in Europe and the US, which could encourage further shipments out of the region.

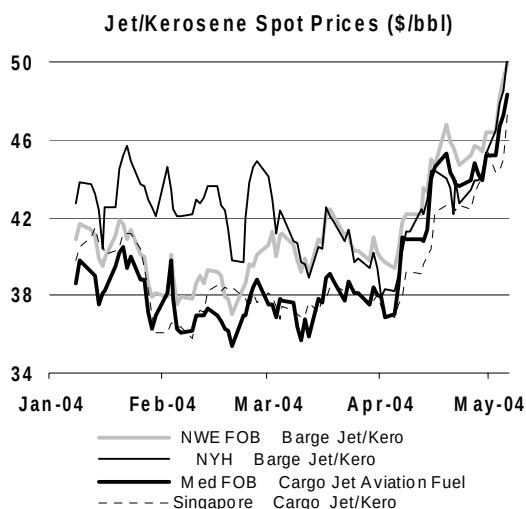
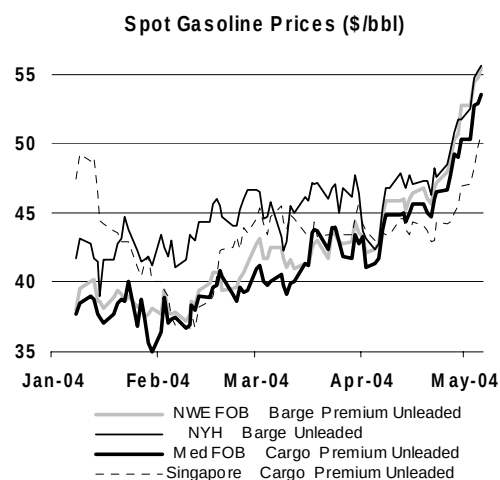
Distillate prices have also risen, despite the end of the heating season. Diesel demand in the US and Europe and rapid growth in aviation traffic is tightening supplies. Demand for diesel appears strong, and would appear to be related to heavy agricultural use (which in itself is also partly a function of high commodity prices). However this is generally a temporary seasonal factor that could ease in the coming months.

The jet market gets hit from three separate angles. Demand is strong, naphtha production is maximised in preference to jet because of strong gasoline prices, and jet can be blended with certain grades of gasoil to make diesel.

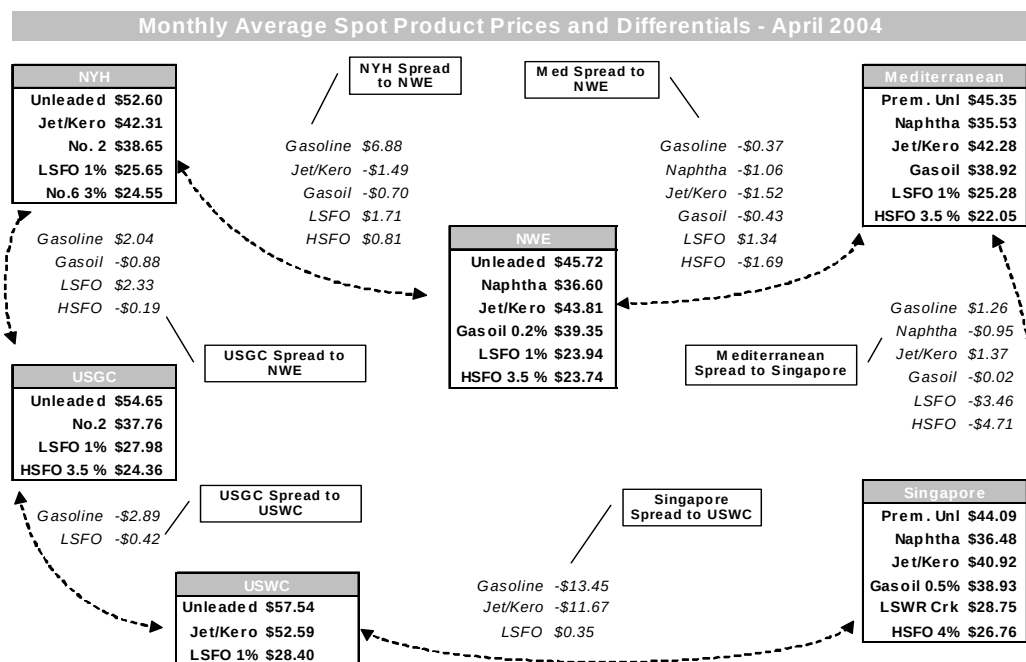
The European and Asian naphtha market will also be tightened in May by maintenance at Saudi Aramco's Ras Tanura refinery, which has already deferred May cargoes. Strong diesel demand is supporting gasoil, particularly of Russian origin, which is being desulphurised to meet transport fuel demand in North West Europe.

In Asia the distillate market remains tight. China is a heavy gasoil importer, regional aviation demand is strong (particularly in relation to last year's SARS depressed travel), supplies are being reduced as refiners go into seasonal maintenance turnarounds and marginal supplies are constrained by the movement of surplus Middle Eastern product to the US and Europe and refinery maintenance in the Persian Gulf.

The only real weak spot in the petroleum complex remains fuel oil, with high refinery throughput and weak "shoulder season" demand depressing prices. Surplus Russian material in NWE and the Med has been arbitrated to Asia and although the lack of exceptional Chinese demand has recently



narrowed opportunities in that direction, there would still appear to be room for movement from the Mediterranean. In the US, low sulphur fuel oil demand has been relatively robust, with improved natural gas prices and strong economic growth providing some support, particularly for low sulphur material, supplemented by healthy bunker demand.

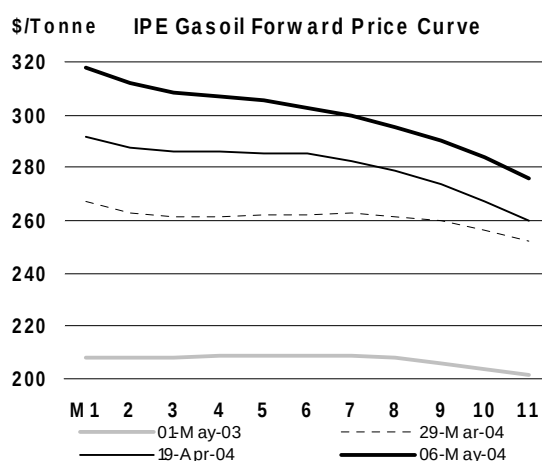
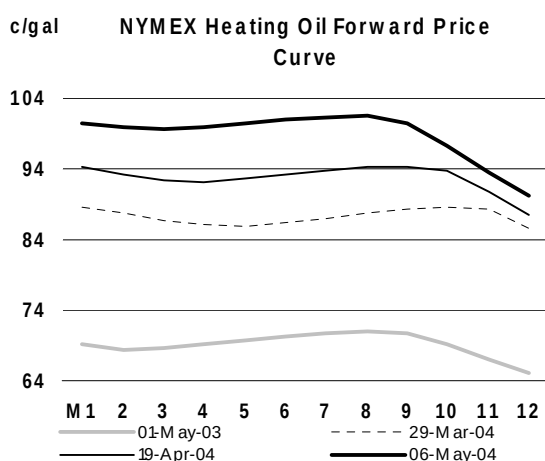


Product Futures in April

Record highs in NYMEX gasoline were seen on an almost daily basis at the end of April, with gains concentrated in the front end, steepening the backwardation in the front months. Further forward, low-season winter prices have seen a much lower increase.

Speculative activity in gasoline remains unbalanced (as has been the case for the past six months), with non-commercial longs three to four times higher than speculative shorts. But as prices have increased, non-commercial short positions have also increased, reducing the overall speculative net-long to 33,380 lots from 36,459 lots at the end of March.

The strength of diesel prices in Europe has provided significant support for the IPE gas oil futures market, and the backwardated summer market is in stark contrast to the flat forward structure of the US heating oil market. The primary difference between these two markets, even though the specifications of the two contracts is similar, is that the European distillate market is affected by both the heating market and the high proportion of diesel as a transport fuel. Nevertheless, the ability of the two contracts to move dramatically out of line is limited by arbitrage considerations.

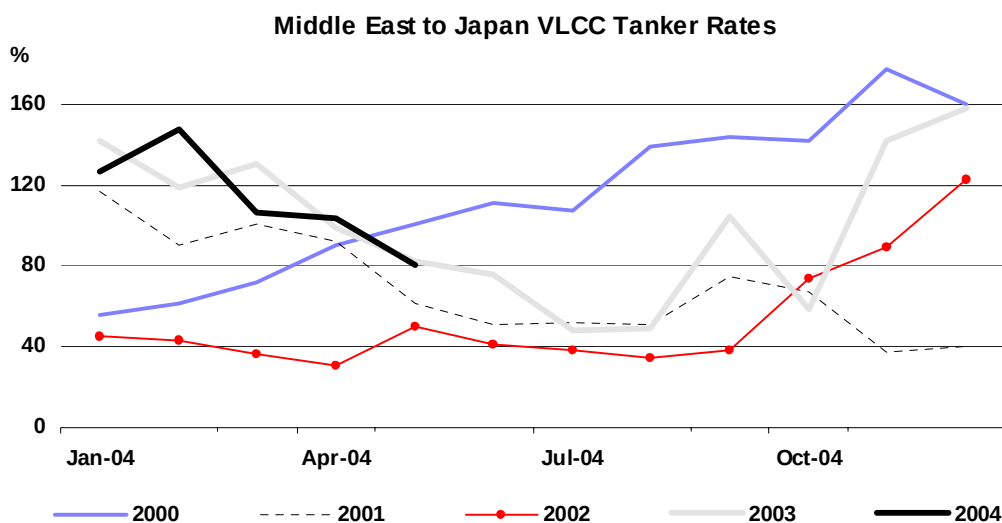


End-User Product Prices in April

End-user retail product prices rose strongly in virtually every region in April mirroring wholesale trends. However, the lag of several weeks between wholesale and retail price moves means that much of the recent increase will be reflected in May data. Japan, which generally makes limited changes to retail prices levels, saw the largest monthly percentage increase in gasoline, diesel and heating oil in April. In Europe, gains were strongest in Germany, reflecting tighter supplies due to refinery maintenance. Canadian retail prices for diesel and heating oil bucked the general trend and fell slightly, reflecting the increased seasonality of demand for middle distillate fuels in the country.

Freight

VLCC rates from the Middle East Gulf to Japan and the US Gulf Coast have retraced from their early April peak and appear to be following the normal seasonal weakening pattern. Dirty freight rates to Asia (which tend to set the trend for freight in other regions) typically decline during the spring and summer, in line with regional demand and refinery utilisation.



The apparent development of the normal seasonal pattern in freight rates could be a sign of weakness in the world crude markets. However, freight rates are a function of the supply and demand for freight.

Most Asian supplies from the Middle East are made on a term basis, therefore a regional decline in demand tends to hit the marginal spot suppliers first. West African crude shipments to Asia have fallen significantly from their March peaks, which means that more West African crude is heading to Europe and the US where voyage times are significantly shorter than to Asia. This effectively increases tanker availability and so pressures freight rates.

Further, if there was a glut of crude this would be expected to show up in sweet/sour differentials, which does not appear to be the case. Also, it is not clear that crude demand from Asia will remain low: if higher refining margins persist, then regional refiners are likely to increase throughput where possible, increasing global crude demand in the months ahead. A look at 2000 freight rates also highlights that however strong the seasonal tendencies of a market, that pattern can be broken by strong economics and counter-seasonal demand strength.

Product freight rates have also dipped, reflecting the limited arbitrage opportunities due to seasonal maintenance.

Refining Margins in April

Refining margins in the four regions covered climbed sharply in April, and have continued to rise in early May, led by strong prices for the mid-to-light end of the barrel. Cracking refineries have outperformed hydroskimming refineries in all regions, but even these marginal units are likely to be making attractive profits at current levels.

Refining Margins in Major Refining Centres

(\$/bbl)

	Monthly Averages			Apr-Mar		Week Ending:				
	Feb	Mar	Apr	Change	%	02 Apr	09 Apr	16 Apr	23 Apr	30 Apr
Refining Margins										
NW Europe										
Brent (Hydroskimming)	-1.58	-1.66	0.62	2.27		0.20	0.06	0.83	0.65	1.02
Brent (Cracking)	0.91	1.16	3.64	2.49		2.88	2.99	3.84	3.76	4.62
Mediterranean										
Urals (Hydroskimming)	1.22	0.93	2.80	1.87		2.09	2.33	2.89	3.15	3.02
Urals (Cracking)	3.79	3.88	6.00	2.12		4.92	5.46	6.10	6.44	6.77
US Gulf Coast										
WTI (Cracking)	3.07	2.75	5.08	2.33		3.87	4.24	5.50	5.08	6.67
Brent (Cracking)	4.11	3.29	6.19	2.90		4.87	5.23	7.34	6.73	6.65
Singapore										
Dubai (Hydroskimming)	2.39	0.58	0.85	0.27		1.54	0.64	0.29	0.78	0.87
Dubai (Cracking)	5.78	4.68	4.69	0.02		5.39	4.45	4.16	4.58	5.14
Gross Product Worth										
NW Europe										
Brent (Hydroskimming)	30.71	33.33	35.01	1.68	5.0	32.25	34.87	35.50	35.09	37.26
Brent (Cracking)	33.30	36.25	38.13	1.89	5.2	35.03	37.90	38.61	38.30	40.96
Mediterranean										
Urals (Hydroskimming)	29.04	31.41	33.11	1.70	5.4	30.11	32.73	33.78	33.43	35.14
Urals (Cracking)	31.71	34.47	36.41	1.94	5.6	33.04	35.95	37.09	36.83	39.00
US Gulf Coast										
WTI (Cracking)	38.91	40.56	42.87	2.31	5.7	39.46	42.56	44.22	43.24	45.12
Brent (Cracking)	38.38	39.94	42.28	2.34	5.9	38.85	41.90	43.67	42.72	44.51
Singapore										
Dubai (Hydroskimming)	31.52	31.96	33.08	1.12	3.5	31.94	32.58	33.45	33.55	34.95
Dubai (Cracking)	35.01	36.16	37.02	0.86	2.4	35.88	36.48	37.41	37.45	39.32

For the purposes of this Report, refining margins are calculated on the basis of an 'average' refinery that is running a 'typical' crude slate in a specific refining centre. 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.

Gasoline strength has dominated sentiment, in the product markets, but in percentage terms the rise in jet fuel prices has in many cases been higher. Diesel has also been strong, driving gross product worth up by over \$5 in Europe and the US. The strength at the light end of the barrel has also resulted in a continued increase in the differential between cracking and hydroskimming margins in Europe, and an outperformance of sweet crudes over sour.

In NWE, cracking refinery margins rose to \$3.64 on average in April, a gain of \$2.49 over the month. However, by early May they had climbed to nearly \$5/barrel, on a par with the peak seen in March 2003. It was a similar picture for sour Urals cracking margins in the Mediterranean, which averaged \$6.00/bbl in April and in early May had pushed over \$7.00.

In the US, Brent outperformed WTI cracking margins on average in April and despite the mid-April strength of North Sea crudes Brent cracking margins remained marginally more attractive in early May. Transatlantic freight rates slipped back from end-March levels, but did not fall to the lows seen in early March. Theoretically, this made Brent an attractive crude to refine, but competition from West African crudes and strong demand in Europe meant that few Brent cargoes were actually shipped to the US in April.

The stronger seasonal dip in demand in Asia is apparent in the underperformance of Singapore sour margins relative to those in Europe and the US. Average cracking margins were virtually flat in April from March, with a pick-up in Chinese gasoline exports and strength in the middle to lower end of the barrel combining to favour hydroskimming refineries over cracking units. However, the trend in margins in April was upwards and the overall return to cracking refineries continued at an attractive and much higher level than for marginal hydroskimmers. This trend has continued into early May. Further it should be noted that the current rise in Singapore refining margins also coincides with a period of Middle Eastern refinery maintenance, which was also a major contributory factor behind the naphtha-led spike in early January.

Refinery Throughput in March

OECD refinery throughput dipped to 38.6 mb/d in March from an upwardly revised 39.6 mb/d in February. Upward revisions to OECD refinery throughput in North America and Europe in February were only slightly offset by downward revisions to OECD Pacific data leaving total throughput 314 kb/d higher than originally reported. The March figure leaves OECD throughput broadly unchanged on year ago levels.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day					Change from Mar 03			Utilisation rate ²	
	Oct 03	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04	mb/d	%	Mar 04	Mar 03
OECD North America										
US ³	15.34	15.45	15.34	14.82	14.71	14.64	-0.29	-1.9	87.4	88.9
Canada	1.74	1.77	1.71	1.91	1.88	1.78	0.15	9.1	89.4	82.2
Mexico	1.21	1.16	1.21	1.29	1.31	1.27	0.01	0.6	75.4	72.0
Total	18.30	18.38	18.27	18.02	17.90	17.69	-0.13	-0.7	86.6	87.1
OECD Europe										
France	1.86	1.86	1.88	1.80	1.86	1.72	0.08	5.0	88.3	86.2
Germany	2.34	2.34	2.29	2.28	2.30	2.24	0.00	-0.2	95.6	95.8
Italy	1.83	1.94	1.85	1.81	1.88	1.85	0.05	2.9	80.1	78.2
Netherlands	0.94	0.93	1.05	1.15	1.16	1.10	0.17	18.6	90.3	77.0
Spain	1.14	1.16	1.13	1.16	1.13	1.13	0.03	3.1	88.7	82.8
UK	1.43	1.59	1.65	1.62	1.65	1.67	-0.02	-1.1	91.7	94.1
Other OECD Europe	3.88	4.06	3.97	3.84	3.74	3.75	-0.20	-5.0	82.8	87.0
Total	13.41	13.88	13.81	13.66	13.70	13.46	0.12	0.9	87.2	86.6
OECD Pacific										
Japan	3.91	4.10	4.25	4.28	4.40	4.39	-0.03	-0.7	93.4	92.8
Korea	2.23	2.31	2.31	2.38	2.37	2.32	0.02	1.0	91.2	89.7
Other OECD Pacific	0.73	0.68	0.73	0.73	0.70	0.74	-0.08	-9.6	86.2	85.8
Total	6.87	7.08	7.30	7.39	7.47	7.45	-0.09	-1.2	91.9	91.0
OECD Total	38.58	39.35	39.37	39.07	39.07	38.60	-0.10	-0.3	87.8	87.7

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US\$0

Preliminary weekly data from the US indicates a relatively slow return from maintenance in April, with throughput averaging 15.1 mb/d compared with 15.6 mb/d in April 2003. By the end of April however runs had recovered to 15.5 mb/d and exceptionally high margins should provide sufficient incentive for refiners to maximise throughput where possible. Recent capacity additions should also allow peak throughput to be increased.

US refinery capacity has risen to 16.894 mb/d, an increase of 147 kb/d from previously indicated capacity in March. 100% capacity rates are not attainable and a better indication of peak throughput is to look at trends on a four-week average basis. Last year the four-week average peak in capacity utilisation was 95.75%, and a summer average of 94.25%. This would translate into a peak throughput of 16.18 mb/d and a potential summer average of 15.9 mb/d at current capacity levels. This could mean that US gasoline production could theoretically rise by a further 350 kb/d in the coming weeks if refineries are able to move to peak capacity and the ratio of gasoline production is maintained at over 50% of output, and possibly an additional 200 kb/d for the summer on average.

European refinery throughput in the first quarter averaged 250 kb/d over year ago levels, but high maintenance in April and May is likely to lead to a return to more normal levels in the next few months. Maintenance is expected to be seen at 15 refineries in North West Europe and Mediterranean regions in May and April, affecting distillation and upgrading capacity units totalling over 800 kb/d. This combined with maintenance in the Middle East is likely to continue to tighten European product markets. However, it has to be noted that European refiners normally run at much lower capacity rates than those seen in the US, and there is therefore always additional capacity that can be utilised at attractive margin levels, thereby mitigating some effects of maintenance.

In OECD Pacific, refiners have kept throughput broadly flat since the start of the year, but preliminary data shows that the seasonal decline in throughput in Japan and Korea is starting to take place, and should deepen over the next few months. Australian refiners are also undertaking autumn

maintenance programmes in April and May, further tightening regional product availability. Outside of OECD countries, some Chinese refinery maintenance has ended, but refineries in Taiwan and Indonesia will shortly be carrying out work.

Middle Eastern refinery maintenance is contributing to higher prices in Asia, but there remains spare capacity in the Asia Pacific region that can be utilised if necessary. However, the fact that the January margin price spike also coincided with refinery issues in the Middle East, reflects the marginal external supply movements that are required to meet local and seasonal product requirements.

Seasonal maintenance trends in Asia, Europe, and the Middle East would appear to suggest that tight product markets will be maintained throughout May. High margins are already tempting some refiners however, where possible, to postpone maintenance. Maintenance programmes are frequently planned months or years in advance, so the opportunities to postpone work is often limited, but should the recent spike in global margins persist, then the economics of taking such radical action will appear attractive. More likely however, is that refiners with spare capacity, who generally regulate seasonal throughput (particularly in Europe and Asia), will raise throughput above seasonal norms in the coming months.

For the OECD as a whole there is theoretically more than 5.4 mb/d of spare capacity that can be brought into operation. As a 100% operating rate is not a realistic option, that spare capacity is reduced to 3.2 mb/d at a 95% capacity running rate. But even that is likely to represent a peak rather than sustainable utilisation rate - refiners have to undertake maintenance and there will be seasonal variations in regional demand. Not all refineries are in a position to export product, and storage capacity at refineries might be constrained, limiting the ability of refiners to react to changing global supply conditions. Further, much of that spare capacity will be in the form of marginal hydroskimming refineries, which are not capable of enhancing light product yields, while the marginal input tends to be heavy sour crudes. Therefore, it is not surprising that in periods of strong light product demand, or during refinery maintenance in countries with sophisticated cracking and coking facilities, that refinery margins rise sharply. Attractive refinery margins are therefore expected to remain in place if demand growth continues to rise at current rates.

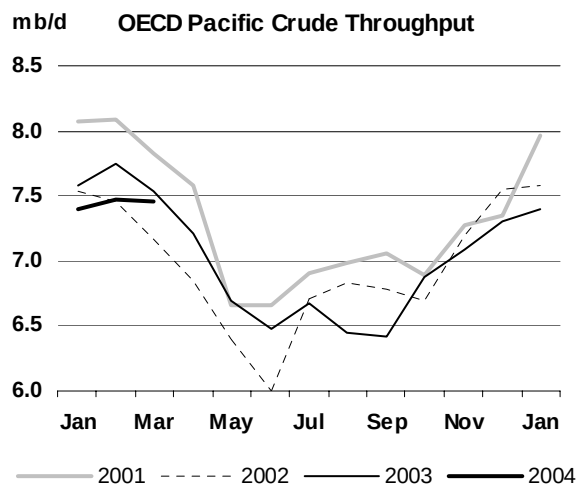
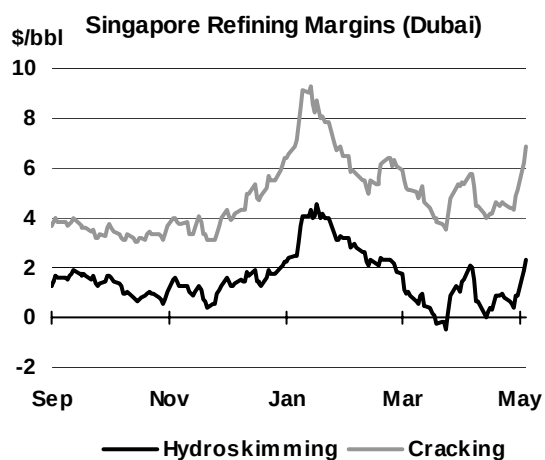
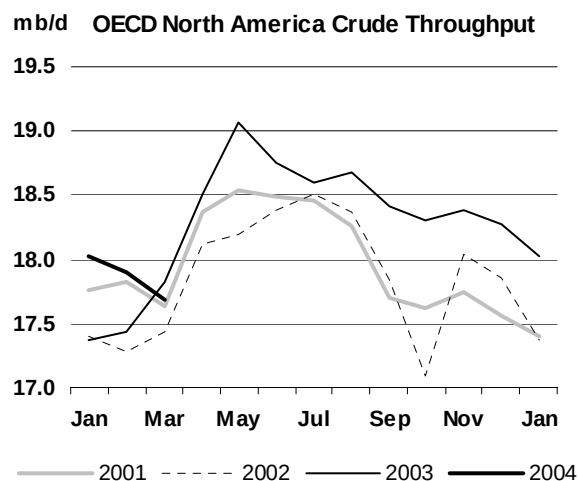
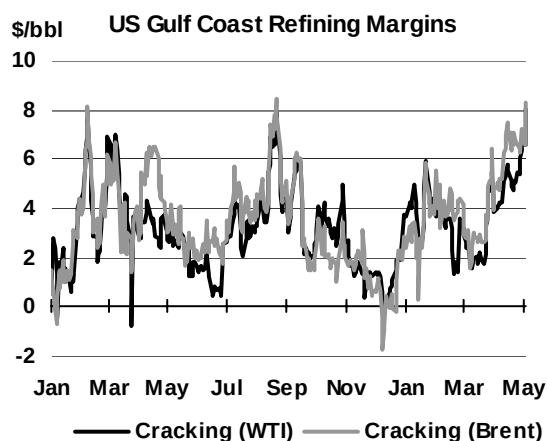
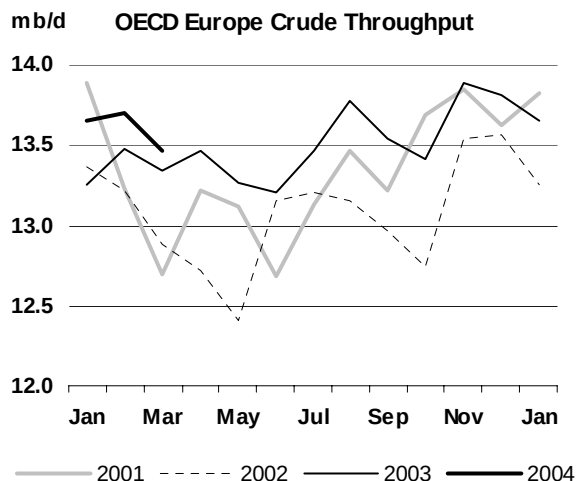
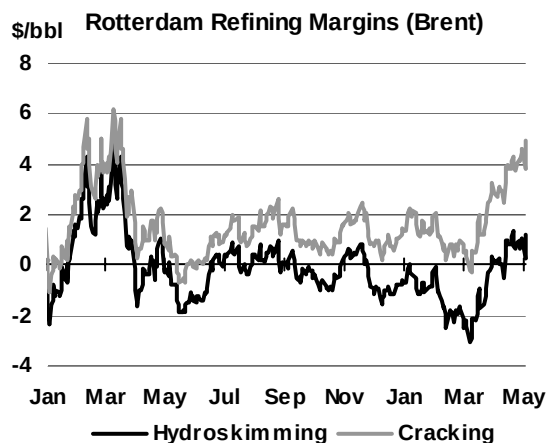


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	24.1	24.0	23.9	24.0	24.3	24.3	24.2	24.6	24.2	24.9	24.9	24.6	25.0	24.4	25.3	25.3	25.0
Europe	15.1	15.3	15.2	14.7	15.2	15.3	15.1	15.2	15.0	15.3	15.5	15.2	15.5	15.2	15.4	15.7	15.5
Pacific	8.6	8.5	9.1	7.6	8.0	9.3	8.5	9.6	8.0	7.9	9.0	8.6	9.2	7.9	7.9	8.9	8.5
Total OECD	47.8	47.8	48.2	46.3	47.5	48.9	47.8	49.4	47.2	48.0	49.4	48.5	49.7	47.5	48.7	50.0	49.0
NON-OECD DEMAND																	
FSU	3.7	3.7	3.5	3.1	3.4	3.8	3.5	3.8	3.1	3.4	3.9	3.6	3.5	3.2	3.4	3.8	3.5
Europe	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
China	4.6	4.7	4.6	5.0	4.9	5.2	4.9	5.2	5.2	5.7	5.8	5.5	6.2	6.3	6.2	6.3	6.2
Other Asia	7.4	7.6	7.6	7.7	7.6	7.9	7.7	7.7	7.7	7.8	8.3	7.9	8.1	8.2	8.2	8.6	8.3
Latin America	4.9	4.9	4.7	4.8	4.9	4.7	4.8	4.5	4.6	4.8	4.7	4.7	4.6	4.7	4.9	4.8	4.7
Middle East	4.7	4.9	5.0	4.9	5.1	5.1	5.1	5.2	5.0	5.3	5.3	5.2	5.4	5.4	5.6	5.5	5.5
Africa	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.5	2.7	2.6	2.7	2.7	2.6	2.7	2.7
Total Non-OECD	28.4	29.0	28.8	28.9	29.1	30.1	29.3	29.8	28.9	30.3	31.5	30.2	31.2	31.2	31.6	32.5	31.6
Total Demand¹	76.2	76.8	77.0	75.3	76.7	79.1	77.0	79.2	76.1	78.4	80.9	78.7	81.0	78.7	80.2	82.5	80.6
OECD SUPPLY																	
North America	14.3	14.4	14.6	14.6	14.4	14.4	14.5	14.7	14.5	14.7	14.8	14.7	14.7	14.7	14.7	14.9	14.7
Europe	6.8	6.7	6.7	6.7	6.2	6.8	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	6.0	6.3	6.2
Pacific	0.9	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
Total OECD	21.9	21.8	22.1	22.1	21.4	21.9	21.9	22.1	21.3	21.4	21.8	21.7	21.7	21.5	21.3	21.8	21.6
NON-OECD SUPPLY																	
FSU	7.9	8.6	9.0	9.2	9.5	9.8	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.0	11.2	11.3	11.1
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Other Asia	2.3	2.4	2.5	2.4	2.5	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.7	2.7	2.7	2.8	2.7
Latin America	3.8	3.8	3.9	3.9	3.9	3.8	3.9	3.9	3.8	4.0	4.0	3.9	3.9	4.0	4.0	4.1	4.0
Middle East	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	1.9	2.0	1.9	1.9	1.8	1.9	1.9
Africa	2.8	2.8	3.0	3.0	3.0	2.9	3.0	2.9	3.0	3.1	3.2	3.1	3.3	3.4	3.5	3.6	3.4
Total Non-OECD	22.5	23.2	24.0	24.2	24.7	24.7	24.4	24.9	25.1	25.6	26.1	25.5	26.3	26.5	26.7	27.2	26.7
Processing Gains ²	1.7	1.7	1.8	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8
Total Non-OPEC	46.1	46.7	47.9	48.1	47.8	48.5	48.1	48.9	48.2	48.7	49.8	48.9	49.8	49.8	49.9	50.8	50.1
OPEC																	
Crude ³	27.8	27.0	24.9	24.3	25.3	25.8	25.1	26.7	26.2	26.6	27.7	26.8	27.9				
NGLs	2.8	3.1	3.4	3.4	3.6	3.5	3.5	3.3	3.7	3.8	4.0	3.7	4.0	4.1	4.1	4.2	4.1
Total OPEC	30.7	30.2	28.3	27.7	28.9	29.3	28.6	29.9	29.8	30.4	31.6	30.5	31.9				
Total Supply⁴	76.7	76.9	76.2	75.8	76.7	77.7	76.6	78.8	78.1	79.2	81.4	79.4	81.8				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	0.2	-0.3	0.5	-0.8	-1.1	-0.4	-0.6	1.3	0.5	-0.8	0.1	-0.3				
Government	-0.1	0.0	0.2	0.1	0.1	0.3	0.2	0.2	0.0	0.2	0.3	0.2	0.1				
Total	0.2	0.3	-0.1	0.7	-0.8	-0.8	-0.3	-0.5	1.3	0.7	-0.5	0.3	-0.2				
Floating Storage/Oil in Transit	0.1	-0.1	0.1	-0.3	0.2	-0.2	0.0	0.3	0.0	0.0	0.4	0.2	-0.2				
Miscellaneous to balance ⁵	0.3	-0.2	-0.9	0.1	0.6	-0.3	-0.1	-0.2	0.6	0.1	0.6	0.3	1.2				
Total Stock Ch. & Misc	0.6	0.1	-0.9	0.5	0.0	-1.3	-0.4	-0.4	1.9	0.8	0.5	0.7	0.8				
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.3	27.0	25.7	23.7	25.3	27.1	25.5	27.0	24.2	25.8	27.2	26.1	27.1	24.8	26.2	27.5	26.4
Total Demand ex. FSU	72.5	73.2	73.5	72.2	73.3	75.2	73.6	75.4	73.0	74.9	77.1	75.1	77.5	75.5	76.8	78.7	77.1
Total demand exc. FSU (% ch) ⁷	0.9	0.9	-0.6	-0.1	0.8	1.9	0.5	2.5	1.2	2.2	2.5	2.1	2.8	3.4	2.5	2.1	2.7

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

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

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

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

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

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

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

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

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	0.2	0.1	-	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.1	-	-	0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.6	0.2	-	0.1	0.2
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Total Demand	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.7	0.4	0.2	0.1	0.3
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-0.1	-	-	-0.2	-0.2	-0.1	-0.1	-0.1
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.3	-0.2	-0.1	-	-0.2
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Supply	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.3	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-	-	-0.1	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-	-	-	-	-
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.2	-0.1	-0.9	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	0.1	0.1	0.2	0.1	0.9	0.6	0.3	0.1	0.5
Total Demand ex. FSU	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.6	0.3	0.2	0.1	0.3

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
OECD REGIONAL OIL DEMAND¹
(million barrels per day)

	October			November			December			Fourth Quarter			January		
	2002	2003	%	2002	2003	%	2002	2003	%	2002	2003	%	2003	2004	%
North America															
LPG	2.97	2.85	-4.1	3.08	2.99	-2.8	3.20	3.35	4.8	3.08	3.07	-0.6	3.49	3.47	-0.4
Naphtha	0.39	0.45	15.7	0.43	0.44	1.1	0.42	0.43	0.3	0.41	0.44	5.4	0.42	0.39	-5.6
Motor Gasoline	10.14	10.42	2.7	10.13	10.27	1.4	10.22	10.40	1.8	10.16	10.36	2.0	9.69	10.02	3.5
Jet/Kerosene	1.89	1.87	-1.2	1.89	1.87	-0.9	1.98	1.97	-0.3	1.92	1.90	-0.8	1.83	1.85	1.1
Gasoil	4.73	4.91	3.7	4.81	4.68	-2.6	4.78	4.99	4.3	4.77	4.86	1.8	5.22	5.28	1.2
Residual Fuel Oil	1.31	1.33	2.0	1.36	1.31	-3.9	1.51	1.45	-4.0	1.39	1.37	-2.1	1.39	1.49	7.7
Other Products	2.77	2.96	6.9	2.72	2.92	7.5	2.29	2.85	24.7	2.59	2.91	12.4	2.41	2.53	5.0
Total	24.19	24.77	2.4	24.42	24.49	0.3	24.41	25.45	4.3	24.34	24.91	2.3	24.44	25.04	2.5
Europe															
LPG	0.92	0.94	2.9	0.93	1.00	7.6	1.09	1.16	6.9	0.98	1.04	5.9	1.10	1.19	8.2
Naphtha	1.14	1.10	-3.4	1.14	1.12	-1.3	1.18	1.15	-2.2	1.15	1.12	-2.3	1.22	1.22	0.6
Motor Gasoline	2.93	2.83	-3.4	2.79	2.65	-5.1	2.73	2.76	1.0	2.81	2.74	-2.5	2.56	2.53	-1.1
Jet/Kerosene	1.16	1.21	4.4	1.05	1.11	6.5	1.09	1.12	2.9	1.10	1.15	4.6	1.11	1.12	1.3
Gasoil	6.07	6.28	3.5	6.06	5.76	-4.9	5.84	6.09	4.2	5.99	6.05	0.9	5.87	5.78	-1.7
Residual Fuel Oil	1.99	2.01	1.3	2.00	1.90	-4.8	2.10	2.06	-2.1	2.03	1.99	-1.8	2.07	2.00	-3.1
Other Products	1.41	1.51	6.9	1.29	1.47	13.6	1.10	1.31	19.3	1.27	1.43	12.7	1.09	1.23	13.0
Total	15.61	15.89	1.8	15.25	15.01	-1.5	15.13	15.65	3.4	15.33	15.52	1.3	15.00	15.07	0.4
Pacific															
LPG	0.85	0.77	-8.7	0.97	0.83	-14.0	1.02	0.98	-3.5	0.94	0.86	-8.6	0.98	0.94	-4.0
Naphtha	1.46	1.52	4.1	1.55	1.59	2.2	1.61	1.68	4.7	1.54	1.60	3.7	1.59	1.61	1.4
Motor Gasoline	1.55	1.60	3.4	1.60	1.62	1.7	1.66	1.71	3.2	1.60	1.64	2.7	1.49	1.54	3.4
Jet/Kerosene	0.97	1.02	5.2	1.38	1.12	-18.6	1.78	1.60	-10.3	1.38	1.25	-9.3	1.72	1.64	-4.8
Gasoil	1.92	1.97	2.5	2.02	1.96	-3.0	2.14	2.08	-2.9	2.03	2.00	-1.2	1.95	1.88	-3.4
Residual Fuel Oil	1.06	1.15	8.4	1.23	1.16	-5.8	1.28	1.20	-6.1	1.19	1.17	-1.7	1.30	1.15	-11.3
Other Products	0.48	0.44	-8.0	0.59	0.49	-16.1	0.69	0.46	-33.1	0.59	0.47	-20.6	0.57	0.49	-15.0
Total	8.28	8.46	2.3	9.33	8.77	-6.0	10.17	9.72	-4.5	9.26	8.99	-2.9	9.59	9.25	-3.6
OECD															
LPG	4.73	4.56	-3.6	4.98	4.83	-3.0	5.30	5.50	3.6	5.00	4.96	-0.8	5.56	5.60	0.6
Naphtha	2.98	3.06	2.7	3.12	3.14	0.8	3.21	3.26	1.6	3.10	3.16	1.7	3.22	3.22	0.2
Motor Gasoline	14.62	14.84	1.5	14.52	14.54	0.2	14.60	14.87	1.8	14.58	14.75	1.2	13.73	14.09	2.6
Jet/Kerosene	4.01	4.09	2.0	4.31	4.11	-4.7	4.85	4.69	-3.2	4.39	4.30	-2.1	4.65	4.61	-1.0
Gasoil	12.72	13.16	3.4	12.89	12.40	-3.7	12.76	13.15	3.0	12.79	12.91	0.9	13.05	12.95	-0.8
Residual Fuel Oil	4.35	4.49	3.2	4.59	4.37	-4.8	4.90	4.71	-3.8	4.61	4.53	-1.9	4.75	4.65	-2.2
Other Products	4.66	4.91	5.4	4.60	4.88	6.2	4.08	4.63	13.5	4.44	4.81	8.1	4.07	4.25	4.4
Total	48.08	49.12	2.2	49.00	48.27	-1.5	49.71	50.81	2.2	48.93	49.42	1.0	49.03	49.36	0.7

¹ Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. North America comprises US 50 states, US territories, Mexico and Canada. Data based on Monthly Oil Questionnaire submitted by OECD countries in tonnes, and converted to barrels. Data may differ slightly from Table 1.

Table 3
OIL DEMAND AND % GROWTH IN DEMAND IN SELECTED OECD COUNTRIES¹
(million barrels per day)

	November			December			Fourth Quarter			January			February		
	2002	2003	%	2002	2003	%	2002	2003	%	2003	2004	%	2003	2004	%
United States²															
LPG	2.25	2.16	-4.1	2.34	2.47	5.1	2.27	2.22	-1.9	2.65	2.62	-1.1	2.47	2.52	2.1
Naphtha	0.31	0.32	5.7	0.30	0.28	-5.0	0.28	0.30	6.4	0.29	0.27	-7.9	0.28	0.33	16.2
Motor Gasoline	8.83	8.95	1.4	8.89	9.00	1.2	8.85	9.00	1.7	8.40	8.68	3.4	8.50	8.74	2.8
Jet/Kerosene	1.68	1.68	-0.1	1.80	1.78	-1.2	1.72	1.69	-1.4	1.64	1.64	0.1	1.68	1.75	4.2
Gasoil	3.93	3.78	-3.7	3.93	4.06	3.3	3.89	3.94	1.3	4.31	4.35	0.9	4.37	4.27	-2.2
Residual Fuel Oil	0.79	0.70	-10.7	0.83	0.82	-1.7	0.76	0.74	-1.4	0.78	0.89	13.9	0.89	0.87	-1.7
Other Products	2.21	2.36	6.7	1.84	2.31	25.0	2.11	2.34	11.0	1.95	1.94	-0.4	2.19	2.07	-5.7
Total	19.99	19.95	-0.2	19.94	20.72	3.9	19.87	20.24	1.9	20.02	20.39	1.9	20.38	20.55	0.8
Japan³															
LPG	0.61	0.48	-21.7	0.65	0.62	-3.8	0.58	0.52	-11.2	0.61	0.60	-2.3	0.73	0.63	-13.6
Naphtha	0.86	0.88	2.5	0.90	0.95	5.2	0.87	0.89	2.5	0.87	0.87	-0.1	0.89	0.87	-1.9
Motor Gasoline	1.04	1.04	0.2	1.10	1.13	3.0	1.05	1.07	2.1	0.95	0.98	2.9	1.01	1.00	-1.1
Jet/Kerosene	0.98	0.75	-24.2	1.26	1.15	-8.4	0.95	0.86	-9.4	1.17	1.17	-0.3	1.21	1.10	-8.9
Diesel	0.69	0.64	-6.7	0.69	0.67	-2.7	0.69	0.66	-3.3	0.58	0.57	-2.0	0.66	0.63	-5.0
Other Gasoil	0.60	0.53	-10.9	0.68	0.65	-4.7	0.60	0.58	-3.7	0.66	0.64	-3.2	0.72	0.67	-7.3
Residual Fuel Oil	0.67	0.63	-5.9	0.73	0.64	-12.6	0.66	0.64	-4.1	0.72	0.60	-16.5	0.78	0.67	-14.0
Direct use of Crude Oil	0.13	0.07	-43.2	0.23	0.08	-65.3	0.15	0.07	-53.2	0.17	0.08	-49.4	0.15	0.09	-41.0
Other Products	0.35	0.32	-10.2	0.35	0.26	-26.4	0.33	0.29	-12.8	0.32	0.32	0.6	0.32	0.36	11.3
Total	5.93	5.34	-9.9	6.59	6.15	-6.6	5.87	5.57	-5.2	6.06	5.83	-3.7	6.48	6.02	-7.0
Germany															
LPG	0.07	0.08	7.0	0.08	0.08	-10.7	0.07	0.07	-1.5	0.08	0.08	5.9	0.08	0.08	4.6
Naphtha	0.38	0.40	6.6	0.41	0.43	5.1	0.40	0.41	0.9	0.38	0.48	26.4	0.40	0.44	10.3
Motor Gasoline	0.62	0.58	-5.9	0.60	0.58	-4.5	0.62	0.59	-5.3	0.51	0.53	3.9	0.59	0.57	-3.4
Jet/Kerosene	0.14	0.16	12.3	0.13	0.13	0.2	0.14	0.15	6.3	0.13	0.13	2.9	0.15	0.14	-5.6
Diesel	0.57	0.61	7.5	0.49	0.53	8.2	0.54	0.58	8.8	0.44	0.48	9.0	0.56	0.54	-3.6
Other Gasoil	0.68	0.48	-30.4	0.69	0.58	-16.6	0.68	0.55	-18.6	0.59	0.55	-5.4	0.70	0.64	-8.2
Residual Fuel Oil	0.20	0.18	-5.6	0.18	0.19	5.9	0.18	0.19	1.4	0.21	0.18	-16.0	0.18	0.19	8.4
Other Products	0.09	0.12	28.6	0.04	0.07	58.6	0.08	0.10	31.0	0.03	0.07	159.7	0.05	0.07	49.4
Total	2.75	2.61	-5.0	2.64	2.59	-2.0	2.72	2.65	-2.7	2.36	2.50	6.1	2.70	2.68	-0.8
Italy															
LPG	0.12	0.12	4.9	0.16	0.17	6.4	0.13	0.13	2.6	0.17	0.17	0.7	0.19	0.17	-10.5
Naphtha	0.07	0.07	-8.7	0.07	0.05	-20.9	0.07	0.07	-8.7	0.11	0.06	-48.6	0.11	0.10	-5.4
Motor Gasoline	0.36	0.37	4.1	0.38	0.40	4.0	0.38	0.38	0.7	0.35	0.36	3.6	0.38	0.36	-4.5
Jet/Kerosene	0.07	0.08	19.2	0.07	0.08	9.3	0.07	0.08	16.7	0.09	0.08	-4.5	0.09	0.09	-4.4
Diesel	0.44	0.52	18.3	0.43	0.53	24.4	0.45	0.54	21.9	0.42	0.46	9.0	0.48	0.51	6.1
Other Gasoil	0.18	0.12	-31.6	0.21	0.15	-29.4	0.20	0.13	-33.2	0.17	0.14	-17.2	0.20	0.14	-28.0
Residual Fuel Oil	0.37	0.36	-1.0	0.41	0.41	0.6	0.40	0.40	-1.1	0.36	0.40	10.6	0.45	0.37	-18.0
Other Products	0.17	0.13	-20.0	0.12	0.16	38.4	0.15	0.15	-1.7	0.12	0.11	-5.0	0.12	0.11	-5.2
Total	1.77	1.79	0.8	1.85	1.95	5.8	1.84	1.88	2.0	1.77	1.77	-0.1	2.02	1.86	-8.0
France															
LPG	0.13	0.12	-3.7	0.14	0.16	15.4	0.13	0.13	3.1	0.16	0.17	1.3	0.17	0.16	-9.9
Naphtha	0.14	0.21	45.0	0.15	0.23	53.2	0.15	0.21	43.0	0.16	0.22	32.5	0.16	0.20	23.0
Motor Gasoline	0.29	0.24	-15.8	0.26	0.27	1.0	0.29	0.27	-7.9	0.26	0.24	-8.0	0.27	0.25	-7.0
Jet/Kerosene	0.14	0.15	8.3	0.14	0.15	5.0	0.14	0.15	9.3	0.16	0.15	-2.6	0.16	0.15	-4.3
Diesel	0.62	0.57	-7.7	0.55	0.60	8.1	0.61	0.61	-0.1	0.57	0.56	-2.1	0.61	0.60	-2.0
Other Gasoil	0.36	0.32	-9.6	0.38	0.46	19.5	0.37	0.40	7.5	0.56	0.49	-12.5	0.59	0.50	-14.5
Residual Fuel Oil	0.13	0.11	-14.1	0.14	0.13	-6.4	0.13	0.12	-5.8	0.14	0.13	-8.3	0.13	0.13	-3.0
Other Products	0.17	0.20	15.3	0.15	0.19	26.5	0.17	0.21	21.1	0.15	0.16	7.8	0.16	0.18	13.8
Total	1.98	1.93	-2.5	1.91	2.17	13.6	1.99	2.10	5.7	2.17	2.12	-2.4	2.25	2.16	-3.8
United Kingdom															
LPG	0.16	0.16	0.6	0.16	0.18	11.1	0.16	0.16	2.1	0.16	0.18	7.4	0.12	0.21	68.3
Naphtha	0.07	0.05	-27.4	0.06	0.04	-29.9	0.06	0.05	-13.0	0.07	0.07	-3.8	0.08	0.06	-20.8
Motor Gasoline	0.46	0.42	-9.0	0.43	0.44	1.8	0.45	0.43	-4.2	0.42	0.42	0.0	0.44	0.44	-0.5
Jet/Kerosene	0.30	0.30	0.2	0.35	0.36	4.0	0.33	0.33	0.7	0.34	0.35	1.9	0.34	0.33	-1.0
Diesel	0.37	0.36	-3.9	0.32	0.34	8.2	0.35	0.35	-0.7	0.33	0.34	3.1	0.35	0.38	9.5
Other Gasoil	0.15	0.15	-1.6	0.15	0.15	-3.6	0.16	0.15	-1.3	0.16	0.15	-5.5	0.17	0.16	-6.2
Residual Fuel Oil	0.10	0.10	5.7	0.10	0.11	8.6	0.09	0.10	10.0	0.11	0.12	8.8	0.10	0.09	-1.8
Other Products	0.12	0.15	22.9	0.12	0.13	4.6	0.12	0.13	7.8	0.13	0.14	9.2	0.11	0.15	35.4
Total	1.75	1.70	-2.6	1.69	1.75	3.3	1.72	1.71	-0.4	1.72	1.76	2.2	1.71	1.83	7.1
Canada															
LPG	0.35	0.36	3.7	0.36	0.38	5.8	0.34	0.36	6.2	0.35	0.36	0.3	0.38	0.37	-3.7
Naphtha	0.08	0.07	-7.9	0.08	0.07	-11.3	0.08	0.08	-1.6	0.08	0.08	-7.4	0.08	0.08	5.9
Motor Gasoline	0.68	0.68	0.3	0.66	0.69	3.7	0.68	0.69	2.1	0.66	0.69	3.7	0.68	0.67	-0.6
Jet/Kerosene	0.12	0.10	-12.6	0.10	0.10	7.1	0.11	0.12	5.9	0.09	0.11	18.7	0.10	0.11	11.5
Diesel	0.18	0.18	0.0	0.15	0.15	2.4	0.17	0.17	0.7	0.19	0.17	-9.0	0.18	0.18	-2.2
Other Gasoil	0.33	0.34	1.9	0.35	0.39	11.9	0.34	0.35	4.6	0.37	0.41	10.4	0.42	0.41	-2.0
Residual Fuel Oil	0.15	0.19	26.4	0.18	0.20	15.0	0.15	0.19	23.6	0.15	0.16	6.9	0.18	0.15	-14.8
Other Products	0.29	0.29	-0.9	0.24	0.26	6.0	0.28	0.29	2.6	0.23	0.32	36.0	0.26	0.35	34.5
Total	2.18	2.22	1.8	2.12	2.25	6.1	2.15	2.25	4.7	2.13	2.29	7.2	2.27	2.32	2.1

¹ Demand, measured as deliveries from refineries and primary stocks, comprises inland deliveries, international bunkers and refinery fuel. It includes crude for direct burning, oil from non-conventional sources and other sources of supply. Jet/kerosene comprises jet kerosene and non-aviation kerosene. Gasoil comprises diesel, light heating oil and other gasoils. Data based on Monthly Oil Questionnaire submitted by OECD countries in tonnes, and converted to barrels. Data may differ slightly from Table 1.

² US figures exclude US territories.

³ In Japan, the breakdown between Diesel and Other Gasoil in the latest month is estimated.

Table 4
WORLD OIL PRODUCTION
(million barrels per day)

	2002	2003	2004	4Q03	1Q04	2Q04	3Q04	4Q04	Feb 04	Mar 04	Apr 04
OPEC											
Crude Oil											
Saudi Arabia	7.38	8.48		8.24	8.21				8.25	8.15	8.00
Iran	3.40	3.78		3.95	3.92				3.85	3.96	3.91
Iraq	2.01	1.33		1.82	2.11				1.89	2.38	2.34
UAE	1.99	2.29		2.26	2.30				2.32	2.29	2.15
Kuwait	1.60	1.87		1.97	1.95				1.95	1.95	1.99
Neutral Zone	0.54	0.61		0.61	0.60				0.60	0.60	0.58
Qatar	0.64	0.74		0.74	0.75				0.75	0.76	0.77
Nigeria	1.97	2.15		2.28	2.33				2.32	2.33	2.28
Libya	1.32	1.42		1.45	1.47				1.48	1.48	1.49
Algeria	0.85	1.11		1.15	1.14				1.13	1.15	1.12
Venezuela	2.29	2.01		2.19	2.17				2.18	2.18	2.17
Indonesia	1.11	1.01		1.00	0.98				0.99	0.97	0.98
Total Crude Oil	25.08	26.78		27.66	27.94				27.70	28.19	27.78
Total NGLs ¹	3.47	3.67	4.10	3.96	4.01	4.05	4.11	4.23	4.01	4.03	4.04
Total OPEC	28.55	30.46		31.62	31.95				31.71	32.22	31.81
NON-OPEC²											
OECD											
North America	14.50	14.66	14.75	14.80	14.72	14.66	14.68	14.93	14.75	14.63	14.63
United States	8.06	7.88	7.89	7.84	7.82	7.88	7.87	7.99	7.81	7.79	7.87
Mexico	3.59	3.79	3.78	3.84	3.82	3.79	3.75	3.78	3.79	3.82	3.80
Canada	2.86	3.00	3.07	3.12	3.08	2.99	3.07	3.15	3.14	3.03	2.96
Europe	6.61	6.35	6.22	6.44	6.38	6.20	6.04	6.25	6.34	6.35	6.22
UK	2.50	2.29	2.16	2.26	2.21	2.12	2.13	2.18	2.14	2.25	2.17
Norway	3.33	3.26	3.25	3.37	3.35	3.27	3.11	3.27	3.38	3.29	3.24
Others	0.78	0.80	0.81	0.82	0.82	0.81	0.81	0.81	0.83	0.82	0.82
Pacific	0.76	0.65	0.61	0.59	0.61	0.59	0.61	0.62	0.60	0.61	0.57
Australia	0.71	0.61	0.56	0.55	0.56	0.55	0.57	0.58	0.55	0.56	0.53
Others	0.05	0.05	0.05	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Total OECD	21.88	21.66	21.57	21.83	21.70	21.45	21.33	21.80	21.69	21.59	21.42
NON-OECD											
Former USSR	9.37	10.31	11.08	10.72	10.84	10.99	11.15	11.32	10.84	10.91	10.97
Russia	7.66	8.49	9.14	8.82	8.93	9.07	9.22	9.34	8.93	8.99	9.05
Others	1.71	1.82	1.94	1.90	1.91	1.92	1.94	1.99	1.91	1.92	1.92
Asia	5.89	6.00	6.14	6.05	6.14	6.13	6.13	6.17	6.19	6.10	6.14
China	3.39	3.41	3.42	3.41	3.43	3.41	3.40	3.42	3.47	3.39	3.42
Malaysia	0.79	0.83	0.86	0.85	0.87	0.86	0.86	0.85	0.87	0.87	0.87
India	0.78	0.79	0.80	0.82	0.82	0.81	0.80	0.79	0.82	0.81	0.81
Others	0.94	0.97	1.07	0.97	1.02	1.05	1.07	1.12	1.03	1.03	1.05
Europe	0.18	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Latin America	3.90	3.94	4.00	4.00	3.92	3.96	3.98	4.12	3.95	3.89	3.96
Brazil	1.72	1.77	1.79	1.76	1.73	1.75	1.78	1.90	1.73	1.71	1.76
Argentina	0.80	0.78	0.75	0.77	0.75	0.75	0.75	0.75	0.76	0.76	0.75
Colombia	0.59	0.55	0.52	0.54	0.53	0.53	0.52	0.52	0.53	0.53	0.53
Ecuador	0.40	0.43	0.53	0.53	0.51	0.53	0.53	0.55	0.53	0.50	0.52
Others	0.39	0.40	0.40	0.40	0.40	0.40	0.40	0.41	0.39	0.40	0.40
Middle East³	2.09	1.98	1.87	1.95	1.90	1.87	1.85	1.85	1.90	1.90	1.88
Oman	0.90	0.82	0.75	0.81	0.77	0.76	0.74	0.73	0.77	0.77	0.76
Syria	0.55	0.53	0.50	0.52	0.51	0.50	0.49	0.49	0.51	0.51	0.50
Yemen	0.45	0.44	0.42	0.44	0.43	0.42	0.42	0.41	0.43	0.43	0.43
Africa	2.99	3.06	3.43	3.25	3.31	3.41	3.46	3.57	3.32	3.31	3.34
Egypt	0.75	0.75	0.72	0.74	0.73	0.71	0.71	0.73	0.73	0.71	0.70
Angola	0.90	0.88	0.97	0.91	0.93	0.95	0.95	1.04	0.94	0.92	0.94
Gabon	0.25	0.24	0.24	0.25	0.24	0.24	0.23	0.23	0.24	0.24	0.24
Others	1.09	1.19	1.51	1.35	1.41	1.51	1.56	1.57	1.41	1.43	1.47
Total Non-OECD	24.41	25.46	26.68	26.14	26.27	26.53	26.74	27.20	26.36	26.27	26.45
Processing Gains ⁴	1.76	1.80	1.83	1.82	1.85	1.81	1.81	1.85	1.85	1.85	1.81
TOTAL NON-OPEC	48.05	48.92	50.09	49.80	49.83	49.79	49.88	50.85	49.91	49.72	49.68
TOTAL SUPPLY	76.60	79.38		81.42	81.78				81.62	81.94	81.50

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

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

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

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

Table 4A
OIL SUPPLY IN OECD COUNTRIES¹
(thousand of barrels per day)

	2002	2003	2004	4Q03	1Q04	2Q04	3Q04	4Q04	Feb-04	Mar-04	Apr-04
United States											
Alaska	986	979	936	969	968	949	899	928	937	984	953
California	790	760	724	749	739	729	719	709	740	736	733
Texas	1129	1117	1087	1114	1105	1093	1081	1069	1106	1101	1097
Federal Gulf of Mexico ²	1568	1639	1705	1571	1594	1644	1730	1850	1590	1610	1629
Other US Lower 48	1288	1245	1192	1243	1223	1202	1182	1161	1224	1217	1209
NGLs ³	1881	1717	1839	1795	1778	1860	1850	1870	1798	1733	1849
Other Hydrocarbons	417	421	405	397	409	403	403	403	416	405	403
Total	8059	7877	7888	7838	7816	7880	7865	7991	7811	7786	7872
Canada											
Alberta Light/Medium/Heavy	659	629	612	621	618	592	622	615	636	615	587
Alberta Bitumen	301	347	357	351	352	338	358	377	351	360	335
Saskatchewan	421	417	405	427	410	398	407	407	400	413	389
Other Crude	366	411	417	412	407	431	393	435	438	400	421
NGLs	672	674	675	702	686	660	660	695	694	675	660
Synthetic Crudes	440	518	607	604	608	572	625	625	625	565	565
Total	2858	2996	3073	3118	3080	2992	3066	3154	3144	3028	2957
Mexico											
Crude	3177	3371	3351	3411	3382	3356	3318	3350	3360	3368	3368
NGLs	408	418	432	430	439	430	430	430	434	451	430
Total	3585	3789	3784	3842	3821	3786	3748	3780	3794	3819	3798
UK Offshore⁴											
Brent Fields	243	217	184	181	171	193	186	188	158	194	184
Forties Fields	794	733	699	730	716	681	698	701	688	722	680
Ninian Fields	107	100	93	100	93	94	91	94	93	92	93
Flotta Fields	132	108	95	114	106	86	95	92	107	105	93
Other Fields	963	906	836	896	871	813	825	836	851	867	862
NGLs	211	183	214	194	216	215	195	230	196	225	215
Total	2450	2247	2121	2215	2172	2082	2090	2141	2093	2205	2127
Norway⁴											
Ekofisk-Ula Area	490	479	460	486	492	486	406	457	502	484	487
Oseberg-Troll Area	754	756	744	793	759	752	723	742	784	736	755
Stafford-Gullfaks Area	874	883	819	901	891	797	786	802	909	857	731
Haltenbanken Area	716	582	505	545	539	518	448	515	530	539	553
Sleipner-Frigg Area	157	173	325	209	284	324	347	347	291	307	315
NGLs	335	388	393	436	382	392	397	403	362	365	394
Total	3325	3261	3246	3369	3347	3268	3105	3267	3378	3287	3236
Other OECD Europe											
Other N Sea Crude/NGLs ⁵	437	445	433	458	441	436	429	428	436	441	437
UK Onshore	54	45	39	45	42	40	38	36	42	41	40
Italy	84	90	112	88	108	110	115	115	113	110	110
Turkey	47	45	42	44	43	43	42	42	42	43	43
Other	159	160	163	164	165	163	162	162	161	165	164
NGLs (excl. North Sea)	27	22	31	24	31	31	31	30	36	30	30
Non-Conventional Oils	29	31	31	36	31	31	31	31	37	29	31
Total	837	838	851	859	859	854	848	844	867	859	856
Australia											
Gippsland Basin	140	117	96	109	106	93	96	91	106	103	79
Cooper-Eromanga Basin	25	24	25	24	25	25	25	25	27	25	25
Carnarvon Basin	359	314	281	284	289	280	284	273	276	288	277
Other Crude	104	70	64	58	64	63	63	66	67	62	63
NGLs	79	81	94	74	75	83	97	122	74	85	80
Total	707	605	561	549	559	545	565	576	550	563	525
Other OECD Pacific											
New Zealand	31	23	21	18	21	21	21	21	25	20	21
Japan	5	6	6	6	6	6	6	6	6	6	6
NGLs	18	16	19	16	19	19	19	19	20	19	19
Synthetic Fuels	0	0	0	0	0	0	0	0	0	0	0
Total	53	46	46	40	46	47	46	46	51	45	46
OECD											
Crude Oil	17351	17180	16821	17109	17017	16748	16588	16932	16980	17002	16733
NGLs	3639	3510	3708	3684	3637	3699	3687	3808	3629	3592	3686
Non-Conventional Oils	886	971	1043	1037	1047	1006	1059	1059	1078	999	998
Total	21876	21660	21571	21830	21701	21453	21334	21799	21688	21592	21417

¹ Subcategories refer to crude oil only unless otherwise noted

² Only production from Federal waters is included

³ When possible, condensates from natural gas processing plants are included with NGLs, while field condensates are counted as crude oil

⁴ North Sea production is grouped by area including all fields being processed through the named facility, ie, not just the field of that name

⁵ Other North Sea NGLs is included

Table 5
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Nov2003	Dec2003	Jan2004	Feb2004	Mar2004*	Mar2001	Mar2002	Mar2003	2Q2003	3Q2003	4Q2003	1Q2004
North America												
Crude	395.5	374.7	379.8	386.1	402.0	414.9	443.1	392.4	-0.01	-0.03	-0.15	0.30
Motor Gasoline	232.0	233.6	236.7	234.7	233.5	226.8	249.6	232.4	0.05	-0.11	0.08	0.00
Middle Distillate	210.5	209.2	196.9	182.7	176.0	178.3	198.8	165.1	0.19	0.25	0.04	-0.36
Residual Fuel Oil	44.8	45.5	46.7	49.5	48.3	49.3	42.3	41.3	0.03	-0.03	0.05	0.03
Total Products ³	657.3	645.5	630.4	613.3	607.8	604.9	649.8	577.1	0.66	0.16	-0.07	-0.41
Total ⁴	1206.6	1150.8	1140.3	1135.8	1149.9	1159.0	1236.7	1098.5	0.88	0.25	-0.55	-0.01
Europe												
Crude	321.2	310.8	314.7	313.5	334.9	329.3	310.5	321.1	-0.09	-0.10	0.07	0.26
Motor Gasoline	115.3	116.3	122.5	120.6	116.7	120.5	130.5	118.3	-0.09	-0.01	0.08	0.00
Middle Distillate	238.4	237.5	241.1	227.2	217.5	213.4	241.4	215.9	0.17	0.22	-0.16	-0.22
Residual Fuel Oil	76.1	78.3	77.7	74.3	73.9	85.5	69.7	69.6	-0.03	0.05	0.07	-0.05
Total Products ³	534.6	533.3	543.6	523.8	510.5	527.4	546.9	504.1	0.10	0.23	-0.01	-0.25
Total ⁴	928.6	913.9	930.0	910.4	917.7	917.8	924.5	896.2	-0.02	0.18	0.03	0.04
Pacific												
Crude	160.6	179.9	172.8	181.2	177.8	182.0	176.5	182.8	0.07	-0.05	-0.04	-0.02
Motor Gasoline	23.1	22.4	25.0	26.4	25.6	26.0	26.6	25.8	0.00	-0.02	-0.02	0.04
Middle Distillate	82.0	74.2	66.6	61.3	54.0	65.8	67.8	56.9	0.17	0.13	-0.10	-0.22
Residual Fuel Oil	22.9	22.8	23.0	21.8	20.5	25.1	22.3	21.9	0.03	-0.02	0.00	-0.03
Total Products ³	197.0	183.9	176.6	171.7	161.4	183.3	184.3	164.4	0.29	0.15	-0.22	-0.25
Total ⁴	431.9	435.3	419.9	421.7	406.9	447.1	435.5	413.1	0.44	0.07	-0.26	-0.31
Total OECD												
Crude	877.3	865.4	867.3	880.8	914.7	926.2	930.1	896.3	-0.04	-0.18	-0.12	0.54
Motor Gasoline	370.5	372.2	384.2	381.7	375.8	373.3	406.6	376.4	-0.05	-0.14	0.14	0.04
Middle Distillate	530.9	520.8	504.6	471.1	447.5	457.5	507.9	437.9	0.53	0.59	-0.22	-0.81
Residual Fuel Oil	143.7	146.7	147.4	145.6	142.7	159.8	134.3	132.7	0.03	0.00	0.12	-0.04
Total Products ³	1388.9	1362.7	1350.6	1308.8	1279.6	1315.5	1381.1	1245.7	1.05	0.54	-0.31	-0.91
Total ⁴	2567.1	2500.0	2490.2	2467.8	2474.4	2523.9	2596.6	2407.8	1.30	0.50	-0.79	-0.28

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Nov2003	Dec2003	Jan2004	Feb2004	Mar2004*	Mar2001	Mar2002	Mar2003	2Q2003	3Q2003	4Q2003	1Q2004
North America												
Crude	633.6	638.4	641.2	646.9	651.8	542.3	561.5	599.3	0.10	0.17	0.15	0.15
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	153.5	156.7	156.6	156.0	156.0	137.0	142.9	158.7	-0.05	-0.03	0.06	-0.01
Products	208.3	211.9	211.3	210.5	210.5	213.9	208.2	203.5	-0.01	0.06	0.04	-0.02
Pacific												
Crude	382.8	384.7	384.8	384.7	384.7	367.0	379.2	383.0	0.00	0.00	0.02	0.00
Products	10.7	11.0	11.0	11.0	11.0	6.7	7.3	9.6	0.00	0.01	0.01	0.00
Total OECD												
Crude	1169.8	1179.8	1182.5	1187.6	1192.5	1046.3	1083.5	1141.0	0.05	0.14	0.24	0.14
Products	220.9	224.9	224.3	223.5	223.5	222.6	217.5	215.0	-0.01	0.06	0.05	-0.02
Total ⁴	1391.8	1405.7	1407.8	1412.1	1417.0	1269.8	1302.0	1357.0	0.04	0.20	0.29	0.13

* 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 6
INDUSTRY STOCKS¹ ON LAND IN SELECTED COUNTRIES

(million barrels)

	October			November			December			January			February		
	2002	2003	%	2002	2003	%	2002	2003	%	2003	2004	%	2003	2004	%
United States²															
Crude	291.5	293.7	0.8	288.1	280.3	-2.7	277.6	268.0	-3.5	273.5	271.4	-0.8	271.1	276.7	2.1
Motor Gasoline	193.5	191.7	-0.9	205.9	203.3	-1.3	209.1	206.6	-1.2	211.5	208.3	-1.5	203.2	203.0	-0.1
Middle Distillate	167.9	177.7	5.8	172.2	182.1	5.7	178.7	181.1	1.3	157.1	166.5	6.0	138.9	151.6	9.1
Residual Fuel Oil	33.6	34.6	3.0	35.6	36.7	3.1	31.3	37.8	20.8	31.3	38.0	21.4	30.8	39.6	28.6
Other Products	156.5	142.2	-9.1	146.1	136.5	-6.6	135.8	123.1	-9.4	116.4	112.7	-3.2	103.9	107.6	3.6
Total Products	551.5	546.2	-1.0	559.8	558.6	-0.2	554.9	548.6	-1.1	516.3	525.5	1.8	476.8	501.8	5.2
Other ³	140.5	133.1	-5.3	134.7	125.7	-6.7	116.3	112.0	-3.7	114.6	113.7	-0.8	112.7	121.4	7.7
Total	983.5	973.0	-1.1	982.6	964.6	-1.8	948.8	928.6	-2.1	904.4	910.6	0.7	860.6	899.9	4.6
Japan															
Crude	121.5	124.5	2.5	116.0	115.5	-0.4	121.5	130.9	7.7	124.6	133.9	7.5	125.7	135.7	8.0
Motor Gasoline	12.6	12.7	0.8	12.7	13.1	3.1	12.2	12.3	0.8	13.1	13.5	3.1	13.6	13.9	2.2
Middle Distillate	49.9	54.3	8.8	45.3	56.6	24.9	40.2	48.9	21.6	38.5	41.5	7.8	33.8	35.7	5.6
Residual Fuel Oil	8.8	12.1	37.5	9.2	11.6	26.1	9.8	12.3	25.5	10.7	12.3	15.0	10.6	11.1	4.7
Other Products	52.2	53.4	2.3	49.1	51.5	4.9	49.3	47.0	-4.7	47.2	44.7	-5.3	45.8	45.5	-0.7
Total Products	123.5	132.5	7.3	116.3	132.8	14.2	111.5	120.5	8.1	109.5	112.0	2.3	103.8	106.2	2.3
Other ³	65.9	64.0	-2.9	66.1	66.5	0.6	64.5	63.8	-1.1	64.9	63.6	-2.0	63.2	62.1	-1.7
Total	310.9	321.0	3.2	298.4	314.8	5.5	297.5	315.2	5.9	299.0	309.5	3.5	292.7	304.0	3.9
Germany															
Crude	15.5	23.0	48.4	16.5	20.8	26.1	14.6	20.7	41.8	15.8	22.7	43.7	15.0	24.1	60.7
Motor Gasoline	9.1	8.4	-7.7	8.5	9.6	12.9	9.1	9.1	0.0	10.9	8.8	-19.3	10.0	9.3	-7.0
Middle Distillate	16.0	13.6	-15.0	14.6	15.0	2.7	14.3	13.7	-4.2	16.7	15.8	-5.4	11.7	13.4	14.5
Residual Fuel Oil	9.4	10.1	7.4	9.9	9.7	-2.0	10.2	10.7	4.9	9.5	10.7	12.6	9.2	10.9	18.5
Other Products	10.9	10.3	-5.5	10.9	10.9	0.0	11.0	10.8	-1.8	10.8	11.6	7.4	10.6	12.5	17.9
Total Products	45.4	42.4	-6.6	43.9	45.2	3.0	44.6	44.3	-0.7	47.9	46.9	-2.1	41.5	46.1	11.1
Other ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	60.9	65.4	7.4	60.4	66.0	9.3	59.2	65.0	9.8	63.7	69.6	9.3	56.5	70.2	24.2
Italy															
Crude	37.5	37.7	0.5	35.2	34.5	-2.0	32.2	35.4	9.9	36.7	32.1	-12.5	29.0	35.0	20.7
Motor Gasoline	21.9	19.4	-11.4	23.2	20.4	-12.1	19.2	19.8	3.1	19.3	21.4	10.9	20.2	20.9	3.5
Middle Distillate	37.5	37.2	-0.8	40.5	36.5	-9.9	40.8	36.3	-11.0	39.9	37.6	-5.8	36.6	35.0	-4.4
Residual Fuel Oil	14.5	11.3	-22.1	15.2	15.1	-0.7	14.3	13.8	-3.5	14.6	12.7	-13.0	13.8	10.9	-21.0
Other Products	17.4	18.4	5.7	17.5	18.6	6.3	17.5	15.9	-9.1	16.5	14.7	-10.9	15.7	15.7	0.0
Total Products	91.3	86.3	-5.5	96.4	90.6	-6.0	91.8	85.8	-6.5	90.3	86.4	-4.3	86.3	82.5	-4.4
Other ³	11.3	14.7	30.1	11.4	14.3	25.4	13.6	14.0	2.9	13.0	13.5	3.8	12.8	14.1	10.2
Total	140.1	138.7	-1.0	143.0	139.4	-2.5	137.6	135.2	-1.7	140.0	132.0	-5.7	128.1	131.6	2.7
France															
Crude	38.8	36.0	-7.2	34.0	37.0	8.8	34.2	38.4	12.3	35.9	36.6	1.9	31.2	37.1	18.9
Motor Gasoline	11.6	11.9	2.6	12.2	12.9	5.7	13.0	12.3	-5.4	12.1	11.6	-4.1	11.6	11.4	-1.7
Middle Distillate	34.9	33.3	-4.6	32.5	38.0	16.9	34.8	36.3	4.3	30.4	35.7	17.4	26.4	32.0	21.2
Residual Fuel Oil	6.9	5.2	-24.6	7.2	5.1	-29.2	7.3	5.2	-28.8	5.9	6.7	13.6	5.7	6.2	8.8
Other Products	7.8	8.5	9.0	8.4	9.1	8.3	9.0	9.2	2.2	8.1	8.8	8.6	7.7	8.3	7.8
Total Products	61.2	58.9	-3.8	60.3	65.1	8.0	64.1	63.0	-1.7	56.5	62.8	11.2	51.4	57.9	12.6
Other ³	13.7	14.4	5.1	13.4	14.0	4.5	13.0	13.3	2.3	14.2	13.2	-7.0	14.5	12.7	-12.4
Total	113.7	109.3	-3.9	107.7	116.1	7.8	111.3	114.7	3.1	106.6	112.6	5.6	97.1	107.7	10.9
United Kingdom															
Crude	43.8	34.6	-21.0	44.8	44.7	-0.2	39.0	41.0	5.1	39.7	41.8	5.3	38.3	41.7	8.9
Motor Gasoline	9.8	7.8	-20.4	9.0	9.5	5.6	9.0	9.4	4.4	10.4	10.7	2.9	10.1	10.4	3.0
Middle Distillate	20.9	17.7	-15.3	20.4	18.8	-7.8	18.7	19.8	5.9	18.3	19.6	7.1	17.6	18.5	5.1
Residual Fuel Oil	4.4	5.1	15.9	5.0	5.7	14.0	4.7	5.1	8.5	4.8	5.3	10.4	4.7	4.7	0.0
Other Products	16.0	15.0	-6.3	15.0	16.0	6.7	15.5	16.3	5.2	14.2	16.8	18.3	15.0	15.8	5.3
Total Products	51.1	45.6	-10.8	49.4	50.0	1.2	47.9	50.6	5.6	47.7	52.4	9.9	47.4	49.4	4.2
Other ³	11.5	11.6	0.9	11.3	11.2	-0.9	10.1	10.3	2.0	11.5	10.8	-6.1	11.8	10.7	-9.3
Total	106.4	91.8	-13.7	105.5	105.9	0.4	97.0	101.9	5.1	98.9	105.0	6.2	97.5	101.8	4.4
Canada															
Crude	78.4	80.6	2.8	75.1	78.9	5.1	76.6	79.1	3.3	75.4	81.2	7.7	76.8	80.4	4.7
Motor Gasoline	16.1	15.6	-3.1	15.7	15.6	-0.6	15.5	15.1	-2.6	16.2	16.4	1.2	16.2	18.3	13.0
Middle Distillate	18.7	19.1	2.1	19.4	19.8	2.1	19.4	18.7	-3.6	18.4	20.3	10.3	16.6	21.8	31.3
Residual Fuel Oil	4.4	4.5	2.3	3.6	4.0	11.1	3.3	3.3	0.0	3.3	3.6	9.1	3.7	4.9	32.4
Other Products	21.5	24.8	15.3	21.7	24.9	14.7	20.6	26.2	27.2	21.6	29.9	38.4	21.7	31.3	44.2
Total Products	60.7	64.0	5.4	60.4	64.3	6.5	58.8	63.3	7.7	59.5	70.2	18.0	58.2	76.3	31.1
Other ³	23.0	28.7	24.8	21.4	28.1	31.3	18.6	18.6	0.0	16.4	16.4	0.0	15.0	15.0	0.0
Total	162.1	173.3	6.9	156.9	171.3	9.2	154.0	161.0	4.5	151.3	167.8	10.9	150.0	171.7	14.5

1 Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entropot 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 US figures exclude US territories.

3 Other includes NGLs, refinery feedstocks, additives/oxygenates and other hydrocarbons.

Table 7
TOTAL STOCKS ON LAND IN OECD COUNTRIES¹
('millions of barrels' and 'days')

	End March 2003		End June 2003		End September 2003		End December 2003		End March 2004 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	149.3	71	161.8	75	170.4	76	161.1	-	-	-
Mexico	51.5	25	44.2	21	41.4	20	39.0	-	-	-
United States ⁴	1476.8	75	1561.0	77	1594.3	79	1568.9	-	-	-
Total ⁵	1699.7	70	1789.1	72	1828.2	73	1791.2	72	1803.6	74
Pacific										
Australia	39.8	46	38.1	43	36.0	39	32.4	-	-	-
Japan	619.0	124	646.7	133	653.6	117	636.3	-	-	-
Korea	137.0	67	152.1	77	154.5	65	154.5	-	-	-
New Zealand	9.8	66	8.5	60	8.5	63	7.9	-	-	-
Total	805.6	100	845.4	107	852.6	95	831.1	90	802.6	102
Europe⁶										
Austria	17.6	60	18.5	62	18.7	67	20.7	-	-	-
Belgium	29.1	48	27.5	47	29.1	45	27.7	-	-	-
Czech Republic	15.3	82	13.5	71	13.4	68	16.4	-	-	-
Denmark	15.4	85	15.5	85	16.3	86	16.8	-	-	-
Finland	24.7	121	23.9	112	23.2	103	26.5	-	-	-
France	175.0	89	173.3	84	179.2	85	185.3	-	-	-
Germany	258.6	95	260.7	98	258.6	98	264.9	-	-	-
Greece	29.3	75	32.3	85	30.9	66	27.5	-	-	-
Hungary	17.9	136	17.6	130	18.3	120	16.8	-	-	-
Ireland	10.9	62	11.0	64	11.9	63	12.0	-	-	-
Italy	136.3	75	134.6	73	140.7	75	135.2	-	-	-
Luxembourg	0.9	17	0.8	14	0.8	16	1.0	-	-	-
Netherlands	95.4	103	106.5	115	111.1	116	100.1	-	-	-
Norway	33.2	141	21.1	82	23.1	98	27.2	-	-	-
Poland	27.2	67	27.9	61	26.9	60	28.7	-	-	-
Portugal	24.0	74	24.7	72	25.6	79	25.3	-	-	-
Spain	122.8	81	121.1	79	121.4	77	122.4	-	-	-
Sweden	34.3	114	34.0	113	36.1	117	35.8	-	-	-
Switzerland	36.1	146	37.2	144	37.4	143	36.1	-	-	-
Turkey	55.6	89	54.8	77	55.2	83	55.1	-	-	-
United Kingdom	99.8	60	95.7	58	92.9	54	101.9	-	-	-
Total	1259.4	84	1252.3	82	1271.0	82	1283.4	83	1285.2	85
Total OECD	3764.7	80	3886.9	81	3951.7	80	3905.7	79	3891.5	82
DAYS OF IEA Net Imports⁷	-	110	-	114	-	115	-	111	-	-

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 entropot 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 December 2003 and end March 2004 forward demand figures are IEA Secretariat forecasts.

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled <i>Millions of Barrels</i>	Industry	Total	Government ¹ controlled <i>Days of Fwd. Demand²</i>	Industry
1Q2001	3794	1270	2524	81	27	54
2Q2001	3864	1268	2597	81	27	55
3Q2001	3925	1265	2660	82	26	55
4Q2001	3905	1284	2621	81	27	54
1Q2002	3899	1302	2597	84	28	56
2Q2002	3958	1314	2644	83	28	56
3Q2002	3887	1319	2567	79	27	52
4Q2002	3809	1343	2466	77	27	50
1Q2003	3765	1357	2408	80	29	51
2Q2003	3887	1361	2526	81	28	53
3Q2003	3952	1379	2573	80	28	52
4Q2003	3906	1406	2500	79	28	50
1Q2004	3891	1417	2474	82	30	52

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

2 Days of forward demand calculated using actual demand except in 4Q2003 and 1Q2004 (when latest forecasts are used).

Table 8
AVERAGE IEA CIF CRUDE COST AND SPOT CRUDE AND PRODUCT PRICES
(\$/bbl)

	2001	2002	2003	2Q03	3Q03	4Q03	1Q04	Nov 03	Dec 03	Jan 04	Feb 04	Mar 04	Apr 04
CRUDE OIL PRICES													
<i>IEA CIF Average Import¹</i>													
IEA North America	22.30	23.71	27.82	25.82	27.48	27.64		27.41	28.43	30.50	30.71		
IEA Europe	23.92	24.27	28.39	25.52	27.84	29.05		28.61	29.54	30.63	30.29		
IEA Pacific	25.05	24.74	29.22	27.96	28.44	29.35		29.70	30.25	31.24	31.78		
IEA Total	23.65	24.19	28.38	26.21	27.83	28.60		28.43	29.32	30.72	30.81		
<i>FOB Spot</i>													
Brent (Dated)	24.44	25.02	28.83	26.03	28.38	29.43	32.03	28.73	29.87	31.23	30.83	33.79	33.25
WTI (1st month)	25.93	26.16	31.06	29.02	30.19	31.15	35.33	31.06	32.14	34.24	34.74	36.71	36.69
Urals (del. Med.)	22.97	23.73	27.04	23.86	27.05	27.99	29.00	27.63	28.34	28.88	27.64	30.31	30.13
Dubai (1st month)	22.80	23.85	26.76	24.44	26.57	27.67	29.54	27.66	28.10	28.88	28.61	30.85	31.68
Tapis (1st month)	25.32	25.72	30.06	27.19	29.53	31.26	34.82	30.61	31.34	33.63	34.93	35.71	35.45
OPEC Basket	23.12	24.34	28.13	25.87	27.43	28.79	30.80	28.48	29.57	30.26	29.67	32.23	32.26
PRODUCT PRICES													
<i>Rotterdam, Barges FOB</i>													
Premium Unleaded	29.82	29.09	35.46	33.79	36.26	34.30	40.12	34.14	34.45	38.41	39.25	42.43	46.40
Unleaded	28.83	28.57	34.87	33.06	35.68	33.80	39.49	33.66	33.93	37.83	38.63	41.76	45.72
Naphtha	23.69	24.23	29.99	25.19	28.12	31.54	35.39	31.55	33.19	36.18	33.99	35.89	36.60
Jet/Kerosene	30.82	29.24	35.83	31.32	33.29	37.73	39.96	37.67	39.18	40.46	38.64	40.66	43.81
Gasoil .2 %	29.16	27.81	33.99	30.21	31.58	34.92	36.83	34.75	35.57	37.15	34.70	38.38	39.35
LSFO 1%	19.52	21.81	25.79	24.26	26.06	23.59	22.97	24.00	21.45	22.93	21.55	24.25	23.94
HSFO 3.5%	17.79	20.65	23.37	21.05	24.16	22.52	21.77	23.52	20.39	21.63	21.18	22.41	23.74
<i>Mediterranean - Cargoes FOB</i>													
Premium .15 g/l	30.43	29.21	34.56	31.34	35.79	34.34	40.12	34.10	34.39	38.43	39.31	42.37	46.07
Premium Unleaded	29.70	28.49	33.84	30.62	35.07	33.62	39.40	33.38	33.67	37.71	38.59	41.66	45.35
Naphtha	22.47	23.51	28.68	23.69	27.17	30.35	33.38	30.23	31.68	34.18	31.81	34.01	35.53
Jet/Kerosene ²	27.52	27.97	33.60	28.76	31.69	35.82	37.83	35.69	37.46	38.63	37.13	37.70	42.28
Gasoil .2 %	27.50	27.08	33.13	28.38	30.57	34.79	35.89	34.32	34.40	36.36	33.50	37.53	38.92
LSFO 1%	18.73	21.50	26.39	23.51	26.99	24.41	23.68	24.88	22.46	24.08	22.25	24.57	25.28
HSFO 3.5%	16.06	19.08	21.90	20.04	23.08	20.38	20.51	21.19	17.39	20.22	20.40	20.87	21.90
<i>NY Harbour, Barges</i>													
Super Unleaded ³	34.16	33.71	40.23	36.68	43.71	39.08	47.14	39.69	38.62	43.85	46.94	50.02	52.60
Unleaded ³	31.00	30.33	37.07	33.08	38.80	36.78	44.02	36.72	37.18	41.98	43.97	45.76	47.15
Jet/Kerosene	31.18	29.83	36.29	32.48	33.82	36.69	42.14	36.15	38.49	43.10	42.64	40.92	42.31
No. 2 (Heating Oil)	29.82	28.56	35.51	31.99	32.69	35.60	39.18	35.06	37.38	41.19	38.36	38.19	38.65
LSFO 1%	20.70	22.55	27.46	24.57	26.74	25.94	26.25	26.14	25.78	28.16	26.26	24.67	25.65
HSFO 6.3%	17.36	20.99	24.41	20.93	25.21	23.67	23.08	24.43	22.64	23.61	22.79	22.87	24.55
<i>Singapore, Cargoes</i>													
Premium Unleaded	27.43	28.04	34.69	29.70	34.96	36.96	42.83	35.78	39.52	44.25	39.87	44.10	44.09
Naphtha	23.75	24.93	29.93	24.69	28.40	32.52	36.52	32.54	34.67	39.49	34.15	36.03	36.48
Jet/Kerosene	28.32	28.08	32.90	28.36	31.53	35.71	38.23	35.89	37.50	39.60	37.46	37.72	40.92
Gasoil .5%	27.32	27.55	32.31	28.79	30.78	33.71	38.26	33.68	35.10	39.35	37.84	37.71	38.93
LSWR Cracked	21.83	23.80	28.11	27.21	25.33	28.28	29.11	28.73	30.13	27.88	30.14	29.27	28.75
HSFO 180 CST	20.65	22.89	26.14	24.78	25.87	25.09	26.09	25.01	24.85	26.29	26.19	25.85	26.90
HSFO 4%	20.38	22.95	26.25	24.74	26.19	25.23	26.00	25.17	24.93	26.18	26.10	25.76	26.76

¹ IEA CIF Average Import price for February is an estimate

² Following change of assessment, Jet Aviation Fuel for Mediterranean - Cargo FOB from 2002

³ From November 2003 assessments for NYH are for Max 0.3% MTBE

Table 9
MONTHLY AVERAGE END USER PRICES FOR PETROLEUM PRODUCTS
April 2004

	NATIONAL CURRENCY *						US DOLLARS					
	Total Price	% change from		Ex-Tax Price	% change from		Total Price	% change from		Ex-Tax Price	% change from	
		Mar-04	Apr-03		Mar-04	Apr-03		Mar-04	Apr-03		Mar-04	Apr-03
GASOLINE ¹ (Price per Litre)												
France	1.047	1.9	0.6	0.286	5.9	1.8	1.258	-0.0	11.2	0.344	3.9	12.5
Germany	1.131	3.6	2.2	0.320	11.9	7.0	1.359	1.6	13.0	0.385	9.7	18.3
Italy	1.097	1.4	3.2	0.355	3.5	3.2	1.319	-0.6	14.1	0.427	1.5	14.1
Spain	0.851	2.9	3.7	0.338	6.6	8.3	1.023	0.9	14.6	0.406	4.5	19.8
UK	0.764	1.3	- 2.2	0.192	4.3	-7.2	1.384	0.4	12.5	0.348	3.4	6.7
Japan	112.4	7.0	2.9	53.2	15.2	6.0	1.050	8.5	15.3	0.497	16.8	18.8
Canada	0.790	3.9	9.7	0.486	6.1	15.4	0.592	3.4	19.7	0.364	5.6	26.0
USA	0.473	3.5	12.6	0.370	4.5	16.4	0.473	3.5	12.6	0.370	4.5	16.4
AUTOMOTIVE DIESEL ² (Price per Litre)												
France	0.705	2.0	4.3	0.288	5.1	1.4	0.847	0.1	15.3	0.346	3.1	12.1
Germany	0.783	4.0	0.8	0.313	10.6	2.0	0.941	2.0	11.4	0.376	8.5	12.7
Italy	0.749	1.5	-	0.346	3.3	-	0.900	-0.5	10.6	0.416	1.3	10.6
Spain	0.619	3.2	0.2	0.325	6.2	0.3	0.744	1.1	10.8	0.391	4.1	10.9
UK	0.662	1.1	- 3.6	0.204	3.6	-10.9	1.199	0.2	10.9	0.370	2.6	2.5
Japan	89.3	4.9	1.2	52.9	8.2	1.9	0.835	6.4	13.5	0.494	9.7	14.2
Canada	0.709	- 0.7	- 1.3	0.485	-0.8	-1.6	0.531	-1.2	7.8	0.363	-1.3	7.4
USA	0.444	3.3	9.6	0.324	4.5	13.3	0.444	3.3	9.6	0.324	4.5	13.3
DOMESTIC HEATING OIL (Price per 1000 Litres)												
France	413.64	2.9	7.1	289.25	3.5	8.6	497.2	1.0	18.4	347.7	1.6	20.1
Germany	376.90	2.5	7.5	263.56	3.1	9.4	453.0	0.5	18.9	316.8	1.1	21.0
Italy	862.13	1.0	1.1	315.23	2.3	2.5	1036.2	-1.0	11.7	378.9	0.3	13.3
Spain	394.27	4.5	-3.1	255.18	6.0	-4.1	473.9	2.4	7.2	306.7	3.9	6.1
UK	214.91	4.7	9.0	162.68	6.0	3.7	389.3	3.8	25.3	294.7	5.1	19.3
Japan ³	49117	6.2	-0.6	46778	6.2	-0.6	459.0	7.7	11.4	437.2	7.7	11.4
Canada	598.17	-2.1	-3.3	537.44	-2.1	-3.3	448.1	-2.6	5.5	402.6	-2.6	5.5
USA	-	-	-	-	-	-	-	-	-	-	-	-
LOW SULPHUR FUEL OIL FOR INDUSTRY ² (Price per Metric Ton)												
France	182.46	3.6	-2.4	163.96	4.0	-2.7	219.3	1.6	7.9	197.1	2.0	7.6
Germany	157.85	0.4	-14.4	132.85	0.5	-16.7	189.7	-1.5	-5.4	159.7	-1.4	-7.9
Italy	222.18	1.6	6.2	190.79	1.9	7.3	267.0	-0.3	17.4	229.3	-0.1	18.7
Spain	212.60	3.0	-16.3	198.17	3.3	-17.2	255.5	1.0	-7.4	238.2	1.2	-8.5
UK	144.65	3.9	-7.2	106.65	5.3	-16.6	262.0	2.9	6.8	193.2	4.4	-4.0
Japan	-	-	-	-	-	-	-	-	-	-	-	-
Canada	-	-	-	-	-	-	-	-	-	-	-	-
USA	-	-	-	-	-	-	-	-	-	-	-	-

1 Unleaded premium (95 RON) for France, Germany, Italy, Spain, UK; regular unleaded for Canada, Japan and the United States.

2 VAT excluded from prices for automotive diesel and heavy fuel oil when refunded to industry.

3 Kerosene for Japan.

* Prices for France, Germany, Italy and Spain are in Euro; UK in British Pounds, Japan in Yen, Canada in Canadian Dollars.

Table 10
Regional OECD Crude Imports by Source
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04	Year Earlier Feb 03	change
OECD North America												
Venezuela	1.58	1.58		0.93	1.81	1.74	1.85	1.84	1.64	1.72	0.81	0.91
Other Central & South America	0.61	0.58		0.52	0.56	0.65	0.60	0.66	0.79	0.55	0.55	0.00
North Sea	1.26	1.03		1.07	1.03	1.12	0.91	0.90	0.79	0.96	1.15	-0.18
Other OECD Europe	-	-		-	-	-	-	-	-	0.00	-	-
Non-OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Former Soviet Union	0.09	0.16		0.11	0.20	0.31	0.02	0.02	0.02	0.01	0.16	-0.15
Saudi Arabia	1.60	1.82		1.79	2.16	1.74	1.58	1.49	1.53	1.41	1.50	-0.09
Kuwait	0.22	0.21		0.20	0.25	0.20	0.19	0.22	0.24	0.08	0.23	-0.15
Iran	-	-		-	-	-	-	-	-	-	-	-
Iraq	0.58	0.56		0.84	0.34	0.22	0.83	0.82	0.65	0.78	1.01	-0.23
Oman	0.02	0.04		-	0.04	0.06	0.04	-	-	-	-	-
United Arab Emirates	0.01	0.01		0.01	0.01	0.01	0.01	-	-	-	-	-
Other Middle East	0.04	0.01		0.02	0.02	-	-	-	-	-	0.05	-
West Africa ²	1.19	1.50		1.37	1.51	1.68	1.44	1.49	1.50	1.70	1.12	0.58
Other Africa	0.18	0.31		0.15	0.33	0.44	0.32	0.21	0.30	0.47	0.14	0.33
Asia	0.16	0.14		0.12	0.10	0.19	0.15	0.10	0.10	0.14	0.08	0.06
Other	0.05	0.08		0.04	0.08	0.12	0.08	0.09	0.08	0.01	0.03	-0.02
Total	7.53	7.95		7.17	8.44	8.48	8.01	7.83	7.65	7.83	6.82	1.01
of which Non-OECD	6.28	6.97		6.08	7.39	7.31	7.08	6.93	6.83	6.84	5.65	1.19
OECD Europe												
Canada	-	-		-	-	-	-	-	-	-	-	-
Mexico + USA	0.19	0.18		0.17	0.18	0.23	0.13	0.12	0.14	0.13	0.22	-0.08
Venezuela	0.18	0.10		0.04	0.13	0.12	0.11	0.12	0.05	0.05	0.02	0.03
Other Central & South America	0.05	0.07		0.02	0.04	0.11	0.11	0.13	0.04	0.08	0.02	0.07
Non-OECD Europe	0.01	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Former Soviet Union	3.12	3.49		3.16	3.43	3.76	3.61	3.62	3.75	3.86	3.09	0.77
Saudi Arabia	1.16	1.31		1.14	1.54	1.38	1.19	1.01	1.17	1.14	1.10	0.05
Kuwait	0.12	0.12		0.07	0.17	0.12	0.13	0.13	0.13	0.16	0.13	0.03
Iran	0.62	0.85		0.69	0.90	0.99	0.84	0.73	0.61	0.67	0.59	0.09
Iraq	0.40	0.20		0.44	0.07	0.10	0.18	0.23	0.21	0.21	0.51	-0.30
Oman	0.00	-		-	-	-	-	-	-	-	-	-
United Arab Emirates	-	-		-	-	-	-	-	-	-	-	-
Other Middle East	0.46	0.28		0.36	0.26	0.22	0.30	0.26	0.25	0.26	0.33	-0.08
West Africa ²	0.68	0.65		0.74	0.57	0.60	0.68	0.70	0.52	0.42	0.68	-0.26
Other Africa	1.39	1.59		1.60	1.60	1.56	1.61	1.69	1.67	1.78	1.63	0.15
Asia	-	0.01		-	-	-	0.02	0.03	0.01	-	-	-
Other	0.28	0.11		0.23	0.09	0.03	0.11	0.02	0.76	1.24	0.26	0.98
Total	8.66	8.98		8.68	8.97	9.22	9.02	8.79	9.30	10.02	8.57	1.45
of which Non-OECD	8.47	8.80		8.51	8.79	8.98	8.89	8.67	9.16	9.89	8.35	1.53
OECD Pacific												
Canada	0.00	0.00		-	0.01	0.00	-	-	-	-	-	-
Mexico + USA	0.01	0.01		-	-	0.02	-	-	0.06	-	-	-
Venezuela	0.00	0.00		0.00	-	-	-	-	-	-	-	-
Other Central & South America	0.08	0.08		0.10	0.08	0.05	0.08	0.05	0.09	0.10	0.12	-0.02
North Sea	0.03	0.01		0.04	-	0.01	-	-	-	-	0.04	-
Other OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Non-OECD Europe	-	-		-	-	-	-	-	-	-	-	-
Former Soviet Union	0.07	0.06		0.04	0.03	0.09	0.09	0.08	0.01	-	0.04	-
Saudi Arabia	1.72	1.80		1.97	1.90	1.59	1.74	1.94	1.79	1.75	1.95	-0.20
Kuwait	0.57	0.59		0.60	0.54	0.58	0.62	0.77	0.49	0.85	0.60	0.25
Iran	0.64	0.83		0.89	0.80	0.76	0.88	1.01	0.81	0.95	0.88	0.07
Iraq	0.02	0.03		-	-	-	0.11	0.19	0.16	0.16	-	-
Oman	0.37	0.31		0.42	0.36	0.23	0.24	0.19	0.19	0.17	0.45	-0.28
United Arab Emirates	1.28	1.44		1.47	1.50	1.47	1.32	1.38	1.51	1.71	1.50	0.21
Other Middle East	0.52	0.54		0.56	0.57	0.45	0.58	0.67	0.52	0.53	0.58	-0.06
West Africa ²	0.21	0.17		0.28	0.11	0.14	0.15	0.25	0.28	0.23	0.58	-0.35
Other Africa	0.05	0.05		0.09	0.07	0.04	0.02	0.06	0.10	0.05	0.10	-0.04
Non-OECD Asia	0.86	0.79		0.89	0.85	0.70	0.74	0.84	0.81	0.85	0.73	0.12
Other	-	0.00		-	-0.09	-0.03	0.12	0.13	0.01	0.17	-	-
Total	6.42	6.71		7.36	6.81	6.13	6.56	7.45	6.81	7.35	7.58	-0.22
of which Non-OECD	6.38	6.69		7.32	6.71	6.06	6.68	7.58	6.76	7.52	7.54	-0.02
Total OECD Trade	22.62	23.64		23.21	24.23	23.82	23.60	24.06	23.76	25.20	22.97	2.24
of which Non-OECD	21.13	22.45		21.90	22.90	22.35	22.65	23.18	22.75	24.26	21.55	2.71

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes, and converted to barrels at 7.37 barrels per tonne. Data will differ from Table 11 which is based on submissions in barrels.

2. West Africa includes Angola, Nigeria, Gabon, Congo and Democratic Republic of Congo.

Table 11
IEA Member Country Destinations of Selected Crude Streams¹
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04	Year Earlier	
											Feb 03	change
Saudi Light & Extra Light												
North America	0.70	0.64		0.52	0.75	0.63	0.66	0.55	0.56	0.59	0.46	0.13
Europe	0.92	0.99		0.94	1.14	0.99	0.91	0.71	1.04	0.82	0.93	-0.10
Pacific	1.22	1.18		1.39	1.16	1.04	1.12	1.27	1.13	1.08	1.26	-0.18
Saudi Medium												
North America	0.86	0.83		0.88	0.94	0.79	0.71	0.60	0.79	0.75	0.84	-0.09
Europe	0.11	0.11		0.10	0.13	0.14	0.07	0.06	0.05	0.11	0.10	0.02
Pacific	0.16	0.24		0.21	0.26	0.20	0.30	0.28	0.28	0.30	0.16	0.14
Saudi Heavy												
North America	0.20	0.30		0.28	0.48	0.25	0.19	0.19	0.21	0.13	0.19	-0.06
Europe	0.09	0.19		0.11	0.26	0.21	0.16	0.12	0.13	0.18	0.11	0.06
Pacific	0.12	0.16		0.14	0.21	0.15	0.15	0.16	0.14	0.14	0.12	0.02
Iraqi Basrah Light ⁴												
North America	0.35	0.44		0.50	0.24	0.20	0.82	0.78	0.63	0.87	0.57	0.30
Europe	0.08	0.09		0.10	0.05	0.04	0.15	0.19	0.21	0.17	0.12	0.05
Pacific	0.02	0.03		..	..	..	0.11	0.19	0.16	0.16	..	..
Iraqi Kirkuk												
North America	0.14	0.06		0.22	0.02	..	..	..	..	..	0.24	..
Europe	0.32	0.12		0.42	0.04	0.04	..	..	..	..	0.41	..
Pacific	0.00	..		..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..		..	..	..	..	..	..	..	..	..
Europe	0.17	0.19		0.18	0.24	0.17	0.17	0.19	0.19	0.08	0.09	-0.01
Pacific	0.12	0.17		0.18	0.16	0.16	0.17	0.21	0.20	0.17	0.21	-0.04
Iranian Heavy ³												
North America	..	..		..	..	..	..	..	..	..	..	..
Europe	0.44	0.59		0.52	0.57	0.74	0.51	0.37	0.38	0.52	0.47	0.04
Pacific	0.54	0.69		0.75	0.67	0.58	0.74	0.79	0.65	0.85	0.74	0.11
Venezuelan Light & Medium												
North America	0.68	0.69		0.35	0.83	0.75	0.84	0.87	0.71	0.60	0.42	0.18
Europe	0.08	0.02		0.02	0.04	0.01	0.01	..	..	..	..	..
Pacific	0.00	0.00		0.00	..	0.00	0.00	0.00	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.55	0.60		0.17	0.66	0.83	0.73	0.77	0.76	0.91	..	..
Europe	0.05	0.06		0.02	0.05	0.07	0.09	0.13	0.05	0.05	0.01	0.03
Pacific	..	..		..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.92	1.32		1.12	1.31	1.46	1.37	1.43	1.30	1.36	1.05	0.31
Europe	0.17	0.16		0.14	0.17	0.21	0.13	0.12	0.11	0.14	0.13	0.01
Pacific	0.00	0.00		..	..	0.01	..	..	0.02	..	..	..
Mexican Isthmus												
North America	0.01	0.00		0.01	0.00	..	..	..	..	..	0.01	..
Europe	0.01	0.00		0.00	0.00	..	0.00	..	..	..	0.00	..
Pacific	0.01	0.00		..	..	0.01	..	..	0.04	..	..	..
Russian Urals												
North America	0.03	0.14		..	0.23	0.33	..	..	0.00	0.03	..	..
Europe	1.32	1.61		1.51	1.50	1.70	1.71	1.87	1.78	2.20	1.28	0.92
Pacific	0.01	0.00		..	..	..	0.01	0.02	0.01	..	..	..
Nigerian Light ⁴												
North America	0.39	0.63		0.47	0.59	0.78	0.67	0.71	0.76	0.92	0.33	0.59
Europe	0.32	0.41		0.42	0.38	0.44	0.38	0.30	0.38	0.29	0.46	-0.18
Pacific	0.06	0.08		0.13	0.03	0.05	0.09	0.16	0.19	0.07	0.33	-0.26
Nigerian Medium												
North America	0.16	0.17		0.17	0.21	0.10	0.21	0.24	0.22	0.17	0.19	-0.02
Europe	0.06	0.06		0.07	0.04	0.04	0.09	0.10	0.04	0.01	0.03	-0.02
Pacific	0.01	0.01		0.04	..	..	..	..	0.03	0.03	0.06	-0.03

¹ Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 21 of the Report.

IEA North America includes United States and Canada.

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

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

² Iraqi Total minus Kirkuk.

³ Iranian Total minus Iranian Light.

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

Table 12a
Regional OECD Gasoline Imports by Source¹
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04	Year Earlier	
											Feb 03	change
OECD North America												
Venezuela	0.08	0.07		0.00	0.10	0.07	0.09	0.09	0.07	0.07	-	-
Other Central & South America	0.10	0.10		0.10	0.10	0.12	0.07	0.04	0.07	0.05	0.09	-0.03
ARA (Belgium Germany Netherlands)	0.10	0.12		0.11	0.11	0.13	0.12	0.08	0.04	0.14	0.09	0.05
Other Europe	0.20	0.20		0.20	0.30	0.16	0.14	0.16	0.13	0.19	0.12	0.07
FSU	0.06	0.07		0.09	0.06	0.05	0.05	0.06	0.05	0.10	0.10	0.00
Saudi Arabia	0.06	0.07		0.06	0.08	0.08	0.05	0.02	0.07	0.04	0.05	-0.02
Algeria	0.00	0.00		-	0.01	0.00	0.00	0.01	0.01	-	-	-
Other Middle East & Africa	0.04	0.03		0.03	0.03	0.03	0.02	0.03	0.01	0.01	0.02	-0.02
Singapore	0.01	0.01		0.00	0.02	0.00	-	-	0.00	-	-	-
OECD Pacific	0.01	0.01		0.01	0.01	0.01	-	-	-	-	0.01	-
Non-OECD Asia (excl. Singapore)	0.03	0.03		0.02	0.05	0.03	0.00	0.01	-	0.01	0.01	0.00
Other	-	0.00		0.00	0.00	-	-	-	-	-	-	-
Total²	0.68	0.69		0.62	0.89	0.69	0.57	0.50	0.45	0.61	0.49	0.12
of which Non-OECD	0.39	0.38		0.31	0.49	0.40	0.30	0.27	0.28	0.28	0.27	0.00
OECD Europe												
OECD North America	0.00	0.00		0.00	-	0.00	0.00	-	-	-	0.00	-
Venezuela	-	0.00		-	0.00	0.00	-	-	-	-	-	-
Other Central & South America	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-OECD Europe	0.04	0.04		0.04	0.04	0.04	0.04	0.04	0.03	0.04	0.04	0.00
FSU	0.03	0.03		0.02	0.03	0.03	0.03	0.02	0.00	0.02	0.01	0.00
Saudi Arabia	0.00	0.00		0.00	0.01	0.00	0.00	-	-	0.00	-	-
Algeria	0.01	0.01		0.00	0.02	0.01	0.02	0.02	0.01	0.01	-	-
Other Middle East & Africa	0.03	0.03		0.01	0.03	0.04	0.03	0.03	0.02	0.02	0.01	0.01
Singapore	0.00	0.00		0.00	-	0.00	0.00	-	0.00	-	0.00	-
OECD Pacific	-	0.00		-	0.00	0.00	0.00	0.00	0.00	0.00	-	-
Non-OECD Asia (excl. Singapore)	-	0.00		-	0.00	0.00	-	-	-	-	-	-
Other	0.07	0.06		0.10	0.05	0.02	0.07	0.09	0.15	0.11	0.14	-0.02
Total²	0.18	0.17		0.18	0.17	0.15	0.18	0.19	0.21	0.20	0.20	0.00
of which Non-OECD	0.18	0.17		0.18	0.17	0.14	0.18	0.19	0.21	0.20	0.20	0.00
OECD Pacific												
OECD North America	0.00	-		-	-	-	-	-	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	0.01	-	-	-
FSU	0.00	-		-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	-		-	-	-	-	-	0.01	0.01	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	-	-		-	-	-	-	-	-	0.01	-	-
Singapore	0.03	0.04		0.03	0.03	0.05	0.06	0.08	0.08	0.06	0.01	0.05
Non-OECD Asia (excl. Singapore)	0.02	0.03		0.03	0.04	0.03	0.02	0.01	0.01	0.02	0.03	-0.01
Other	0.00	-		-	-	-	-	-	-	-	-	-
Total²	0.06	0.07		0.06	0.07	0.08	0.08	0.09	0.10	0.10	0.04	0.06
of which Non-OECD	0.06	0.07		0.06	0.07	0.08	0.08	0.09	0.09	0.10	0.04	0.06
Total OECD Trade²	0.92	0.94		0.86	1.13	0.92	0.83	0.78	0.76	0.92	0.74	0.18
of which Non-OECD	0.63	0.62		0.55	0.73	0.63	0.56	0.55	0.58	0.58	0.51	0.06

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12b
Regional OECD Gasoil/Diesel Imports by Source¹
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04	Year Earlier	
											Feb 03	change
OECD North America												
Venezuela	0.03	0.03		0.01	0.02	0.03	0.06	0.06	0.08	0.05	-	-
Other Central & South America	0.02	0.02		0.01	0.02	0.01	0.02	0.02	0.02	0.02	0.03	0.00
ARA (Belgium Germany Netherlands)	0.00	0.01		0.03	-	0.00	-	-	-	0.02	0.01	0.01
Other Europe	0.00	0.01		0.02	0.01	0.00	-	-	0.01	0.01	0.01	0.00
FSU	0.02	0.04		0.13	0.02	0.02	0.01	-	0.03	0.11	0.20	-0.09
Saudi Arabia	0.00	0.00		-	0.00	0.00	-	-	0.01	-	-	-
Algeria	0.00	0.00		0.00	-	0.00	-	-	-	0.00	-	-
Other Middle East & Africa	0.00	0.00		0.00	0.00	-	-	-	-	0.01	0.01	0.00
Singapore	0.00	0.00		0.00	0.01	0.01	-	-	-	-	-	-
OECD Pacific	0.01	0.01		0.00	0.00	0.02	-	-	-	-	-	-
Non-OECD Asia (excl. Singapore)	0.00	0.01		0.00	0.02	0.03	0.00	0.00	0.01	-	0.01	-
Other	-	0.00		-	-	-	0.00	0.00	-	-	-	-
Total²	0.10	0.13		0.21	0.09	0.13	0.09	0.08	0.16	0.22	0.27	-0.04
of which Non-OECD	0.09	0.11		0.16	0.08	0.10	0.09	0.08	0.15	0.20	0.25	-0.05
OECD Europe												
OECD North America	0.03	0.02		0.00	0.01	0.01	0.04	0.06	0.00	0.00	0.01	0.00
Venezuela	0.00	-		-	-	-	-	-	-	-	-	-
Other Central & South America	0.01	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-OECD Europe	0.07	0.06		0.06	0.06	0.07	0.05	0.04	0.03	0.05	0.07	-0.02
FSU	0.42	0.49		0.43	0.57	0.53	0.44	0.49	0.35	0.47	0.46	0.01
Saudi Arabia	0.01	0.01		0.01	0.00	-	0.01	0.02	-	0.01	0.01	0.00
Algeria	0.02	0.02		0.02	0.02	0.03	0.01	0.01	0.05	0.02	0.02	-0.01
Other Middle East & Africa	0.02	0.01		0.02	0.01	0.01	0.01	0.02	0.01	0.02	0.03	-0.01
Singapore	0.02	0.01		0.00	-	0.00	0.01	0.03	0.00	0.00	0.01	0.00
OECD Pacific	0.00	0.01		-	0.01	0.01	0.00	0.00	0.00	0.01	-	-
Non-OECD Asia (excl. Singapore)	0.01	0.02		0.02	0.00	0.01	0.03	0.04	-	0.02	0.05	-0.04
Other	0.10	0.06		0.10	0.10	0.00	0.06	0.05	0.20	0.15	0.14	0.01
Total²	0.70	0.70		0.67	0.79	0.67	0.67	0.76	0.65	0.75	0.80	-0.05
of which Non-OECD	0.67	0.68		0.67	0.77	0.65	0.63	0.70	0.65	0.73	0.79	-0.06
OECD Pacific												
OECD North America	0.00	0.00		-	-	-	0.00	0.00	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	0.00	0.00		-	-	-	0.00	-	-	0.00	-	-
Other Europe	0.00	0.00		-	-	0.00	-	-	-	-	-	-
FSU	0.01	0.01		0.01	0.01	0.00	0.01	0.01	0.01	0.00	0.01	0.00
Saudi Arabia	0.00	-		-	-	-	-	-	-	-	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	0.00	-		-	-	-	-	-	-	-	-	-
Singapore	0.02	0.04		0.02	0.04	0.04	0.05	0.06	0.04	0.03	0.02	0.01
Non-OECD Asia (excl. Singapore)	0.02	0.03		0.05	0.04	0.02	0.02	0.03	0.01	0.02	0.03	-0.02
Other	0.00	0.00		-	0.00	-	-	-	0.01	-	-	-
Total²	0.05	0.07		0.07	0.08	0.07	0.08	0.10	0.06	0.05	0.06	-0.01
of which Non-OECD	0.05	0.07		0.07	0.08	0.07	0.08	0.10	0.06	0.05	0.06	-0.01
Total OECD Trade²	0.86	0.90		0.96	0.96	0.87	0.83	0.94	0.87	1.03	1.13	-0.10
of which Non-OECD	0.81	0.86		0.90	0.93	0.82	0.79	0.88	0.86	0.98	1.11	-0.12

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12c
Regional OECD Jet and Kerosene Imports by Source¹
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04	Year Earlier	
											Feb 03	change
OECD North America												
Venezuela	0.02	0.03		0.02	0.04	0.03	0.04	0.04	0.03	0.02	0.04	-0.02
Other Central & South America	0.01	0.02		0.01	0.03	0.02	0.01	0.02	0.00	0.00	0.02	-0.02
ARA (Belgium Germany Netherlands)	-	0.00		0.00	0.00	-	-	-	-	-	-	-
Other Europe	0.00	0.00		-	0.00	-	-	-	-	-	-	-
FSU	-	-		-	-	-	-	-	-	0.00	-	-
Saudi Arabia	0.00	0.00		0.00	-	-	0.00	-	-	-	0.01	-
Algeria	0.00	0.00		0.00	0.00	-	-	-	-	-	0.00	-
Other Middle East & Africa	0.01	0.01		0.04	0.01	0.01	-	-	-	0.01	0.02	-0.01
Singapore	0.00	0.00		0.00	0.00	0.00	0.00	-	-	0.01	-	-
OECD Pacific	0.04	0.02		0.01	0.02	0.05	0.01	0.01	0.00	0.01	-	-
Non-OECD Asia (excl. Singapore)	0.01	0.00		0.01	-	0.00	0.00	0.01	0.01	-	0.00	-
Other	-	0.00		-	-	-	0.00	0.00	0.00	0.01	-	-
Total²	0.10	0.10		0.10	0.11	0.11	0.07	0.08	0.05	0.06	0.09	-0.02
of which Non-OECD	0.06	0.07		0.09	0.08	0.06	0.06	0.07	0.04	0.06	0.09	-0.03
OECD Europe												
OECD North America	0.01	0.00		0.00	0.00	0.00	0.00	0.00	0.00	-	-	-
Venezuela	0.02	0.01		0.00	0.01	0.01	0.01	0.00	0.02	0.01	-	-
Other Central & South America	0.00	0.01		0.00	0.01	0.00	0.02	0.00	0.00	0.00	0.00	0.00
Non-OECD Europe	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FSU	0.03	0.02		0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.00
Saudi Arabia	0.02	0.02		0.01	0.03	0.01	0.02	0.01	0.02	-	0.01	-
Algeria	0.01	0.01		0.01	0.01	0.02	0.01	-	0.01	0.00	0.02	-0.02
Other Middle East & Africa	0.10	0.11		0.11	0.11	0.15	0.09	0.07	0.11	0.00	0.11	-0.10
Singapore	0.01	0.00		0.00	-	0.00	0.00	-	0.00	-	0.00	-
OECD Pacific	-	0.00		-	0.00	0.00	0.00	0.00	0.00	0.01	-	-
Non-OECD Asia (excl. Singapore)	0.00	0.00		-	-	0.00	0.01	-	-	-	-	-
Other	0.02	0.02		0.01	0.02	0.02	0.04	0.03	0.03	0.08	0.01	0.07
Total²	0.22	0.21		0.17	0.20	0.25	0.22	0.13	0.20	0.11	0.16	-0.05
of which Non-OECD	0.21	0.21		0.17	0.20	0.25	0.21	0.12	0.19	0.11	0.16	-0.05
OECD Pacific												
OECD North America	-	0.00		0.01	-	-	-	-	-	-	0.01	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	-		-	-	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	-	-	-	-
FSU	-	-		-	-	-	-	-	-	-	-	-
Saudi Arabia	0.00	0.01		0.02	-	-	0.00	-	0.00	-	0.02	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	0.01	0.01		0.03	-	-	0.01	0.03	0.01	-	0.02	-
Singapore	0.01	0.01		0.02	0.01	0.01	0.02	0.03	0.02	0.02	0.02	0.00
Non-OECD Asia (excl. Singapore)	0.02	0.02		0.04	0.00	0.01	0.02	0.04	0.00	0.01	0.05	-0.05
Other	0.05	0.05		0.07	0.04	0.03	0.08	0.08	0.06	0.05	0.10	-0.04
Total²	0.10	0.10		0.18	0.05	0.05	0.13	0.17	0.10	0.08	0.21	-0.13
of which Non-OECD	0.10	0.10		0.18	0.05	0.05	0.13	0.17	0.10	0.08	0.21	-0.12
Total OECD Trade²	0.42	0.41		0.45	0.36	0.41	0.42	0.38	0.34	0.26	0.46	-0.20
of which Non-OECD	0.37	0.38		0.44	0.33	0.35	0.40	0.37	0.33	0.25	0.45	-0.21

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12d
Regional OECD Residual Fuel Oil Imports by Source¹
(million barrels per day)

	2002	2003	2004	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04	Year Earlier	
											Feb 03	change
OECD North America												
Venezuela	0.04	0.04		0.03	0.06	0.04	0.05	0.05	0.05	0.04	0.03	0.01
Other Central & South America	0.14	0.15		0.18	0.14	0.14	0.13	0.12	0.14	0.19	0.17	0.02
ARA (Belgium Germany Netherlands)	0.01	0.01		0.02	0.02	0.01	0.01	0.01	-	0.04	0.01	0.04
Other Europe	0.01	0.03		0.03	0.02	0.03	0.02	0.02	0.02	0.03	0.02	0.00
FSU	0.01	0.03		0.03	0.03	0.03	0.05	0.03	0.05	0.02	0.03	0.00
Saudi Arabia	-	0.00		-	0.00	0.00	-	-	-	-	-	-
Algeria	0.00	0.01		0.01	0.01	0.01	-	-	-	0.00	0.01	-0.01
Other Middle East & Africa	0.02	0.03		0.05	0.03	0.02	0.04	0.05	0.05	0.07	0.04	0.03
Singapore	0.00	0.01		0.01	0.00	0.01	0.00	0.01	0.00	0.01	0.02	-0.02
OECD Pacific	-	-		-	-	-	-	-	-	-	-	-
Non-OECD Asia (excl. Singapore)	0.00	0.01		-	0.00	0.01	0.01	0.01	0.01	0.00	-	-
Other	0.00	0.01		0.00	0.01	0.01	-	-	-	-	-	-
Total²	0.24	0.33		0.35	0.32	0.31	0.32	0.30	0.33	0.41	0.34	0.07
of which Non-OECD	0.21	0.28		0.30	0.28	0.27	0.29	0.27	0.30	0.34	0.31	0.03
OECD Europe												
OECD North America	0.02	0.00		0.00	-	-	0.01	0.01	-	0.00	-	-
Venezuela	0.00	0.00		0.00	-	-	-	-	-	-	-	-
Other Central & South America	0.02	0.01		0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00
Non-OECD Europe	0.01	0.01		0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.01	0.00
FSU	0.27	0.21		0.17	0.20	0.25	0.21	0.24	0.23	0.10	0.21	-0.11
Saudi Arabia	-	-		-	-	-	-	-	-	-	-	-
Algeria	0.01	0.01		0.00	0.01	0.02	0.02	0.01	0.01	0.00	0.00	0.00
Other Middle East & Africa	0.06	0.06		0.04	0.06	0.06	0.07	0.08	0.04	0.05	0.04	0.01
Singapore	0.00	0.00		-	-	-	0.00	-	-	0.00	-	-
OECD Pacific	0.00	-		-	-	-	-	-	-	0.00	-	-
Non-OECD Asia (excl. Singapore)	0.01	0.01		0.01	0.01	0.02	0.01	0.02	0.01	0.00	-	-
Other	0.07	0.08		0.06	0.08	0.09	0.11	0.08	0.08	0.22	0.08	0.14
Total²	0.47	0.40		0.31	0.38	0.45	0.45	0.45	0.38	0.39	0.35	0.04
of which Non-OECD	0.45	0.40		0.31	0.38	0.46	0.44	0.45	0.38	0.39	0.35	0.04
OECD Pacific												
OECD North America	0.00	0.00		-	0.00	-	-	-	-	-	-	-
Venezuela	-	-		-	-	-	-	-	-	-	-	-
Other Central & South America	-	0.00		-	0.00	-	-	-	-	-	-	-
ARA (Belgium Germany Netherlands)	-	-		-	-	-	-	-	-	-	-	-
Other Europe	-	-		-	-	-	-	-	-	-	-	-
FSU	0.00	0.00		-	0.00	0.00	-	-	-	-	-	-
Saudi Arabia	0.00	-		-	-	-	-	-	-	-	-	-
Algeria	-	-		-	-	-	-	-	-	-	-	-
Other Middle East & Africa	0.00	-		-	-	-	-	-	-	-	-	-
Singapore	0.01	0.00		0.01	-	-	0.00	-	-	0.02	0.01	0.01
Non-OECD Asia (excl. Singapore)	0.06	0.06		0.07	0.07	0.05	0.05	0.07	0.04	0.03	0.10	-0.06
Other	0.02	0.02		0.01	0.03	0.02	0.03	0.03	0.02	0.02	0.03	-0.01
Total²	0.09	0.09		0.10	0.10	0.07	0.08	0.11	0.06	0.07	0.13	-0.06
of which Non-OECD	0.09	0.09		0.10	0.10	0.07	0.08	0.11	0.06	0.07	0.13	-0.06
Total OECD Trade²	0.80	0.81		0.76	0.80	0.83	0.85	0.86	0.77	0.87	0.82	0.04
of which Non-OECD	0.75	0.77		0.71	0.76	0.80	0.81	0.82	0.75	0.80	0.79	0.01

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

Table 12e
Regional OECD Trade Balances^{1,2}
(million barrels per day)

OECD North America

	Latest month vs.										
Net Imports/(Exports) of	2002	2003	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04	Jan 04	Feb 03
Crude Oil	7.20	7.62	6.71	8.06	8.08	7.62	7.36	7.25	7.44	0.19	1.12
Products & Feedstocks	1.18	1.29	1.17	1.51	1.41	1.06	0.95	1.29	1.64	0.36	0.69
Gasoil/Diesel	0.00	0.03	0.08	-0.02	0.06	0.00	-0.01	0.10	0.16	0.06	0.04
Gasoline	0.56	0.56	0.48	0.74	0.56	0.45	0.40	0.37	0.51	0.14	0.14
Heavy Fuel Oil	0.08	0.18	0.22	0.13	0.16	0.20	0.16	0.25	0.26	0.00	0.05
LPG	0.04	0.03	0.04	0.02	0.02	0.03	0.03	0.05	0.00	-0.04	-0.03
Naphtha	0.04	0.07	0.03	0.09	0.09	0.06	0.06	0.06	0.08	0.02	0.05
Jet & Kerosene	0.09	0.09	0.08	0.09	0.11	0.06	0.06	0.03	0.05	0.02	-0.02
Other	0.37	0.34	0.24	0.45	0.41	0.26	0.26	0.42	0.59	0.16	0.47
Total	8.38	8.91	7.88	9.57	9.49	8.68	8.31	8.53	9.09	0.55	1.81

OECD Europe

	Latest month vs.										
Net Imports/(Exports) of	2002	2003	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04	Jan 04	Feb 03
Crude Oil	7.17	7.79	7.61	7.69	7.89	7.98	7.71	7.77	8.04	0.27	0.65
Products & Feedstocks	1.48	1.18	1.13	1.05	1.37	1.17	1.15	1.08	0.52	-0.56	-0.73
Gasoil/Diesel	0.43	0.43	0.36	0.54	0.46	0.36	0.53	0.33	0.34	0.01	-0.16
Gasoline	-0.34	-0.39	-0.40	-0.43	-0.36	-0.36	-0.34	-0.36	-0.57	-0.22	-0.18
Heavy Fuel Oil	0.23	0.14	0.08	0.09	0.23	0.16	0.13	0.07	-0.01	-0.09	-0.16
LPG	0.14	0.07	0.11	0.02	0.07	0.07	0.11	0.13	0.07	-0.06	-0.02
Naphtha	0.25	0.22	0.27	0.23	0.19	0.21	0.09	0.15	0.17	0.02	-0.05
Jet & Kerosene	0.20	0.17	0.11	0.15	0.22	0.18	0.10	0.16	0.02	-0.14	-0.08
Other	0.57	0.54	0.60	0.45	0.56	0.55	0.53	0.59	0.51	-0.08	-0.08
Total	8.65	8.97	8.74	8.74	9.26	9.14	8.86	8.86	8.56	-0.29	-0.09

OECD Pacific

	Latest month vs.										
Net Imports/(Exports) of	2002	2003	1Q03	2Q03	3Q03	4Q03	Dec 03	Jan 04	Feb 04	Jan 04	Feb 03
Crude Oil	6.20	6.51	7.17	6.51	5.85	6.52	7.41	6.69	7.36	0.67	0.01
Products & Feedstocks	1.31	1.44	1.56	1.37	1.37	1.44	1.62	1.38	1.49	0.11	-0.11
Gasoil/Diesel	-0.14	-0.08	-0.08	-0.06	-0.11	-0.05	-0.01	-0.10	-0.11	-0.01	-0.01
Gasoline	0.02	0.04	0.02	0.04	0.05	0.06	0.07	0.07	0.04	-0.02	0.05
Heavy Fuel Oil	-0.02	-0.04	-0.04	0.00	-0.07	-0.06	0.00	-0.11	-0.09	0.02	-0.05
LPG	0.54	0.52	0.55	0.52	0.53	0.50	0.51	0.52	0.54	0.03	-0.01
Naphtha	0.70	0.77	0.77	0.71	0.84	0.76	0.79	0.75	0.87	0.12	0.09
Jet & Kerosene	0.00	0.05	0.14	-0.02	-0.02	0.11	0.14	0.06	0.05	-0.01	-0.14
Other	0.20	0.17	0.21	0.18	0.16	0.14	0.13	0.20	0.18	-0.03	-0.03
Total	7.51	7.95	8.73	7.88	7.22	7.97	9.03	8.07	8.85	0.78	-0.10

1. Based on Monthly Oil Questionnaire data submitted by OECD countries in tonnes

2. Total figure excludes intra-regional trade

© OECD/IEA 2004. All Rights Reserved

The International Energy Agency's ('IEA') makes every attempt to ensure, but does not guarantee, the accuracy and completeness of the information or the clarity of content of the Oil Market Report (hereafter the 'OMR'). The IEA shall not be liable to any party for any inaccuracy, error or omission contained or provided in this OMR or for any loss, or damage, whether or not due to reliance placed by that party on information in this OMR.

The Executive Director and Secretariat of the IEA are responsible for the publication of the OMR. Although some of the data are supplied by IEA Member-country governments, largely on the basis of information they in turn receive from oil companies, neither these governments nor these oil companies necessarily share the Secretariat's views or conclusions as expressed in the OMR. The OMR is prepared for general circulation and is distributed for general information only. Neither the information nor any opinion expressed in the OMR constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities.

The OMR is copyrighted by the IEA. The user may reference or copy this OMR for personal, non-commercial use provided that there be a specific written reference to the IEA as the source of the material. No part of the OMR may be copied, reproduced, republished, displayed, distributed or posted on servers in any manner for commercial purposes or for compensation of any kind without the prior written permission of the IEA (rights@iea.org).

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halff (+33) 0*1 40 57 65 93 e-mail: antoine.halff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France

Tel. +33 (0) 1 40 57 65 57

Fax. +33 (0) 1 40 57 65 69

E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

Readers are referred to the Users' Guide, published in conjunction with the Annual Statistical Supplement (current issue dated 11 August 2003), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to US\$ per barrel according to the Platt's specification of products (©2004 Platt's - a division of McGraw-Hill Inc.).

10 June 2004

HIGHLIGHTS

- Crude oil prices peaked on 1 June with WTI Cushing reaching above \$42/bbl. The rally was fuelled by security concerns and uncertainty surrounding OPEC's meeting in Beirut. NYMEX gasoline prices dropped 20% from their May peak on increased runs and imports as well as perceptions of lower US gasoline demand growth.
- OPEC-10 boosted May crude supply by 680 kb/d to 26.1 mb/d. OPEC agreed to raise production targets by 2.0 mb/d to 25.5 mb/d from July and by a further 500 kb/d from August. Actual June physical supplies are likely to increase further from May. Iraqi production fell 210 kb/d to 2.1 mb/d in May as export flows were disrupted.
- World oil output in May was up 460 kb/d to 82.0 mb/d. Total OPEC crude supply rose by 470 kb/d but non-OPEC held level. Higher Russian and African output offset a fall in the OECD. Non-OPEC 2004 growth stays at 1.2 mb/d, driven by the FSU, Africa and Asia. The 2004 'call on OPEC crude and stock change' is revised up 500 kb/d.
- World oil demand growth for 2004 has been revised up by 360 kb/d, to 2.3 mb/d. New March data show demand surged in Brazil and India, helping to lift world growth in the first quarter by 340 kb/d. The second quarter growth estimate has been revised upwards by 900 kb/d to 3.5 mb/d in light of strong FSU and North American spring demand.
- OECD industry oil stocks closed April at 2473 mb, up 9 mb and ending 29 mb above last year. While the OECD's crude stock position has improved, products remain tight and forward demand cover remains depressed for a third month at 51 days. US gasoline stocks are expected to close June above a year-ago as both imports and domestic output rise.

Dear Subscriber,

CHANGES TO THE OIL MARKET REPORT

As indicated last month, we are introducing several changes to the OMR with this report.

IEA Refining Margins

We have revised our refinery margin calculations to provide you with more comprehensive coverage of refinery operations. For the first time, we are reporting US West Coast and Chinese refinery margins. In addition, we are calculating US Gulf Coast and West Coast coking margins and are adding to the number of crude streams that we use in margin calculations at our existing four refining centres of North West Europe, Mediterranean, US Gulf Coast and Singapore. These new calculations have been prepared in conjunction with leading petroleum industry consultants Purvin & Gertz.

To facilitate analysis, we are publishing a historical series of monthly refining margins dating back to 1994. This information is available in a spreadsheet that you can download from the Special Feature section of our website at: www.oilmarketreport.org.

Tables Section

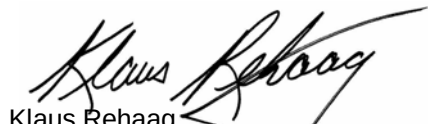
You will find a streamlined version of the tables section at the back of the report. A number of tables have been moved from the published version of the Report, but are still available for download from the Tables section on our website: www.oilmarketreport.org.

In addition, a new Trade table (Regional OECD Imports) has been added to the report and the Summary of Global Oil Demand table, previously featured in the Demand Section, has been moved to the Tables section.

OMR Archive

We receive a number of requests each month for misplaced copies of old OMR reports. To facilitate your analysis, we are expanding our archive of back issues of OMR publications to 1994, and eventually back to 1990. These reports are available for download in PDF format from our website: www.oilmarketreport.org.

Best regards,



Klaus Rehaag
Editor – Oil Market Report

CONTENTS

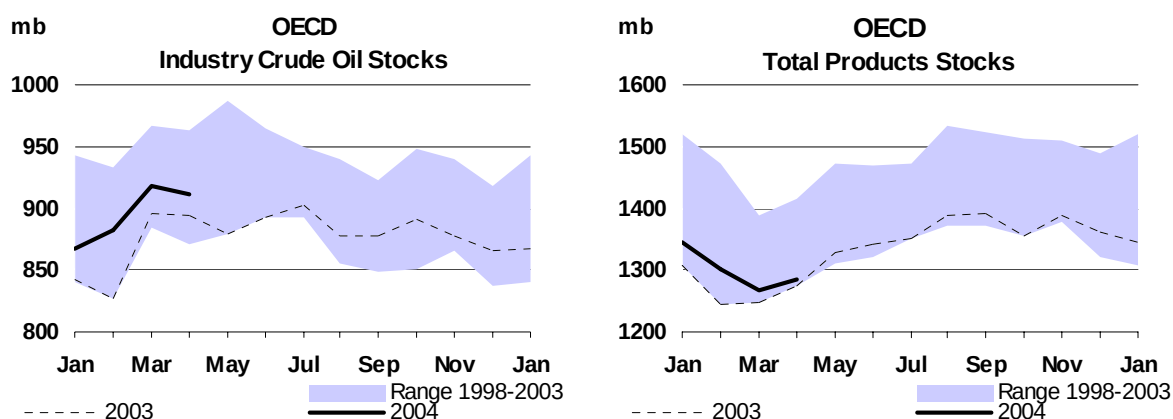
HIGHLIGHTS.....	1
A SHOW OF GOOD FAITH.....	4
DEMAND	5
Summary	5
Non-OECD.....	6
China	6
Impact of Infrastructure Developments on Global Balances.....	8
FSU	8
India	9
Other Non-OECD	10
OECD.....	11
Early Indications of Current Demand	11
North America	12
Europe	13
Pacific	13
SUPPLY.....	14
Summary	14
OPEC	15
OECD.....	18
North America	18
North Sea.....	20
Former Soviet Union (FSU).....	20
Big Resource Base but Kazakh Growth Could be Impeded by Pipelines and Politics	22
Other Non-OPEC.....	23
OECD STOCKS.....	26
Summary	26
OECD Industry Stock Changes in April 2004.....	27
Revisions to Preliminary OECD Stocks and Inventory Position at End-April.....	27
OECD Regional Stock Developments	28
North America	28
Europe	29
Pacific.....	29
Singapore Stock Developments in May	30
PRICES AND REFINERY ACTIVITY	32
Summary	32
May Overview	33
Crude Oil Prices.....	33
Spot Crude Prices and Differentials in May.....	33
Assessing the 'Risk' Premium.....	34
Crude Futures in May.....	35
Delivered Crude Prices in March.....	36
Product Prices.....	36
Spot Product Prices in May	36
Product Futures in May	40
End-User Product Prices in May	41
Freight.....	41
Refining Margins in May.....	42
Refinery Throughput in April.....	46
TABLES	49
OIL MARKET REPORT CONTACTS	

A SHOW OF GOOD FAITH

Producers have reconfirmed their intention to increase crude oil supply. All things being equal, this should moderate prices by allowing stocks to build. Higher crude stocks will dissipate pressure on near-term supply and will help to deflate expectations of higher medium-term prices by diminishing the price-risk associated with uncertainty. Notwithstanding the rhetoric about quotas and production capacity, the commitment and visibility of fresh oil on the market is welcome.

OECD industry stocks are building. While crude stocks fell marginally in April, they have risen over the first quarter. The April reduction in crude was more than offset by a gain of 620 kb/d in product stocks. In aggregate, OECD total oil stocks in April rose by just under 300 kb/d. This trend follows seasonal patterns. It leaves crude stocks higher than they were this time last year, and closer to mid-range, while product stocks are still trending at the bottom of their five-year range. Unfortunately, the pace of the stock build is modest. OECD total oil stocks normally rise by over 1.0 mb/d in April to ensure adequate inventories as refiners prepare for winter. The system is still undersupplied.

The pattern of stock movements in April is consistent with a surge in global demand, pressuring product inventories, and a ramp-up in throughputs, pulling on crude, as North American and European refiners return from maintenance. High product prices and strong Atlantic Basin refining margins are providing additional support for throughputs. These dynamics are characteristic of a product-driven market.



There are those who question the ability of key producers to increase supply, suggesting that no fresh oil will enter the market as the result of the Amsterdam and Beirut announcements. The IEA does not fall into this camp. We take the commitments of these producers seriously, and are convinced that countries such as Saudi Arabia can easily produce 9.1 mb/d and beyond.

Producers have the ability to surge production over the short-term. The extent and duration of this surge capacity is limited by safe reservoir practices, environmental restrictions on flaring and transportation and infrastructure logistics. Saudi Aramco states that it can surge production up to 10.5 mb/d within a week, but that it requires time and resources to tie-in infrastructure (pipelines, gas plants), issue tenders and contracts and relocate rigs from other regions to sustain this capacity. The latter is consistent with our treatment of sustainable production capacity. The IEA definition refers to production capacity that can be brought on *within 30 days* and can be sustained for *90 days*. We support the view that Saudi Arabia can surge production above 10 mb/d. Sustaining this level over 90 days, however, requires some observable reconfiguration of infrastructure and a further commitment to drilling.

Producers recognise that current oil prices are too high and that high oil prices risk undermining economic development, and oil demand, especially in developing nations. While the pace of economic growth remains strong, it has been driven by a number of one-off factors including low interest rate policies and stimulative tax cuts, major infrastructure projects in China, depleted industrial inventories and expenditures associated with the war on terrorism. In this respect, price effects have been overwhelmed by wealth effects. This cannot last, and the move to add physical barrels constitutes a responsible action on the part of producers to help stabilise the market.

DEMAND

Summary

- The forecast of global demand growth for 2004 has been raised by 360 kb/d, to 2.3 mb/d, or 2.9%, the steepest annual increase since 1980. Demand for the year is assessed at 81.1 mb/d.
- Latest oil statistics for key non-OECD economies and revisions to preliminary data for the OECD reveal several areas of previously unidentified product demand for the first quarter. Upward adjustments to North American estimates lift the assessment for the OECD by 100 kb/d. Demand growth picked up momentum in Brazil and India in March, accounting for the bulk of a 250 kb/d increase in the non-OECD first quarter estimate. Downward revisions to US estimates for the year-earlier period further boost the assessment of first quarter global growth, to 2.12 mb/d.

Global Oil Demand from 2002 to 2004

	Demand (mb/d)	Annual Change*		Changes from last month's Report (mb/d)
		(%)	(mb/d)	
1Q02	77.0	-0.8	-0.7	-
2Q02	75.3	-0.4	-0.3	-
3Q02	76.7	0.8	0.6	-
4Q02	79.1	1.5	1.2	-
1Q03	79.2	2.8	2.2	-
2Q03	76.3	1.3	1.0	0.2
3Q03	78.6	2.5	1.9	0.3
4Q03	81.0	2.4	1.9	-
1Q04	81.3	2.7	2.1	0.3
2Q04	79.7	4.5	3.5	1.1
3Q04	80.6	2.5	2.0	0.4
4Q04	82.6	2.1	1.7	0.1
2002	77.0	0.3	0.2	-
2003	78.8	2.3	1.7	0.1
2004	81.1	2.9	2.3	0.5

* year-on-year change

- The forecast of second-quarter global demand has been raised by a combined 1.06 mb/d, to 3.47 mb/d, offsetting comparatively weak growth in the second quarter last year. The bulk of the adjustment is in North America and the FSU. Stronger-than-expected preliminary US oil delivery estimates for April and May account for most of the North American adjustment. In the FSU, apparent demand surged counter-seasonally in the same period, as export growth failed to keep up with the increase in production.

Estimated Annual World Oil Demand Growth 1999-2004

	(million barrels per day)					
	99-98	00-99	01-00	02-01	03-02	04-03
North America	0.71	0.26	-0.06	0.15	0.55	0.52
Latin America	0.02	-0.01	0.02	-0.09	-0.11	0.14
FSU	-0.15	0.09	-0.01	-0.20	0.11	0.01
Europe	-0.15	-0.12	0.21	-0.15	0.15	0.24
OECD Pacific	0.28	-0.08	-0.08	-0.04	0.13	-0.12
China	0.21	0.26	0.12	0.27	0.55	0.79
Other Asia	0.41	0.09	0.16	0.12	0.19	0.42
Subtotal, Asia	0.90	0.28	0.20	0.35	0.86	1.09
Middle East	0.04	0.18	0.19	0.13	0.14	0.26
Africa	0.11	0.05	0.09	0.02	0.04	0.05
World	1.48	0.72	0.63	0.21	1.74	2.31

- Chinese demand continues to drive global growth. Oil product consumption from the power generation, transportation and petrochemical sectors is expected to surge by 1.2 mb/d in the second quarter, extending a first quarter gain of 1.0 mb/d. In addition, expansion of pipeline and commercial oil storage capacity is absorbing substantial volumes of incremental crude and products for line-fill and minimum operational stocks. Such one-off crude and product requirements associated with infrastructure expansions are not considered as demand and, when in the non-OECD region, are not reflected as stocks in OMR supply/demand balances, but fall instead under the ‘miscellaneous-to-balance’ category.

Global Oil Demand by Region

(million barrels per day)

	Demand	Annual Change			Annual Change (%)		
	2003	2002	2003	2004	2002	2003	2004
North America	24.71	0.15	0.55	0.52	0.6	2.3	2.1
Europe	16.01	-0.15	0.15	0.24	-1.0	0.9	1.5
OECD Pacific	8.63	-0.04	0.13	-0.12	-0.5	1.5	-1.4
China	5.49	0.27	0.55	0.79	5.9	11.1	14.3
Other Asia	7.87	0.12	0.19	0.42	1.6	2.4	5.4
Subtotal Asia	21.99	0.35	0.86	1.09	1.7	4.1	5.0
FSU	3.57	-0.20	0.11	0.01	-5.5	3.3	0.2
Middle East	5.20	0.13	0.14	0.26	2.6	2.8	4.9
Africa	2.61	0.02	0.04	0.05	0.9	1.7	1.7
Latin America	4.68	-0.09	-0.11	0.14	-1.9	-2.4	3.1
World	78.77	0.21	1.74	2.31	0.3	2.3	2.9

- A run-up in crude and product prices, partly mitigated in early June by word of OPEC’s commitment to production increases, so far does not appear to have tangibly slowed demand growth, but price effects would likely be felt if recent levels were to be sustained.

Non-OECD

China

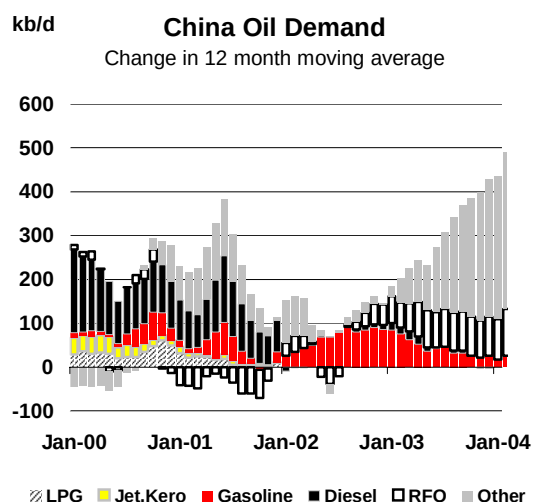
Preliminary assessments show Chinese apparent demand – defined as domestic output of refined products plus net product imports and adjustment factors – reached an all-time high of 6.53 mb/d in April, a gain of roughly 430 kb/d from March and of 1.13 mb/d from a year earlier. Total refinery crude throughputs, as reported by the National Bureau of Statistics, rebounded to 5.39 mb/d, after dipping to 5.27 mb/d in the previous month, despite continued seasonal refinery maintenance. Rather than from the extended upward creep in Chinese refining activity, however, the surge in demand stems primarily from a dramatic upward leap in product imports, to a provisional 992 kb/d – also a record. Residual fuel oil led the gain, with imports up 500 kb/d from the same month last year to an all-time high of 780 kb/d, and up 230 kb/d from the previous record of last September.

Although Chinese consumption growth continues to steam ahead, the latest reported year-on-year gain does not appear to be sustainable in the short term. Demand in the second quarter of 2003 had been undermined by the Severe Acute Respiratory Syndrome (SARS) outbreak. Discounting for that, this year’s March increase would look less dramatic. Year-on-year comparisons should show slower growth in the third quarter, as the SARS effect on year-ago consumption subsides.

April residual fuel oil imports seem equally unsustainable. Although statistical data for May had yet to be released at the time of writing, anecdotal evidence suggested overall fuel imports fell in May compared to April, and would further decrease in June. In Guangdong province, China’s largest residual fuel oil market, importers’ tank farms were reported brimming in May amid subdued end-user buying, curtailing new imports. A sharp rise in prices also has been limiting buying interest from power generators, industrial users and from small refineries that use residual fuel oil as feedstock to make low-grade gasoil. Several power plants in South China were said to be shutting generators at night to cut costs. Slower imports in Guangdong in May were reportedly partly offset by rising shipments to Shandong province, where port congestion delayed deliveries. But June imports were expected to decline nationwide.

While government efforts to slow economic growth may not immediately affect oil demand patterns, the authorities are taking steps to directly curb oil consumption growth. In a bid to dampen soaring demand from the transportation sector, the issuing of credit for automobile purchases has been reportedly restricted. April implied gasoline demand growth was surprisingly modest by Chinese standards, at roughly 3% above last year. Trucking demand for diesel reportedly slowed as the government started enforcing truck loading limits more stringently. Delays in issuing electricity tariffs in the south reportedly undermined residual fuel oil consumption from power generators unsure of recovering their costs.

While end-user gasoil demand for back-up electricity generators and industrial users continues to rise relentlessly, refining capacity constraints are also limiting product availability, restraining consumption through lack of supply. Higher imports can, up to a point, compensate for the shortfall in domestic output. Indeed, net gasoil imports have been on the rise, and in April reportedly exceeded 30 kb/d, a five-year high. But transportation capacity, including rail and pipeline, is being equally stretched, limiting suppliers' ability to bring supply to inland and remote markets. Dwindling gasoil inventories in parts of the south reportedly forced several distributors to suspend or limit sales in May, as they had done in the fall. Although Chinese product demand is expected to keep rising, the pace of growth is thus likely to slow in the second half of the year from the first half's sizzling rates.



Yet oil product demand may not fully account for China's impact on the global petroleum market. Chinese crude supply, as measured by IEA estimates of domestic production plus net crude imports, exceeded National Bureau of Statistics estimates of total crude oil refinery throughputs by an average 350 kb/d in the first quarter (see graph). The difference is an implied inventory build that is not accounted for separately in OMR balances, as the latter do not itemise crude demand nor non-OECD stock movements. The build, however, is reflected in OMR balances as a component of the 'miscellaneous-to-balance' item.

While first-half implied crude stock builds are not unprecedented in China, a rise in commercial inventories would appear counter-intuitive given the high prices and strong refinery demand prevalent so far this year. New Chinese crude and product pipelines and recent commercial port storage capacity expansion projects may provide part of the explanation, with line-fill and minimum operating level requirements accounting for a sizeable rise in unreported Chinese crude and product operating stocks (see Grey Box below).

China Crude & Product Trade

(thousand barrels per day)

	2002	2003	2Q03	3Q03	4Q03	1Q04	Feb 04	Mar 04	Apr 04	Latest month vs. Mar 04 Apr 03	
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1556	1731	1716	2290	2547	2079	2400	320	751
Products & Feedstocks	361	442	415	586	445	600	616	568	992	424	687
Gasoil/Diesel	-16	-28	-32	-42	-9	22	23	23	34	11	57
Gasoline	-142	-175	-191	-184	-151	-95	-139	-140	-157	-18	-4
Heavy Fuel Oil	281	407	401	531	361	448	509	461	780	319	497
LPG	197	202	209	211	203	172	195	151	228	77	43
Naphtha	-16	-22	-25	-22	-24	-21	-35	-13	-6	7	35
Jet & Kerosene	9	1	4	15	-6	21	12	22	33	11	12
Other	48	58	50	77	70	54	51	64	80	16	48
Total	1609	2106	1972	2317	2161	2890	3163	2647	3391	744	1438

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

Impact of Infrastructure Developments on Global Balances

After shrinking sharply in the 1990s, global oil storage capacity is on the rebound. Rising demand for commercial storage in areas of rapidly growing oil consumption, along with new pipelines built to supply crude and refined products to those growth markets, have themselves contributed to the momentum of oil demand growth, as transportation and storage facilities require a substantial injection of oil to sustain operations.

Stock requirements associated with the start-up of new storage capacity in China and elsewhere account for a significant share of the "miscellaneous to balance" item shown in first-quarter OMR balances. More oil supply will be "sterilised" in conjunction with storage capacity expansions as new tank farms start up in the second and third quarters of this year and later on.

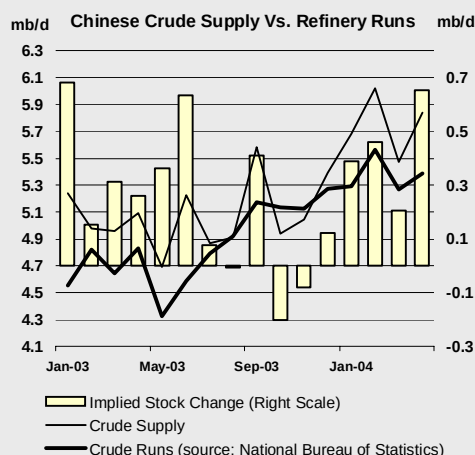
The decommissioning of storage capacity in the 1990s mostly affected OECD countries and the FSU. In the OECD, the drop initially resulted from the oil industry's embrace of just-in-time inventory management techniques. The effect of those techniques was compounded by industry rationalisation and consolidation during the subsequent wave of corporate mergers and acquisitions and advances in information technology. Lower OECD storage capacity paved the way to lower OECD stock holdings and registered as such in OMR balances.

In contrast, accounting for the current wave of storage expansion and new pipelines is something of a statistical challenge, and not just because keeping track of new tank farms' completion schedule, storage expansion plans and new pipeline projects – and translating those projects into minimum operating storage requirements – can be tricky. As most new storage projects are in non-OECD economies, and given commercial sensitivities, it is difficult to obtain accurate data on timing and magnitude. In addition, while storage capacity additions would normally be recorded as an inventory change in the OECD, OMR balances do not include any such category for non-OECD countries. The IEA does not have any systematic means of collecting such information, and most non-OECD economies do not officially report their own stock movements.

In essence, storage injections associated with the start-up of new facilities are more akin to a one-off demand increase reflecting structural market changes than to commercially available inventory, as the oil put in storage is essentially 'sterilised' and becomes operationally unavailable to the market. But the IEA reports product demand as deliveries from primary storage. Line-fill and minimum operating stocks do not fit that definition and thus cannot simply be counted as demand.

China's major oil companies and the Government have publicly stated their goal of boosting storage capacity in conjunction with the sharp rise in Chinese oil demand and China's growing dependence on oil imports. Several large tank farms, and a few smaller ones, were completed in the first quarter, with others due for completion in the second and third quarters, and many more expected to come on line later on. For the January-August period, by one count, more than 16 million barrels of fresh storage capacity was due to open. In addition, two major pipelines started commercial operations in the year to date, including the Guangdong product pipeline and the East Coast crude pipeline from the eastern port of Ningbo to Nanjing on the Yangtze River.

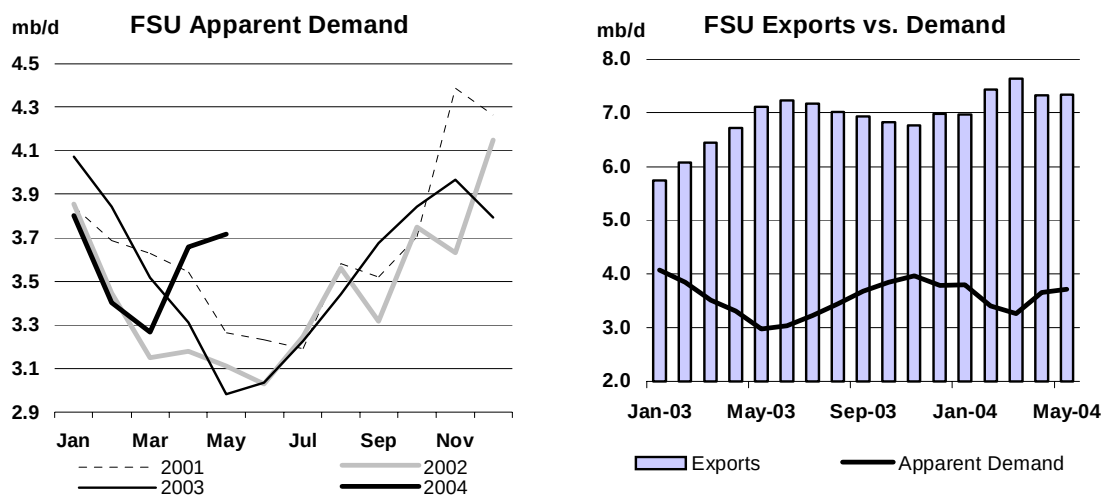
Most of the new storage facilities are designed to handle residual fuel oil, reflecting soaring fuel imports, rising demand from power plants and independent refiners and faltering output as refiners maximise gasoil yields at the expense of heavier products. Some of the facilities are for crude, including the 600,000 cubic meter terminal in the Northern port city and refining centre of Dalian. In aggregate, crude and product flows to meet minimum operating levels at the current crop of storage facilities could be as high as 8 million barrels. In addition, line-fill for the Guangdong and East Coast pipelines is estimated at over 1 million barrels each, not including terminal and breakout storage requirements.



FSU

After contracting sharply in the first quarter, FSU apparent demand – derived from FSU crude output minus net exports – surged counter-seasonally so far in the second quarter, posting year-on-year gains of 10% in April and 25% in May. As a result, apparent demand for the second quarter has been adjusted upwards by 360 kb/d, showing year-on-year growth of 410 kb/d.

With FSU production growth roughly in line with recent patterns, the recent surge in apparent demand essentially reflects a sudden slowdown in the pace of FSU export growth. Exports fell by more than 300 kb/d in April from the record high of 7.64 mb/d achieved in March. Exports moved higher in May, but failed to fully reverse their April drop, so that the second-quarter average, contrary to seasonal patterns, appears unlikely to rise substantially over the first quarter. On a year-on-year basis, export growth slowed to 610 kb/d in April and 220 kb/d in May, from a first-quarter average of roughly 1.3 mb/d, even as monthly output continued to surge by about 950 kb/d.



Apparent demand is, of course, an imperfect indication of final consumption. Historically, weather-related export constraints, coupled with a political preference for building stocks and lowering product prices ahead of winter, have caused FSU apparent demand to surge in the fourth and first quarters, only to fall back later on as inventories built in the winter were run down in the spring and summer. This time, the timing of the rise in apparent demand is counter-cyclical but occurs in a markedly different context. On one hand, export constraints, which threaten to choke relentlessly rising production, reflect infrastructure capacity limits rather than seasonal or weather-related factors. On the other hand, a prolonged period of steadily rising exports and high oil prices has helped boost FSU economies, potentially setting the stage for a rebound in end-user demand.

Does the latest up-tick in apparent demand signal that the FSU export infrastructure has reached its limits, or that domestic demand is rising in earnest after plunging following the demise of the Soviet Union? Although FSU export constraints have been a key issue hanging over the outlook for FSU output, the latest dip in exports does not appear to signal that the limits have been reached just yet. Most of the drop was in product exports, which, in theory, could rebound to earlier levels. Product exports arguably are also somewhat less infrastructure-constrained than crude exports. Meanwhile, several expansion programmes are also expected to boost crude export capacity in the short term. There has been no report of rising domestic stocks or falling prices, suggesting that the gain in apparent demand might correspond with a real up-tick in end-user consumption, rather than merely reflect a backlog of exports. Strong international grain prices may have spurred an increase in agricultural activity and a corresponding spike in diesel demand, as has been the case in other markets.

But while it is possible that domestic demand is finally rising, it is too early to tell. The second-quarter demand increase may simply represent an offset against surprisingly low demand in the first quarter. Rather than an increase in overall underlying consumption, the latest pattern may point to a shift in the seasonal patterns of FSU demand. That would be consistent with the gradual alignment of FSU and international oil markets and with the lightening of the FSU demand barrel. With transportation fuels accounting for a rapidly rising share of FSU demand and natural gas having partly displaced oil as boiler fuel for power generation and industrial use, expanding spring agricultural and summer driving demand might compound the effects of declining winter heating demand for oil to rebalance the FSU demand curve.

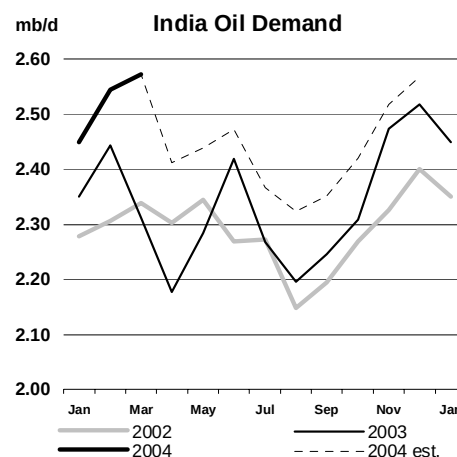
India

Indian oil demand surged by an estimated 11.3% in March, to an all-time high of 2.57 mb/d, following growth of 4.2% in January and February. First-quarter demand has been revised upwards by 90 kb/d in light of the stronger-than-expected March data. The adjustment brings Indian oil

consumption patterns more closely in line with the country's strong economic growth and a recovery in agricultural activity following last year's abundant monsoon rains.

The recovery spanned the product barrel, with gasoil (the mainstay of Indian oil consumption), gasoline, LPG and 'other products' all rising at double-digit rates. LPG, one of two products for which state-subsidies have been maintained despite the broader deregulation of the oil market, has seen steadily rising demand for the last few years, and lately has benefited from a marketing push into previously underserved rural areas. The product is used primarily for home heating and mostly cooking. The recovery in gasoil demand is far more recent, and goes back only to the tail end of last year, when the agricultural sector started reaping the benefits of improved rainfall compared to the previous year while the broader economy found additional support from Chinese economic expansion and the global recovery.

In contrast, demand for naphtha has been rising more slowly, reflecting the greater availability of natural gas for use as petrochemical and fertiliser feedstock. However, despite the conversion of petrochemical and fertiliser plants to natural gas, for the time being, naphtha demand continues to expand, albeit at a comparatively lower rate. That suggests that stronger economic activity and demand recovery have led to greater utilisation of the remaining oil-based petrochemical and fertiliser plants. Demand for kerosene, the other state-subsidised product, has been faltering, reflecting government efforts to curtail the abuse of state subsidies resulting from the mixing of imported kerosene into the diesel pool.



India Crude & Product Trade

(thousand barrels per day)

	2002	2003	2Q03	3Q03	4Q03	1Q04	Jan 04	Feb 04	Mar 04 ¹	Latest month vs. Feb 04 Mar 03	
Net Imports/(Exports) of:											
Crude Oil	na	1863	1957	1801	1943	1938	1974	1800	2033	233	247
(by Public Oil Cos)	1088	1243	1317	1137	1379	1105	1218	1003	1088	86	-57
Products & Feedstocks	-83	-152	-185	-205	-91	-132	21	-186	-234	-49	-66
Gasoil/Diesel	-53	-119	-120	-144	-99	-137	-62	-154	-197	-43	-86
Gasoline	-48	-72	-71	-88	-62	-77	-54	-98	-80	17	4
Heavy Fuel Oil	6	5	24	13	-8	-12	26	-33	-30	3	-18
LPG	22	55	28	38	79	90	89	88	94	6	15
Naphtha	4	-1	-43	-3	30	19	42	18	-4	-21	-11
Jet & Kerosene	10	-22	-3	-28	-42	-29	-35	-16	-37	-20	-6
Other	-23	1	-1	7	11	14	14	9	19	10	36
Total	1005	1091	1771	1596	1852	1807	1995	1614	1799	184	181

1. Preliminary

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

Yearly data for net imports of crude oil for 2002 are not available.

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

Other Non-OECD

Latest data show Brazilian demand surged by 11.4% in March, to 2.2 mb/d, following growth of 1.4% in January and contraction of 1.3% in February. First-quarter demand has been revised upwards by 100 kb/d, to 2.14 mb/d, on the basis on the new March figures. The demand growth recovery partly reflects improved economic performance on the back of soaring Chinese demand for Brazilian commodities. The adjustment has been carried forward through 2004.

Adjustments to historical Brazilian demand have been applied to prior years, lifting 2002 and 2003 averages by roughly 20 kb/d.

OECD

Early Indications of Current Demand

The OECD demand forecast has been adjusted upwards for most of 2004, compounding the effects of last month's revisions to preliminary first-quarter estimates. Preliminary reports of March OECD demand have been raised by an aggregate 350 kb/d, the bulk of which was in North America. That revision, partly offset by smaller, downward adjustments to January demand assessments, lifts the first-quarter average by 100 kb/d. As year-earlier demand was revised downwards by 30 kb/d, OECD demand growth for the first quarter has been increased by 130 kb/d, to 520 kb/d.

Preliminary Inland Deliveries – April 2004

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	Mb/d	% pa	mb/d	% pa	Mb/d	% pa
United States ³	9.14	3.9	1.55	-2.3	2.75	-2.5	1.22	6.6	0.82	-2.6	4.38	-10.7	19.85	-1.2
Canada	0.68	3.7	0.11	14.4	0.39	5.4	0.09	-4.3	0.10	-25.2	0.23	12.5	1.60	3.0
Mexico	0.63	5.0	0.06	3.5	0.30	0.3	0.00	Na	0.32	-27.3	0.38	6.1	1.69	-3.7
Japan	1.02	2.1	0.41	-8.5	0.64	1.4	0.48	2.8	0.45	-19.9	1.52	-7.9	4.52	-5.0
Korea	0.15	-6.2	0.06	40.0	0.39	4.6	0.08	-3.7	0.26	-8.5	1.03	10.0	1.96	4.9
France	0.29	-3.9	0.13	14.0	0.65	1.7	0.29	10.2	0.05	-0.7	0.47	-2.7	1.88	1.6
Germany	0.59	-6.4	0.15	2.4	0.58	-0.8	0.40	-37.9	0.11	-4.5	0.52	9.3	2.34	-9.5
Italy	0.36	-6.0	0.08	-7.7	0.49	8.5	0.08	-1.6	0.17	-14.4	0.49	-6.5	1.66	-3.2
Total	12.84	2.6	2.55	-1.1	6.19	0.3	2.63	-4.9	2.27	-13.2	9.02	-5.4	35.51	-1.9

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

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

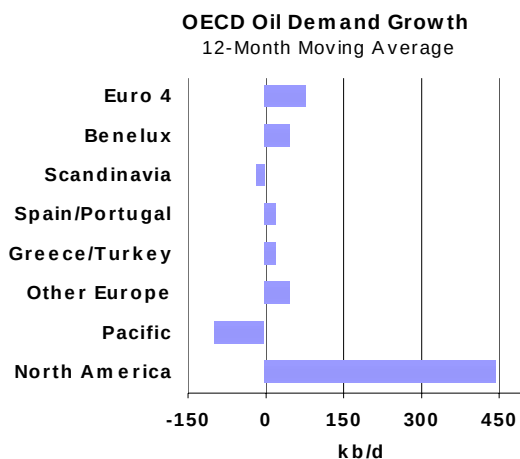
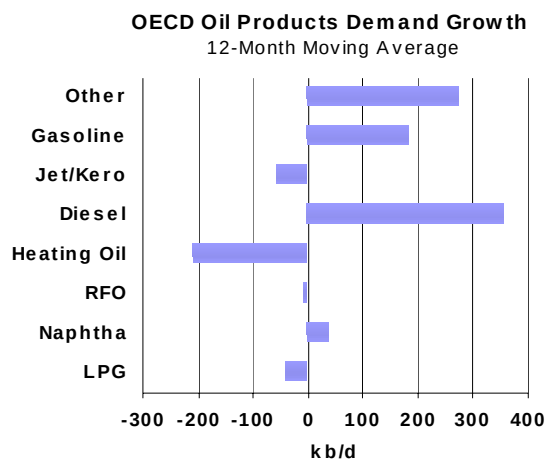
1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

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

Second-quarter demand has been more substantially revised. Provisional oil delivery data for eight of the largest OECD economies have lifted the April aggregate by 120 kb/d, again primarily in North America. The largest single adjustment comes from US demand for May, which has been raised by roughly 820 kb/d, in light of preliminary weekly data showing demand growth of more than 6%. Much of the US adjustment is in other products, reflecting recovering petrochemical demand for LPG and new transportation demand for gasoline blending components classified as other products following the switch from oxygenate methyl tertiary butyl ether (MTBE) to ethanol in key consumer states. A smaller downward adjustment to European demand was offset by upward revisions in the Asia-Pacific region.

Considerable volatility continues to affect data submissions from Member countries. This partly reflects broader shifts in the underlying economies, which adversely affects the predictive value of conventional forecasting models. Also, as patterns are shifting, analysts and statisticians tend to compensate by being more 'conservative' in their judgment, causing data inputs to significantly lag market changes.



As expected, aggregate revisions for the first quarter have been upwards. This has led to a corresponding reduction in the amount of unreported demand reflected in the relatively large 'miscellaneous-to-balance' item in OMR balances. If the pattern of recent adjustments to OECD preliminary estimates is any guide, provisional data for April and May remain subject to further revisions. There is also the 'year-later' effect of erratic supply and demand numbers before and after the major offensive in Iraq.

Despite upward adjustments of roughly 210 kb/d from last month's Report, preliminary inland delivery data for eight of the largest OECD economies, shown in the table above, continue to reflect mild demand contraction in April versus last year. The dip had been expected to be somewhat deeper, given comparatively high demand in the year-ago period, and is more than offset by robust growth in March and May. That slight decrease notwithstanding, overall OECD demand is expected to expand by an average 670 kb/d, or 1.4%, in the second quarter.

Moving Annual Average Change in Oil Demand* – April 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	-3.2%	3.0%	1.9%	-0.2%	4.3%	-5.2%	7.2%	5.2%	1.7%	331
Canada**	6.4%	-1.2%	2.1%	6.9%	-0.7%	6.8%	18.2%	5.0%	4.8%	102
Mexico	0.6%	3.8%	6.0%	1.0%	5.8%	5.8%	-10.2%	28.0%	2.9%	59
Japan	-5.2%	-2.1%	1.0%	-5.7%	-3.1%	-1.1%	-0.3%	-6.2%	-2.5%	-135
Korea	-4.9%	4.8%	-5.3%	-8.3%	8.9%	-8.0%	-1.5%	-39.5%	0.2%	4
France	3.4%	26.8%	-6.9%	5.1%	0.5%	3.2%	0.4%	15.6%	3.9%	77
Germany	2.9%	4.0%	-3.6%	1.4%	8.6%	-14.7%	0.1%	6.5%	-1.7%	-47
Italy	2.2%	2.0%	1.1%	19.7%	14.1%	-26.2%	-6.5%	-0.9%	0.9%	16
UK	9.3%	1.0%	-3.2%	1.3%	4.0%	4.0%	4.8%	2.1%	1.1%	19
Total	-1.5%	3.2%	1.2%	-0.9%	4.3%	-5.1%	0.1%	5.4%	1.1%	427
kb/d	-63	84	162	-32	255	-184	4	200	427	

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

** near-month data are estimated

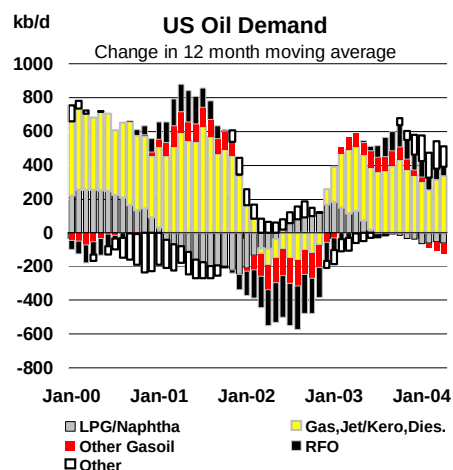
North America

North America continues to drive OECD demand growth for the first and second quarters, with estimated year-on-year gains of 560 kb/d and 630 kb/d, respectively. US demand growth is expected to rise from 380 kb/d in the first quarter to 610 kb/d in the second quarter, reversing the year-earlier trend, when growth slowed to 50 kb/d in the second quarter from 450 kb/d in the first quarter.

Preliminary data continue to be subject to large upward revisions. The US raised unadjusted preliminary estimates for March by roughly 400 kb/d. Part of that increase had been anticipated in last month's Report, so that the change in this Report comes to a slightly milder 250 kb/d. Most of that adjustment is in diesel (+180 kb/d) and 'other products' (+250 kb/d), with large increases in those categories partly offset by smaller, downward adjustments for LPG, other gasoil, residual fuel oil and gasoline.

The March revisions bring average US growth for the first quarter to 380 kb/d, or 1.9%. Surging demand for transportation fuels led the increase, with gasoline and diesel posting gains of 270 kb/d and 180 kb/d.

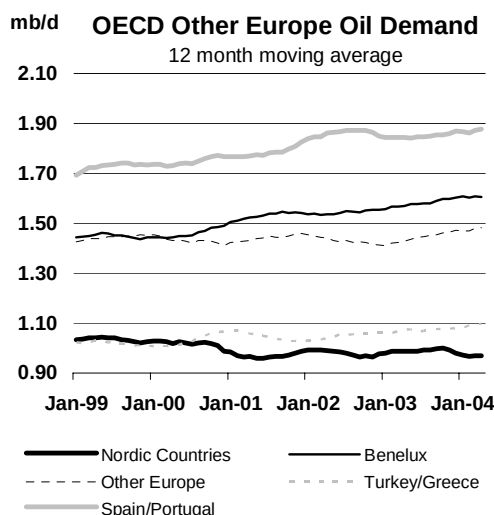
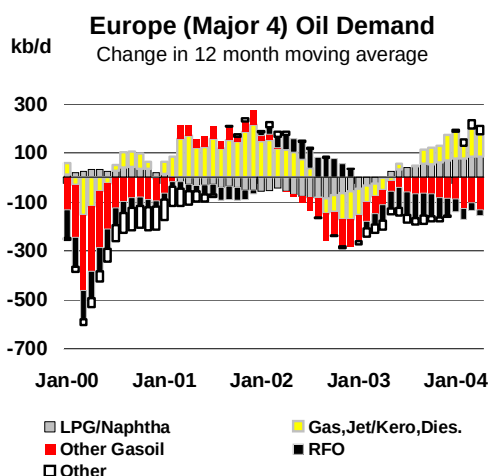
Preliminary US demand data for April and May are also lifting second-quarter estimates. Provisional oil delivery data for April came in 260 kb/d above previous estimates, with virtually all of the increase in the broad 'other products' category comprised of LPG, naphtha and the narrower 'other products' category used in IEA monthly surveys. For May, the adjustment from forecast levels reaches 820 kb/d, the bulk of which also is in 'other products'. While delivery estimates in that category tend to be subject to large revisions, there is anecdotal evidence of recovering petrochemical demand. The ban of MTBE in New York state and Connecticut also has led to a rise in 'other products' demand at the expense of gasoline, as blending substitutes are now mixed at the tertiary storage level rather than the refinery gate.



Resubmissions of monthly data have led to major revisions to 2003 demand estimates, ranging from minus 150 kb/d for November to plus 340 kb/d for August. On average, the revised data raise North American demand estimates for 2003 by 70 kb/d, with upward adjustments of 90 kb/d and 240 kb/d for the second and third quarters partly counter-balanced by cuts of 90 kb/d and 20 kb/d in the first and fourth quarters.

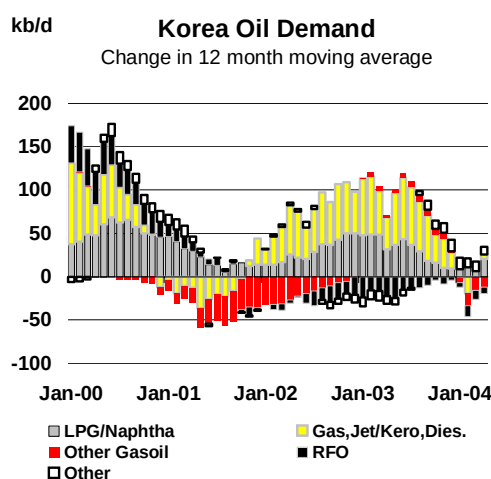
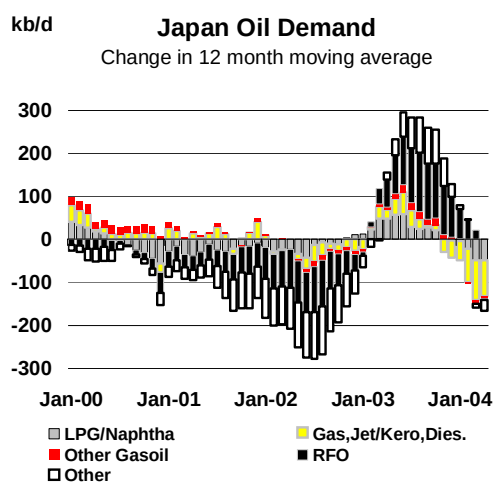
Europe

OECD Europe was adjusted upwards for the first quarter, but slightly downwards for the second quarter, in light of March data and preliminary oil delivery statistics for April for three of the largest European economies. A large cut to German heating oil demand forecasts, partly offset by upward changes in French demand and German naphtha demand, accounts for the bulk of the April adjustment. Overall OECD European demand is expected to have remained roughly flat from last year, with contraction in the largest western European economies being offset by moderate growth elsewhere. Diesel remains the single largest driver of demand growth for the leading European economies as for the region as a whole.



Pacific

OECD Asia-Pacific data were little changed from last month. Deliveries contracted in March by an aggregate 170 kb/d on the back of falling Japanese demand, partly offset by gains in Korea and Australia. Preliminary data for April showed a 180 kb/d contraction in Japan, counterbalanced by growth of 70 kb/d in Korea.

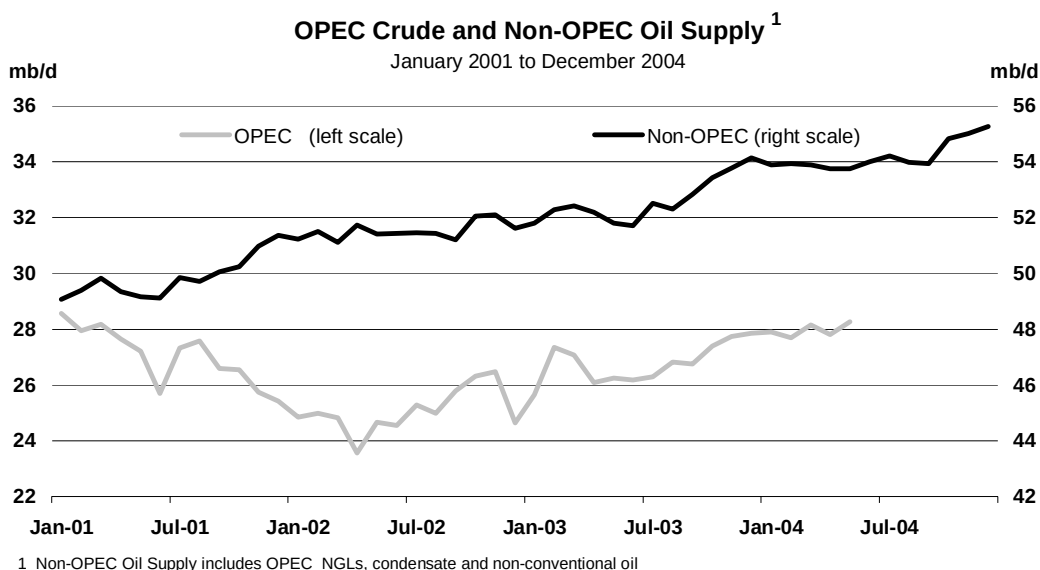


Falling power generation demand for oil following the restart of idled nuclear power plants continued to drive the Japanese contraction. Japanese demand for residual fuel oil fell by 90 kb/d in April following a 100 kb/d drop in the first quarter, while demand for 'other products', including crude oil for direct burn at power plants, shed 80 kb/d, extending first-quarter contraction of 50 kb/d. All of Tokyo Electric Company's (Tepco) 17 nuclear power units were shut after a controversy erupted in September 2002 regarding safety inspections and records. Twelve have now been restarted, bringing Japanese utilisation of overall nuclear power generation capacity to roughly 75% as of early June.

SUPPLY

Summary

- **World oil supply** in May was up by 460 kb/d, exactly mirroring April's decline. Total supply regained 82.0 mb/d. OPEC crude output was 470 kb/d higher than in April while both OPEC NGLs/non-conventional and non-OPEC oil production were marginally down in May. Amongst the non-OPEC producers, OECD output was down by 135 kb/d, while non-OECD production rose by 130 kb/d. Year-on-year growth in world supply reached 3.9 mb/d, split 2.0 mb/d for OPEC crude, 1.5 mb/d for non-OPEC supply and 400 kb/d for other OPEC liquids.
- **May non-OPEC supply**, largely unchanged from April's 49.7 mb/d in aggregate, showed divergent trends between OECD and non-OECD producers. Ongoing spring maintenance in the North Sea and constrained output from the US, Canada and Mexico led to a 135 kb/d OECD decline in May. However, persistent Russian growth and the build-up of new field production in Africa saw non-OECD supply up by 130 kb/d last month. Non-OPEC supply could now resume a rising trend overall, increasing by 150-200 kb/d in both June and July.
- **OPEC crude supply for May** averaged 28.3 mb/d, an increase of 470 kb/d from April. Key increases were seen from Saudi Arabia and the UAE, who added a combined 530 kb/d, while supplies from Algeria, Nigeria, Kuwait, Libya and Qatar also rose. Iraqi production fell by 210 kb/d, to average 2.1 mb/d. Pipeline disruptions to southern terminals cut Basrah Light exports by 150 kb/d and liftings of Kirkuk crude from Ceyhan averaged 145 kb/d, 100 kb/d less than April.
- **OPEC-10** (excluding Iraq) produced 26.1 mb/d in May, a rise of 680 kb/d from April. The continued rise of crude prices through mid-May ensured that the organisation's target production level of 23.5 mb/d, in force from 1 April, was redundant. Actual May production by the OPEC-10 averaged 2.6 mb/d above target levels. Further supply increases are expected for June.
- Late-May terrorist attacks in Saudi Arabia stoked further upward price pressures, despite the fact that oil operations in the Kingdom remained un-affected. The **3 June OPEC meeting** in Beirut resulted in a ministerial decision to boost production targets by 2.0 mb/d from July and by a further 500 kb/d from August. An extraordinary meeting has been convened for Vienna on 21 July to review market developments.
- The **'call on OPEC crude and stock change'** has been increased by 500 kb/d for 2004 and by 100 kb/d for 2003. Changes are driven by demand-side developments. Notably, in 2Q 2004 the call has been revised up by 1.1 mb/d to reflect higher projected demand in North America and the FSU. The call now follows a flatter path through 2004, rising from a low of 25.9 mb/d in 2Q, to reach 27.6 mb/d by 4Q. The call averages 26.9 mb/d for 2004, up 700 kb/d from 2003.



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

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

OPEC

Total OPEC crude production increased by 470 kb/d in May to reach 28.3 mb/d. With output from Iraq assessed to have fallen by 210 kb/d to 2.1 mb/d, OPEC-10 produced 26.1 mb/d, 680 kb/d above April's average. Saudi Arabia and UAE boosted production by a combined 530 kb/d, while more limited gains of 20-50 kb/d each were recorded by Algeria, Nigeria, Kuwait, Libya and Qatar. Netting out the nominal levels of spare production potential in Nigeria, Indonesia, Venezuela and Iraq, all producers bar Saudi Arabia and UAE were producing close to capacity in May.

OPEC-10 May production was 2.6 mb/d higher than the 23.5 mb/d production target in place since 1 April. However, as noted in last month's Report, the April production target was already being disregarded as producers raised production in the face of high prices. Attacks on expatriate oil workers in Saudi Arabia at the beginning and end of May, and continued disruptions to Iraqi supply, kept oil markets jittery, with prices rising 10-15% compared to April's average. The run-up to the 3 June OPEC meeting in Beirut therefore saw growing calls for an increase in production, with a figure of 2.5 mb/d being widely touted as the most likely increment for production target. Saudi Arabia in particular appeared to be leading the proponents of both increased actual supply and production targets. It suggested around the third week of May that it was increasing production to 9.1 mb/d and would sustain that level or higher in June.

Initial signs are that both Saudi Arabia and the UAE in particular will follow up on their May production increases, putting extra barrels on the market in June. Purely for the sake of illustration, assuming:

- Saudi Arabia were to produce at its claimed current level around 9.1 mb/d;
- Indonesia, Nigeria and Venezuela produce close to May levels and;
- other members produce at capacity,

OPEC-10 production in June would average at or slightly above 27.0 mb/d. Whether all producers would be willing to sustain these levels, with an eye on rising OECD inventories, remains to be seen.

OPEC Crude Production

(million barrels per day)

	Apr 2004 Target	Jul 2004 Target	May 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs. May 2004 Production	Prod.vs. Apr Target	Prod. vs. July Target
Algeria	0.75	0.81	1.18	1.25	0.08	0.43	0.36
Indonesia	1.22	1.32	0.97	1.00	0.04	-0.25	-0.36
Iran	3.45	3.74	4.00	4.00	0.00	0.55	0.26
Kuwait ²	1.89	2.05	2.30	2.30	0.00	0.41	0.25
Libya	1.26	1.37	1.51	1.55	0.04	0.25	0.15
Nigeria	1.94	2.10	2.33	2.55	0.22	0.40	0.23
Qatar	0.61	0.66	0.79	0.85	0.06	0.18	0.13
Saudi Arabia ^{2, 3}	7.64	8.29	8.65	9.50	0.85	1.01	0.36
UAE	2.05	2.23	2.25	2.45	0.20	0.20	0.02
Venezuela ⁴	2.70	2.93	2.17	2.35	0.18	-0.53	-0.76
Subtotal	23.50	25.50	26.14	27.80	1.66	2.64	0.64
<i>excl. Ven/Nig/Ind</i>					1.23		
Iraq ⁵			2.13	2.80	0.67		
Total			28.27	30.60	2.33		

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

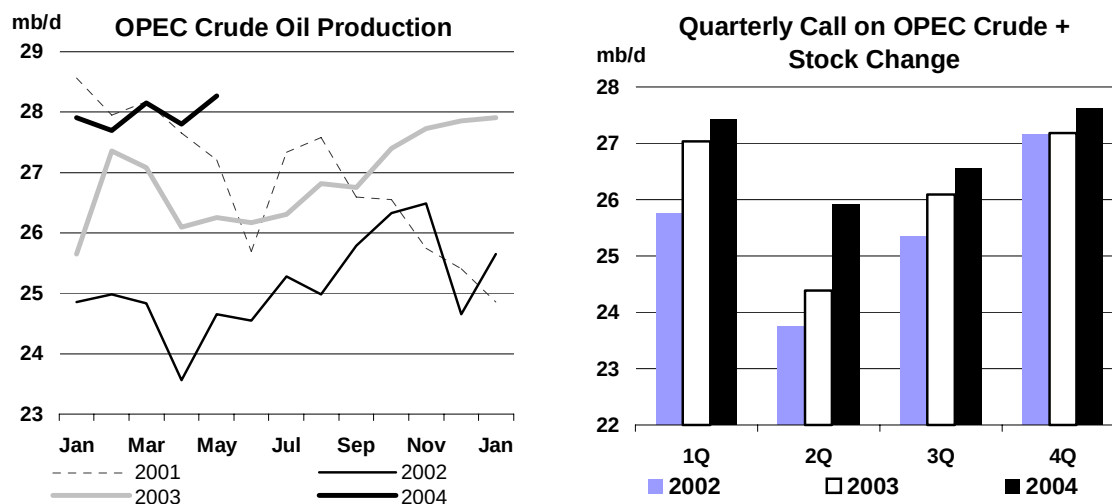
2. Includes half of Neutral-Zone production

3. Saudi Arabia indicates it can surge to 10.5 mb/d at short notice, but requires incremental drilling to sustain this level over 90 days

4. Excludes upgraded Orinoco extra-heavy oil, which averaged 378 kb/d in May

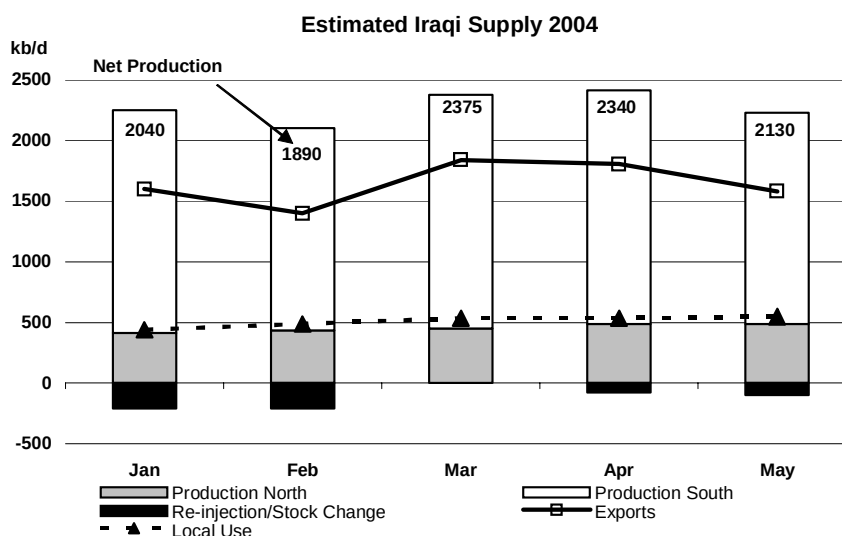
5. Iraqi capacity represents pre-war estimate

The Beirut meeting established a new target of 25.5 mb/d in place for July and a further rise to 26.0 mb/d scheduled for 1 August. An extraordinary meeting will be held to review market developments on 21 July in Vienna. While key Gulf producers such as Saudi Arabia, UAE and Kuwait lobbied for an 'all-in-one' increase, more hawkish producers including Iran, Nigeria and Venezuela called for a lesser increase, of perhaps only 1.5 mb/d, in the target. Calls for a complete suspension of target production levels, believed to have been made by Algeria, were also over-ridden. Markets initially weakened in the aftermath of the decision but the extent of price falls has been moderated as the market awaits clear signs of actual June output and export nominations for July.



Although agreement on the need to moderate \$40/bbl-plus prices was fairly easily reached in Beirut, differences seem to persist within OPEC on the next steps to be taken as regards target production and price levels. Proponents of an increase in the target price band from the existing, albeit disregarded, \$22-\$28/bbl level, including Iran, Nigeria and Venezuela (plus apparently the OPEC President) appear to be keeping the issue warm for potential inclusion in discussions at the next OPEC Ordinary meeting in September. These producers have also suggested that August's proposed increase of 500 kb/d in the target should be made dependent upon prices remaining above \$28/bbl. For its part, Kuwait has said the increase should be automatic.

Crude exports and implied production from **Iraq** fell for the second month running in May, to 1.58 mb/d and 2.13 mb/d respectively. The latter figure is net of shipments into storage and/or re-injection at oilfields. In spite of early-month attacks on the Daura refinery, overall domestic use of crude by refineries and for power generation is thought to have nudged higher by around 15 kb/d to 550 kb/d based on reports of refinery operating levels.



The decline in production and exports derived from continued disruptions to pipeline flows, not only of Kirkuk crude northwards to Ceyhan, but also of Basrah Light from southern fields to the southern export terminals. Exports via the Basrah Oil Terminal (BOT) and Khor al-Amaya averaged 1.44 mb/d, down from 1.55 mb/d in April. Sabotage on the pipeline feeding BOT around 8 May cut exports to 1.1 mb/d until 19 May. Thereafter, flows increased towards earlier prevailing 1.65 mb/d levels. Liftings from Ceyhan were restricted to 4.5 mb during 28-30 May, averaging 145 kb/d for the month compared to 250 kb/d in April. Flows along the northern pipeline to Ceyhan remained disrupted throughout May, averaging around 200 kb/d, despite at times attaining 450 kb/d.

Early-June saw Iraqi sources report current exports at 2.0 mb/d, with a target of 2.2-2.3 mb/d by end-year. Existing production capacity was cited as around 2.8 mb/d. This apparent export level for early-June appeared to suggest southern flows around 1.6 mb/d and those to Turkey of around 400 kb/d. However, this looks inconsistent with reports from 24 May that the Kirkuk-Ceyhan pipeline had been bombed and would require two weeks to repair. The State Oil Marketing Organisation (SOMO) indicated that term supply contracts amounting to 1.5 mb/d for Basrah Light had been signed for the second half of the year, and that a further rise to 1.65 mb/d is possible. This suggests that the end-year total export target depends upon Ceyhan exports rising in excess of 600 kb/d, an ambitious target given the recent record of disruption.

Saudi Arabian crude supply is estimated to have risen 360 kb/d from April to average 8.65 mb/d in May. Rising export volumes were evident at both the start and end of the month, alongside a net rise in domestic refinery runs with reactivation of the Yanbu and Rabigh refineries, which counteracted maintenance at the Ras Tanura plant. Aramco informed Asian customers mid-May that June term lifting would be made at full contract volumes, as in May. In addition, spot chartering of vessels to move crude to the US in June, over and above term volumes, amounted to 16 mb. As mentioned previously however, such volumes, in part discretionary, do not automatically represent incremental production and can reflect logistical considerations depending on the geographical deployment of Vela's own fleet at a given point in time. Nonetheless, extra supply volumes in June versus May's average look a likely bet.

Attacks on foreign oil workers near the western city of Yanbu on 1 May and at Khobar in the east on 29 May raised concerns about security at oil facilities in the Kingdom. However, to date, no operational facilities have been damaged and security around oilfields, refineries, pipelines and ports has always been accorded high priority. Claims through the month that Saudi Arabia could increase production to 10-10.5 mb/d in June, subject to market requirements, appeared to recede by early-June. This Report would not doubt Saudi capability to raise production, but notes recent statements to the effect that any short-term rise to 10.5 mb/d is not sustainable for 90 days *immediately*, and would require further drilling to maintain this level. This Report employs a definition of sustainable production capacity as that which can be activated within 30 days and sustained for 90 days.

Supply from the **UAE** increased by 170 kb/d in May to reach 2.25 mb/d. However, this was from a lower April base than estimated in last month's Report. Curbs on production at Abu Dhabi's Lower Zakum and Umm Shaif fields due to maintenance at gas processing facilities now appear to have been steeper than first thought. As a result April UAE production has been revised down by 70 kb/d to 2.08 mb/d. Partial re-instatement of production from these fields underpins May's rise, with further production recovery likely in June. Abu Dhabi National Oil Company (ADNOC) has also allocated an extra 100 kb/d of crude above term volumes to customers for July lifting.

Some market sources in early June suggested the UAE could boost production by 400 kb/d compared to May. That would imply production of 2.65 mb/d, higher than the country's sustainable capacity and raising questions about contravention of restrictions on associated gas flaring. Whilst surge production above capacity is possible for most producers, the 400 kb/d increase is more likely to have been measured from a starting point of the UAE's target production of 2.05 mb/d. It is quite conceivable on this basis that the UAE will make extra volumes available in June, up to sustainable production capacity of 2.45 mb/d, should customers so require.

May supplies also remained high from elsewhere in the Gulf region, with both **Iran** and **Kuwait** thought to have been producing close to capacity levels of 4.0 mb/d and 2.3 mb/d respectively. April's estimate of Iranian production was in fact revised up by 90 kb/d to 4.0 mb/d on the basis of latest export indications. Iranian export volumes are thought to have been sustained in May. In the case of Kuwait, lower production from the Neutral/Partitioned Zone, and also at the northern Raudhatain field due to an outage at a gathering centre, were countered by increased supplies from the giant Burgan field. Overall, Kuwait production increased by some 20 kb/d versus the April average.

Nigerian production recovered from an April dip, rising 50 kb/d to 2.33 mb/d. April disruptions to Shell output in the Niger delta were believed resolved. Furthermore, as expected, lower initial May export loading schedules were augmented by extra cargoes made available through the course of the month. Initial June export volumes also appear to have been augmented, suggesting modestly higher production this month. Inter-religious strife and a state of emergency declared in the Plateau state in May were remote from key oil producing regions. Early June saw a military offensive against criminal gangs in the Niger delta, with similarly no impact reported on oil operations. However, renewed calls by the Nigerian Labour Congress for a strike from 9 June emerged after local fuel price rises. While this added to a prevailing nervousness about security of oil supplies, it should again be noted that ethnic violence and smuggling, rather than labour unrest, appear to present a greater threat to Nigerian production at present.

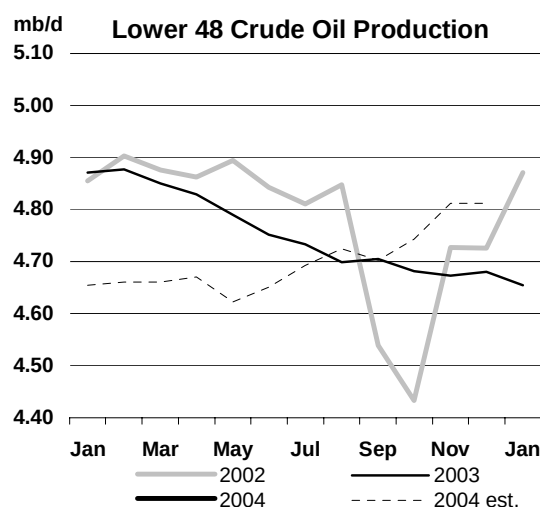
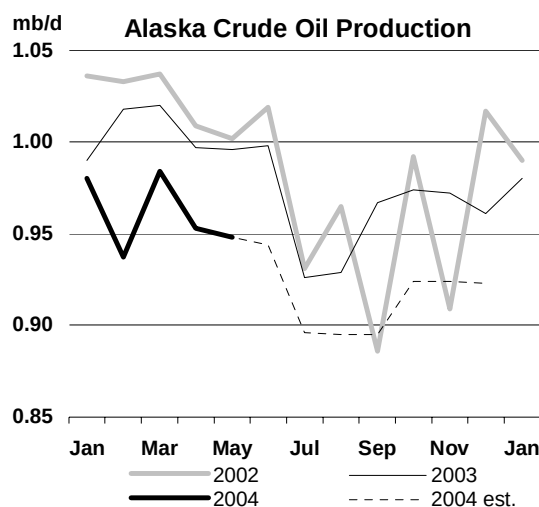
In contrast to the gains seen from Arab Gulf and North African producers, **Indonesia** continued to struggle to arrest prevailing decline in output. Production slipped to an estimated 965 kb/d of crude in May, the sixth straight month of production below 1.0 mb/d. Energy Minister (and OPEC President) Purnomo Yusgiantoro alluded in late May to the fact that Indonesia had become a net crude importer in March and April. Decline rates in older fields are such that his claim that this deteriorating trade position was a temporary phenomenon have been questioned by some industry insiders. Exports could increase in June and July, but more due to refinery maintenance rather than any production rebound. Furthermore, the government plans to lower its oil production (crude and condensate) assumption for this year's budget from 1.15 mb/d to 1.07 mb/d, consistent with recent crude output levels of 960-980 kb/d. In light of these recent developments, this Report's assessment of sustainable production capacity has been lowered from 1.1 mb/d to 1.0 mb/d.

OECD

North America

US – May Alaska actual, others estimated: March monthly data submitted by the US showed crude production at 5.6 mb/d largely as reported in last month's Report, as too did weekly data indications for April. In contrast, weekly indications for May production indicated a shortfall versus expectation from the US Gulf of Mexico (**GOM**). Total US crude production is estimated to have declined by some 50 kb/d in May, largely as a result of a valve leak at the GOM's 150 kb/d Mars platform. This glitch could curb Mars production through mid-June. However, late-April/early-May did see the start-up of production at the Llano and Devil's Tower fields, which together helped offset the Mars loss and these two fields could build to output of 85 kb/d by end-2004.

May **Alaskan** crude supply came in largely as expected, flat at 950 kb/d April levels. High early-month production slipped back, firstly with maintenance work at the Northstar field on 11-12 May and then again around 23-25 May with disrupted supply both here and at the Alpine field. So far in 2004, Alaskan production has been running around 45 kb/d, or 4%, below 2003 levels, a trend which could persist for 2004 as a whole.

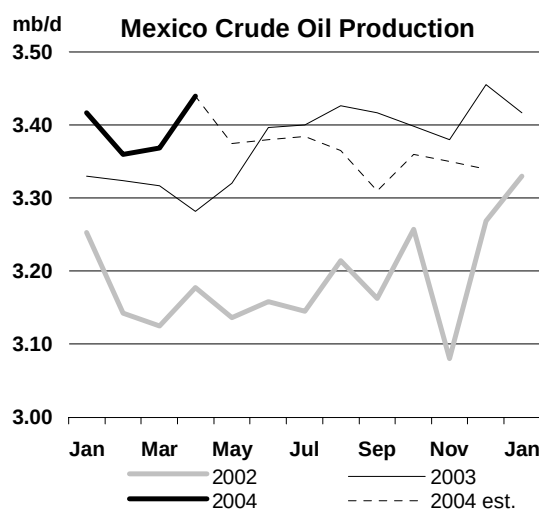
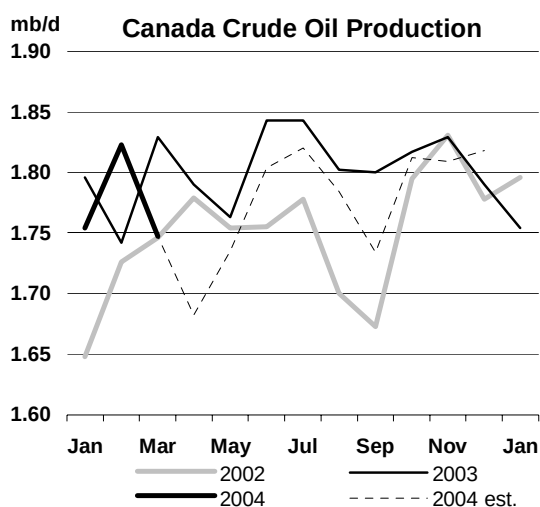


Uncertainty persists for the outlook for US **NGL supply** in 2004. On the up-side, since March NGL production has risen to levels at least 100 kb/d above year-ago. However, based on provisional

weekly data, NGL production in April and May appears to be running some 50 kb/d below expectations from the last Report. The April through June period represented the low point for 2003 US NGL supply as high natural gas prices reduced the extraction of liquids at processing plants. Final monthly data for 2Q, when available, will go a long way towards settling the likely profile for the year as a whole. Nonetheless it is worth noting that gas storage at end-May was some 30% above 2003 levels and close to the five year average, so the potential for a sustained dip in 2Q 2004 NGL supply looks less than in 2003. 2Q output of NGL has been revised down by 50 kb/d compared to last month's Report but 2004 supply is assumed to recover through end-year, albeit remaining below higher 2001/2002 levels.

Canada – April Newfoundland actual, others March actual: Canadian conventional crude supply declined by 75 kb/d in March to 1.75 mb/d and by a further 65 kb/d in April. Seasonal production declines for conventional crude in Alberta and Saskatchewan, plus maintenance at Terra Nova offshore Newfoundland, accounted for April's estimated decline. Synthetic crude production also fell by some 50 kb/d in April to below 600 kb/d as supplies from both the Suncor and Syncrude units declined. Conventional crude supply overall is thought to have rebounded by 20 kb/d in May, assuming full production again from Terra Nova. Seasonal recovery for western Canadian conventional output plus the resumption of syncrude output after maintenance are likely to lead to increases of some 60 kb/d in June and July total liquids output. 1Q NGLs output has been revised up by an average 20 kb/d compared to the last Report, in line with Canadian government data revisions. However, forecast NGL supply is held unchanged, showing a generally flat profile from 2003's average 680 kb/d.

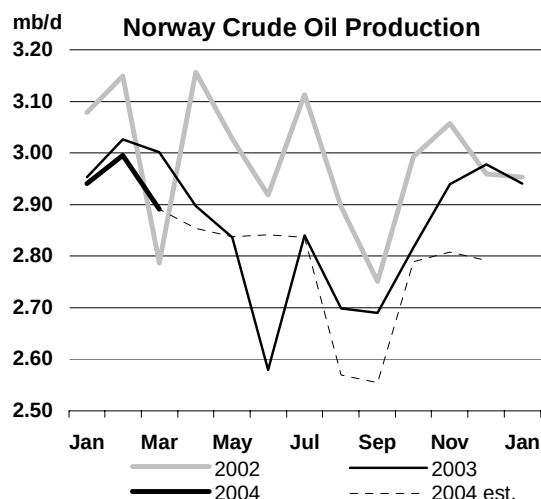
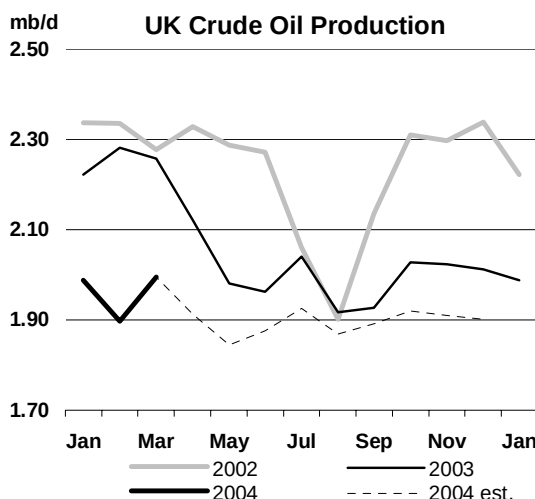
The focus for Canadian supply growth in future, as for 2004, remains on oil sands. The National Energy Board released a study showing output doubling by 2015. Offshore prospects remain more uncertain however, and May saw the Newfoundland authorities announcing a 50 mmbbl downward revision for total recoverable reserves at the Terra Nova field, in line with PetroCanada's earlier announcement concerning reserves in the field's eastern extension (see *Report dated 9 April 2004*).



Mexico – April actual: Crude production in April increased by 70 kb/d to 3.4 mb/d, while exports again averaged 1.86 mb/d. April's higher than anticipated (by this Report) production performance, allied to claims that Mexican exports would rise to 1.95 mb/d in light of higher OPEC supply, could be taken as signalling markedly higher Mexican production in months ahead. However, outgoing Energy Secretary Felipe Calderon suggested the country's actual ability to boost production and exports was restricted. An influx of foreign capital and expertise is widely seen as necessary for Mexico to open up deepwater areas for exploitation in an effort to stem potential production decline from the mature Cantarell complex. However, resource privatisation faces intense political opposition in Mexico. This Report retains its forecast showing Mexican crude output remaining at or slightly below 3.4 mb/d through to the end of 2004.

North Sea

UK – March actual: March UK offshore crude production data confirmed the rise indicated by earlier monthly loading schedules. However, March NGL production fell sharply, and after successive downward revisions through 1Q, NGL output for 2004 has been revised down by 15 kb/d in this Report. Crude loading schedules also point to a fall in production of 150 kb/d between March and May, with the Flotta and Forties systems leading the decline. In the Forties system, the Britannia gas and condensate field was adversely affected by a one week outage towards end-May. A recovery in total production is now expected for June, contrary to last month's expectation of decline. Loading schedules, notably for Forties, while an imperfect proxy for production, nonetheless suggest that earlier maintenance estimates may have been over-stated. Overall however, projections for total 2004 UK liquids supply are similar to those in last month's Report, output declining 140 kb/d year-on-year to reach 2.15 mb/d, the fifth straight year of decline.



Norway – March actual, April provisional: Latest government data show Norwegian crude production fell from just under 3.0 mb/d in February to 2.85 mb/d in April. Higher production from the Statfjord, Gullfaks, Sleipner and Frigg systems is believed to have stabilised output in May and should continue to do so into June and July. However, as noted last month, heavy field maintenance in August and September could push crude output below 2.6 mb/d, before a slight recovery through end-year. In total Norwegian liquids supply is expected to decline by 30 kb/d in 2004, to average 3.2 mb/d, in line with the latest government forecast. The only new field increments henceforward in 2004 are the Kvitebjorn and Oseberg South projects, and these are insufficient to prevent the slight decline for total Norwegian liquids supply.

A government white paper released in May contained provisions for speeding up tax relief on exploration expenditures (believed to be worth \$218 million pa over 2006-2008) and the setting up of a \$120 million investment fund. No provision for reducing petroleum corporation tax was included however, as the industry had been lobbying for. Greater exploration activity is required to counter mature field decline, but industry cites the relatively high costs of Norwegian shelf activity and restricted access to environmentally sensitive northern areas as disincentives to greater investment.

Former Soviet Union (FSU)

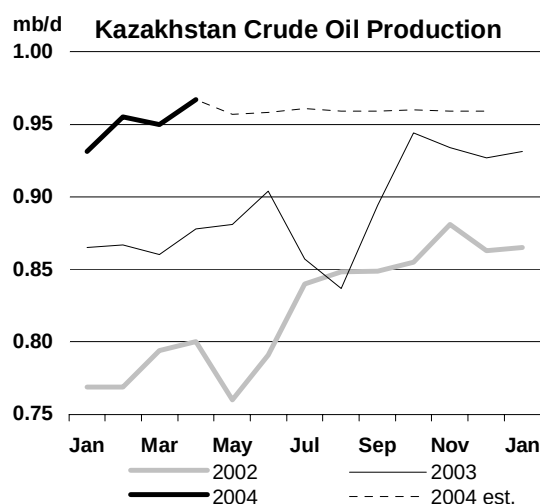
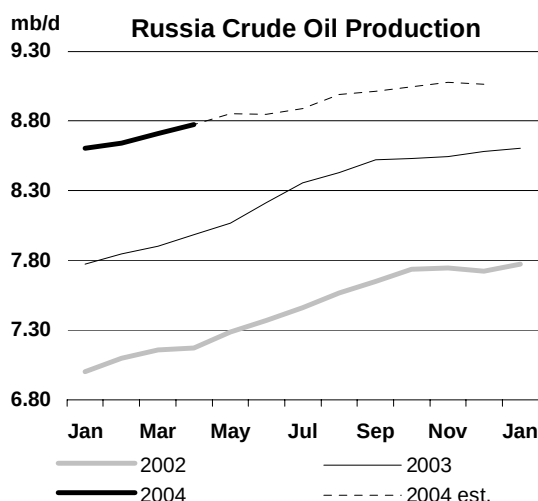
Russia – April revised, May partly estimated: Russian production again increased, with month-on-month gains of 60 kb/d in April and a provisional 72 kb/d in May. Crude output reached 8.9 mb/d in May, and total oil, including condensates, a provisional 9.1 mb/d. Growth for the five months through May compared to 2003 remains over 800 kb/d and in excess of 10% per annum. However, there are signs that Russian growth is beginning to slow. Data for year-on-year production growth on a rolling three month average basis point to underlying growth slipping from a peak of 11.5% in August 2003, to 10.6% in January 2004 and 9.9% in May 2004.

This Report sees production growth slowing to average 7.8% in 2004 compared to the 10.8% seen in 2003. Nonetheless, this still amounts to over 650 kb/d of incremental oil supply for the year, and stands to raise production to 9.3 mb/d by fourth quarter 2004. On balance, indications emerging in May tended to support continued strong production growth, albeit at lower rates than seen in 2003:

- Sibneft announced that it was retaining its 20% production growth target for 2004, despite shortfalls in the first four months of the year;
- The Economy Ministry forecast 6.9% oil production growth in 2004, markedly higher than the Industry and Energy Ministry latest projections of growth of between 3.5% to 5.1%;
- Financial and technical consultants stressed that, while growth was likely to decelerate, further rehabilitation of existing fields in western Siberia holds significant potential to boost production in the short to medium term.



One cloud on the horizon, threatening to undermine growth levels in 2004 remains the Yukos affair. An early-May slide in the company's share price followed the start of court proceedings in Moscow into a \$3.5 billion bill for taxes dating back to 2000. The court later upheld the tax demand and pushed Yukos shares to an 18 month low. The company is seeking to over-turn an earlier ruling prohibiting it from liquidating assets and seeks an accommodation with the government in terms of phased repayments for tax arrears. It has warned that it faces bankruptcy by end year unless some form of accommodation can be reached.



Final data for April showed a sharper drop in FSU net exports than indicated in last month's Report, with total exports falling by over 300 kb/d from March highs. Black Sea exports and those via other routes including rail and barge shipments fell back the most. May exports appear provisionally to have levelled off at around 7.35 mb/d, with lower seaborne exports being counteracted by a resurgence in deliveries via the Druzhba pipeline and those using rail and river barge as outlets. Crude exports are thought to have risen by some 100 kb/d in May but products shipments are believed

off by a similar amount. The export tax for crude was raised by the equivalent of \$0.87/bbl from 1 June. Initial indications for June suggest that crude exports could rise by up to 100 kb/d, though with Baltic loading schedules generally flat at May levels, most of the increase could come from Black Sea ports. The authorities may now be acknowledging the potential for longer-term bottlenecks in the export system, as President Putin called in May for more rapid progress on the evaluation and approval procedure for major new pipelines.

Big Resource Base but Kazakh Growth Could be Impeded by Pipelines and Politics

Amongst key Caspian producers, Kazakhstan has the greatest potential to boost production in the medium term. Azerbaijan may add 1.0 million b/d to current output of 310 kb/d by 2010 through development of the Azeri-Chirag-Guneshli (ACG) fields in the Caspian Sea. Incremental volumes are also likely from Turkmenistan on a more limited scale. However, Kazakhstan production could rise from 1.0 mb/d to over 2.0 mb/d by 2010 and 3.0 mb/d by 2015. Three fields underpin this growth – the already producing Tengiz and Karachaganak fields, plus the 9 billion bbl Kashagan development, Kazakhstan's first major foray into production from the northern Caspian Sea.

The northern Caspian shows the potential and the difficulties in Kazakhstan attaining such production growth. First stage development of Kashagan involves 450 kb/d by 2010 but later stages, requiring dedicated pipeline infrastructure, could boost capacity to 1.2 mb/d. The consortium developing Kashagan, led by ENI, has already been fined for deferring start-up from 2005 until 2008. This resulted from technical difficulties over winter ice in the Caspian, reservoir depth and sour associated gas. Dealing with large volumes of associated gas is a common problem for major field developments in Kazakhstan, as processing facilities, local markets and export infrastructure are under-developed. The government sees gas exploitation as key to longer term hydrocarbon growth, but foreign operating companies would prefer to see a return on existing oil investment before expanding gas infrastructure.

If, as expected, the Caspian is to be the focus of longer-term Kazakh expansion, foreign producers suggest the government needs to provide fiscal and regulatory incentives to compensate for the technical risks now emerging for the next generation of Kazakh investments. "Low hanging fruit" such as the Tengiz and Karachaganak projects (not without their own technical difficulties) were developed under a benign fiscal/regulatory regime designed to attract operators otherwise deterred by the political risks of working in the immediate post-Soviet Kazakhstan of the early 1990s. Political risk may have diminished but operators suggest investment may move elsewhere unless recent, and proposed further, tightening of operating terms and conditions is reconsidered.

Finally, the most obvious potential impediment to Kazakhstan's oil supply expansion is export capacity. Historically dependent upon the Russian Transneft pipeline system, Kazakhstan in 2001 saw the start of the 1600 km pipeline from Tengiz to Russia's Black Sea port of Novorossiysk, operated by the Caspian Pipeline Consortium (CPC). Capacity is now 560 kb/d, with a further 200 kb/d expected for end-2005 and full system expansion to 1.4 mb/d due by 2008. CPC allows producers to by-pass the Transneft system, where no premium is paid to producers of higher quality crude. But there are concerns over tariff levels on the Russian section of CPC, and the amount of space left for Caspian crude if and when Russian shareholders take up their full entitlement to ship via CPC. The pipeline also feeds into the Black Sea/Turkish Straits bottleneck. One solution to this may be to move Kazakh crude north from the Black Sea via the Odessa-Brody pipeline into NW Europe, but proposed tariffs on the Ukrainian line are for now seen unattractive.

CPC and northbound exports via Russia will remain baseload outlets for Kazakh supply, but export diversification is becoming a key objective. Kazakhstan may tap markets in the Mediterranean and beyond, by-passing the Turkish Straits, on completion of the Baku-Tbilisi-Ceyhan (BTC) line in 2005. But Kazakh oil could be squeezed out of BTC after 2008 when ACG volumes peak. The Kazakh ports of Aktau and Kuryk are being expanded to boost trans-Caspian shipments, both towards BTC and southwards to Iran's port of Neka. Total Caspian swaps with Iran could rise to 500 kb/d. Kazakhstan is also considering a 1.0 mb/d pipeline to Iran, but whether US upstream players could use this route is questionable. May 2004 saw an agreement between Kazakhstan and CNPC for a new 400 kb/d pipeline to China, with possible start-up by end-2005. However, further pipeline capacity within Kazakhstan and China is likely to be required to provide a feasible, integrated network. Moreover, Kazakhstan may offer space on the Chinese line to Russian producers, seeking reciprocal access for Kazakh gas to the Russian pipe network feeding Western Europe. This may effectively limit the contribution of the Chinese route to genuinely diversifying Kazakh crude export outlets.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

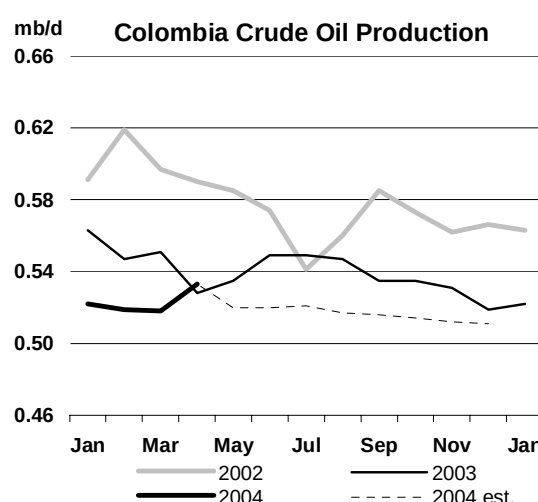
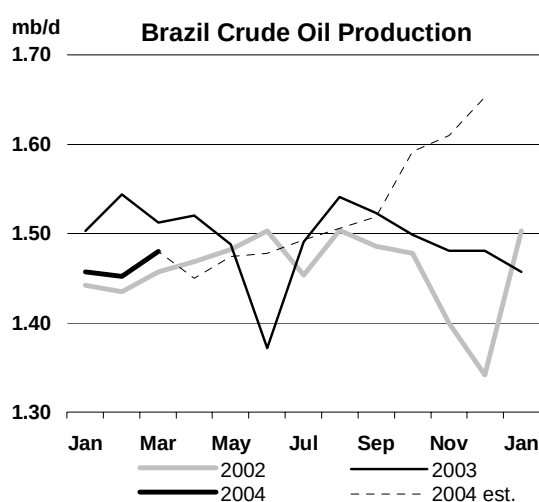
	2002	2003	2Q03	3Q03	4Q03	1Q04	Mar 04	Revised Apr 04	Prelim. May 04	Latest month vs.	
										Apr 04	May 03
Black Sea Exports	2.52	2.80	3.00	2.96	2.69	2.85	3.11	2.82	2.77	-0.06	-0.31
Baltic/Arctic Exports	2.02	2.46	2.56	2.57	2.61	3.02	3.01	3.16	3.13	-0.03	0.54
Total Seaborne	4.54	5.25	5.56	5.52	5.30	5.87	6.12	5.98	5.90	-0.09	0.23
Druzhba Pipeline	1.04	1.05	1.03	1.02	1.08	1.09	1.05	1.01	1.05	0.04	0.07
Other	0.35	0.46	0.45	0.51	0.49	0.48	0.48	0.34	0.40	0.06	-0.08
Total Exports	5.93	6.77	7.04	7.05	6.87	7.44	7.65	7.34	7.35	0.00	0.22
Imports	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00
Total Net Exports	5.92	6.75	7.02	7.04	6.86	7.43	7.64	7.33	7.34	0.01	0.22
Crude	4.04	4.68	4.79	4.85	4.82	5.14	5.27	5.08	5.18	0.11	0.31
of which: Russian Crude	3.02	3.34	3.35	3.36	3.38	3.65	3.77	3.82	3.90	0.08	0.68
Products	1.89	2.09	2.26	2.20	2.05	2.30	2.38	2.26	2.16	-0.10	-0.09

Sources: Petro-Logistics, IEA estimates

Kazakhstan – April actual: Total oil production in April increased by 12 kb/d, but output from the key Tengiz and Karachaganak fields was down slightly, leaving production from three producers - CNPC, Petrokazakhstan Kumkol and Karazhanbasmunai - to take up the slack. In all, production growth in 2004 is expected to be steady, at around 100 kb/d, close to the average seen in the past five years. Annual production should average 1.14 mb/d. One part of 2004's increment fell into place in May, with the first volumes of Karachaganak liquids entering the CPC pipeline system to Novorossiysk just after mid-month. Deliveries of Karachaganak oil via CPC were originally scheduled for 3Q 2003 but were delayed by contamination problems and equipment failure. Access to the CPC pipeline should allow Karachaganak production to build in excess of 200 kb/d by end-2004, augmenting volumes that have traditionally been (and will continue to be) sent northwards to Russian processing facilities at Orenburg.

Other Non-OPEC

Brazil – March actual, April provisional: Preliminary indications for March output available last month understated Brazilian crude production. Actual March production appears to have rebounded by nearly 30 kb/d after a drop in January and February, reaching 1.48 mb/d. Offshore Campos Basin production led the rebound. However, outages affecting the floating production, storage and offloading vessels (FPSOs) at the Marlim and Albacore fields hampered April production, with total

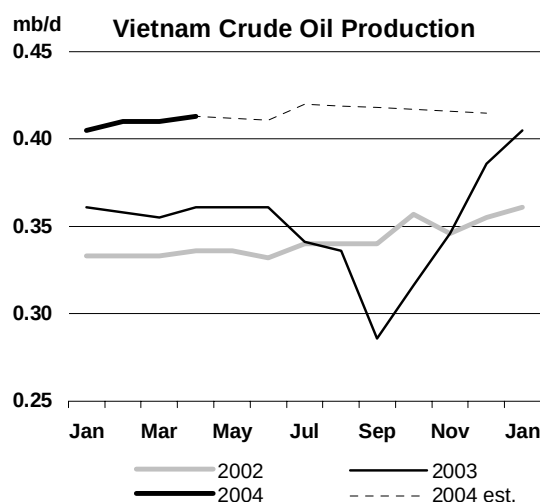
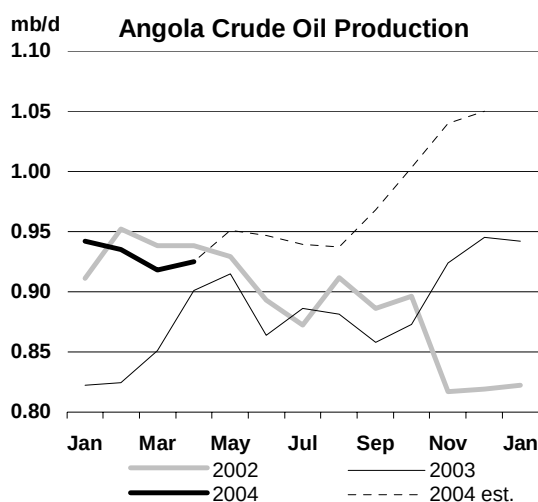


crude production again estimated to have fallen by 30 kb/d. Problems also surfaced in May at the Roncador field, but reactivation of the former two facilities is estimated to have seen crude output recover in May to 1.47 mb/d. As noted previously, new Campos Basin output amounting to upwards of 200 kb/d should come online in the fourth quarter. However, shortfalls early in the year mean that 2004 crude production overall is only expected to rise by some 20 kb/d compared to the 2003 average.

Petrobras in May announced a \$7.7 billion per annum capital spending programme for 2004-2010 aimed primarily at boosting domestic production to 2.3 mb/d. Crude exports are seen doubling to 500 kb/d. An agreement signed in May also envisages exports to China rising to at least 50 kb/d by 2006 from single digit levels in recent years.

Colombia – April actual: April Colombian crude production rebounded to 533 kb/d, its highest level since October 2003. However, the regular decline in Colombian production evident each year since 1999 is likely to continue in 2004. A one month strike by oil workers officially ended with a return to work on 28 May. State-run oil company Ecopetrol announced that the strike had no impact on refinery production or crude exports. The National Hydrocarbons Agency reported during the strike that negotiations were ongoing to bring in foreign companies on a risk contract basis to help stem decline at mature oil fields. Such deals do not appear to have been put aside as part of any agreement to end the strike.

Angola – April actual: April production averaged 925 kb/d, a modest increase on March but 10-20 kb/d below the levels seen in December-February. Nevertheless, 2004 production is expected to average 965 kb/d, 85 kb/d higher than in 2003 as production increases at the recently started Xicomba field and with 3Q start-up from the Kizomba A field. State oil company Sonangol announced in May that national production by 2008 would reach 2.0 mb/d. Under international pressure, Angola has divulged for the first time details of signature and other bonuses received from producer companies. The international community has been calling for greater transparency in oil revenues amongst key producing countries.



Vietnam – April actual: Latest data from the government statistical office revised up January-April production to around 410 kb/d from a previous estimate of 405 kb/d. Although these data are not broken out on a main field basis, latest indications from Vietnam are that:

- The *Bach Ho* field averaged around 265 kb/d in 2003, marginally higher than IEA estimates and this level of output is planned to be sustained until 2007;
- *Rang Dong* production declined to 50 kb/d in H2-2003 from an earlier 60 kb/d and plans to regain 60 kb/d in 2004 have been deferred (resulting in a downward revision to this Report's estimates);
- *Su Tu Den* production so far in 2004 is averaging 85 kb/d (higher than earlier OMR estimates) and this will rise to 95 kb/d around mid-year.

Modest upward revisions to both 2003 and 2004 production mean that Vietnamese output is projected to grow by around 65 kb/d in 2004, as in last month's Report, the bulk of the growth deriving from the *Su Tu Den* field.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last month's OMR			This month's OMR			This month vs. last month		
	2003	2004	04 vs. 03	2003	2004	04 vs. 03	2003	2004	04 vs. 03
North America	14.66	14.74	0.08	14.66	14.76	0.09	0.00	0.01	0.01
Europe	6.35	6.22	-0.13	6.35	6.21	-0.14	0.00	-0.01	-0.01
Pacific	0.65	0.61	-0.04	0.65	0.60	-0.05	0.00	-0.01	-0.01
Total OECD	21.66	21.57	-0.09	21.66	21.56	-0.10	0.00	-0.01	-0.01
Former USSR	10.31	11.08	0.76	10.31	11.10	0.78	0.00	0.02	0.02
Europe	0.17	0.17	-0.01	0.17	0.17	-0.01	0.00	0.00	0.00
China	3.41	3.41	0.00	3.41	3.42	0.01	0.00	0.01	0.01
Other Asia	2.58	2.73	0.14	2.59	2.73	0.14	0.00	0.00	0.00
Latin America	3.94	4.00	0.06	3.94	3.99	0.05	0.00	-0.01	-0.01
Middle East	1.98	1.87	-0.11	1.98	1.87	-0.11	0.00	0.00	0.00
Africa	3.06	3.43	0.37	3.06	3.43	0.37	0.00	-0.01	-0.01
Total Non-OECD	25.46	26.68	1.22	25.46	26.70	1.24	0.00	0.02	0.01
Processing Gains	1.80	1.83	0.03	1.80	1.83	0.03	0.00	0.00	0.00
Total Non-OPEC	48.92	50.09	1.17	48.92	50.10	1.17	0.00	0.01	0.01

OMR = Oil Market Report

OECD STOCKS

Summary

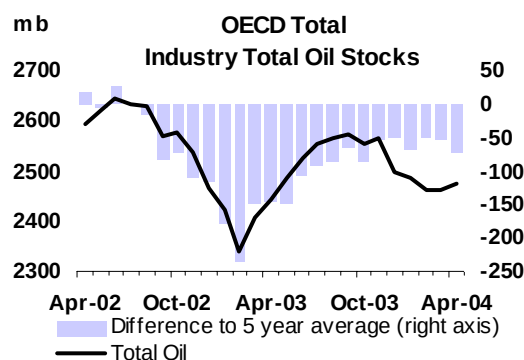
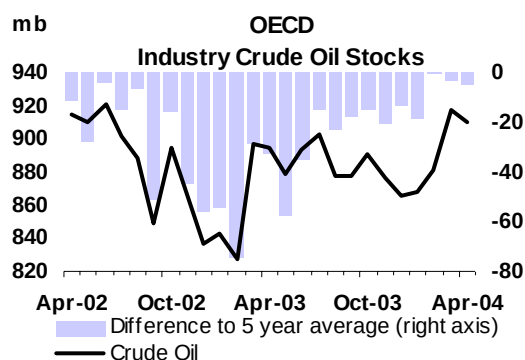
- **OECD industry total oil inventories** ended April at 2473 mb, up a modest 9 mb and 29 mb above last year. Draws in crude inventories were offset by gains in distillate and 'other products'. While the OECD's crude inventory position has improved, products remain tight, ending at the lower end of their recent five-year range. Gasoline inventories ahead of seasonally higher summer demand were unchanged in the first quarter. Days of forward demand cover by industry oil stocks remained depressed for a third month at 51 days as product demand remains strong.

Preliminary Industry Stock Change in April 2004 and First Quarter 2004

	April (preliminary)				First Quarter 2004			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	0.29	-0.40	-0.14	-0.24	0.34	0.28	-0.05	0.57
Gasoline	0.22	-0.17	0.03	0.08	0.01	-0.04	0.03	0.00
Distillates	0.08	0.08	0.13	0.29	-0.40	-0.22	-0.21	-0.83
Residual Fuel Oil	-0.07	-0.02	0.08	-0.01	0.03	-0.05	-0.03	-0.05
Other Products	0.23	0.02	0.01	0.26	-0.06	-0.03	-0.07	-0.16
Total Products	0.47	-0.09	0.25	0.62	-0.42	-0.33	-0.28	-1.04
Other Oils ¹	-0.11	-0.02	0.05	-0.09	0.08	0.04	-0.04	0.08
Total Oil	0.65	-0.51	0.16	0.29	-0.01	-0.02	-0.37	-0.39

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** slipped 240 kb/d in April with declines in European and Pacific inventories. At 910 mb, OECD crude stocks closed 16 mb above last year. Draws in Europe followed a rundown of Norwegian stocks as North Sea supplies were aggressively bid by refiners on both sides of the Atlantic for their high gasoline yield. An 8 mb fall in Japan was driven by reduced holdings ahead of refinery turnarounds in May/June, a period this year during which key term Middle East suppliers will allocate full contractual volumes. US-50 crude stocks reached 302 mb by end-May, a level not seen since end-August 2002 but still 13 mb below their five-year average.
- **OECD industry distillate** stocks rose 290 kb/d with Japan leading builds in inventory. The Atlantic Basin saw stocks increase by 5 mb; the rise was modest with refinery yields seasonally favouring gasoline. In Europe, unfavourable price signals and weak inland demand for heating oil provided little incentive to refill storage. Combined with reduced imports, European distillate inventories ended relatively tight. The US saw a moderate stock build in May as strong diesel deliveries were buoyant on the strength of activity in the agricultural, manufacturing and road transport sectors.
- **US stocks of finished gasoline** rose only 5 mb from April to May, closing at 138 mb as strong gasoline demand growth capped inventory builds. Anticipated May additions to total US gasoline stocks were deferred into June on the expectation of higher imports, greater domestic production and an easing in demand growth. In contrast, European gasoline stocks fell although crude runs were high. Eurograde volumes flowed to the US and low octane material to Nigeria. Foreign demand pull on European supplies was sustained in May, suggesting lower industry stocks in line with the trend observed in independent gasoline storage in the Amsterdam-Rotterdam-Antwerp (ARA) area.



OECD Industry Stock Changes in April 2004

OECD industry total oil stocks rose 290 kb/d in April to 2473 mb. Total product stocks increased by 620 kb/d with gains centred in 'other products' and distillate inventories while crude stocks fell by 240 kb/d. Though the OECD's crude position is now more comfortable, the modest rise in products stocks from a downward revised first quarter level left total oil stocks 73 mb below their recent five-year average. The relative tightness in product stocks, in combination with a strong demand outlook, kept days of forward cover by total oil stocks depressed at 51 days.

Industry crude oil stocks fell 7 mb in April, mainly in Europe and the Pacific region. The decline in the Pacific was centred in Japan where refiners reduced imports and minimised inventory ahead of planned maintenance in May and June. Europe saw stocks drop 12 mb as refiners ramped up runs to capture high margins on gasoline. The reduction came mostly in Norway as US and European refiners competed for light sweet North Sea crude. Elsewhere in Europe, stock changes were below a million barrels as supplies of Russian Urals were high despite late-month arbitrage sales out of the region. In contrast, stocks rose in Mexico by 3 mb and by 6 mb in the US. At end-May, US-50 stocks closed at 302 mb, or 13 mb below their five-year average. But stocks at Cushing, the delivery point for NYMEX's WTI contract have steadily risen, helping to reduce spreads between the near months of the futures contract. Europe's May and June crude position looks to stay balanced. North Sea crude flows to the US were lower in May and extra cargoes were offered by Saudi Arabia and Iran in the Mediterranean. Further indications were implied by weekly swaps prices in Brent (Cfds). At the time of writing, inferred physical dated Brent prices were below forward Brent for June and July delivery.

OECD distillates stocks saw a build of 290 kb/d. The rise came in the Pacific, prompted by gains in Japanese inventory. Korea, despite firm runs and weaker demand, saw only a marginal increase as it stepped up distillate exports into a strong Asian market. Stock builds were modest in Europe and the US, capped by refinery yields favouring gasoline output. Earlier March strength in European demand eased, but reduced imports of gasoil and jet fuel tightened supplies. This kept prompt physical prices above futures and discouraged storage. Although the front month IPE gasoil futures saw its premium to the second month weaken in May, its outright level remained high. In contrast, the US saw the shallower backwardation in its comparable NYMEX contract flip into contango in May. Yet, US demand was strong on a seasonal basis, in diesel and jet/kerosene, moderating stock builds for most of May.

OECD gasoline stocks, after revisions to preliminary March estimates, were unchanged in the first quarter but saw gains in April. Industry gasoline stocks rose in North America by 220 kb/d but fell in Europe by 170 kb/d. The fall in Europe stems from heavy exports both to the US and to Nigeria. The same trend is expected in May, mirroring developments in independent storage in the ARA area, and further favoured by unplanned outages at gasoline producing units in Northwest Europe. Some 1.7 million tonnes of gasoline were reported fixed from Europe to the US in May and 600 000 tonnes in the first two weeks of June. Total US gasoline stocks rose 3 mb in April to 204 mb and held flat for May. Anticipated US pre-driving season inventory builds were delayed for June. Gasoline stocks are expected to climb above last year's level by end-June as domestic output, which ebbed in May, reverts to 9 mb/d and imports sustain levels closer to 1 mb/d.

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

Revisions to March OECD industry oil stocks reduced inventories by 10.4 mb. The downward adjustment came in product stocks. Crude inventories were raised 5 mb in the Atlantic Basin. North America accounted for revisions in distillates but Europe saw the largest downward revision in gasoline inventories.

Revisions Versus 12 May 2004 Oil Market Report
(million barrels)

	North America		Europe		Pacific		OECD	
	Feb 04	Mar 04	Feb 04	Mar 04	Feb 04	Mar 04	Feb 04	Mar 04
Crude Oil	0.0	3.3	-0.3	1.7	1.3	-2.4	1.0	2.7
Gasoline	-0.5	0.9	0.3	-4.1	0.0	-0.2	-0.2	-3.4
Distillates	-1.5	-2.2	-0.7	-0.6	0.0	0.7	-2.3	-2.1
Residual Fuel Oil	-0.1	-0.1	0.1	-0.3	0.0	-0.6	0.0	-1.0
Other Products	-3.0	0.1	-0.8	-3.6	0.0	-3.1	-3.8	-6.7
Total Products	-5.1	-1.2	-1.2	-8.7	0.0	-3.2	-6.3	-13.1
Other Oils ¹	0.0	-2.1	-0.3	2.0	0.0	0.2	-0.3	0.1
Total Oil	-5.1	0.0	-1.7	-5.0	1.2	-5.4	-5.6	-10.4

¹ other oils includes NGLs, feedstocks and other hydrocarbons

Year-ago comparisons put OECD crude stocks up by 16 mb but total product stocks remain tight. Products posted a meagre 10 mb surplus above April 2003's depressed levels. The combination of tight product stocks and strong OECD demand caps days of forward demand cover. Cover held at 51 days in April, unchanged since February and below that in April 2003. Forward demand cover in the Pacific and Europe was 52 and 59 days respectively, while in North America it reached 46 days.

Year-on-Year Industry Stock Comparisons for April 2004

	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	14.7	-3.2	4.6	16.1	Total Oil	0.6	-1.6	-0.3	-0.3
Total Products	30.2	-8.7	-11.6	9.9	Versus 2002	-5.0	-3.0	-4.1	-4.3
Other Oils ¹	3.3	-0.3	-0.3	2.6	Versus 2001	-3.0	-2.1	-6.4	-3.4
Total Oil	48.1	-12.2	-7.3	28.6	Total Products	0.5	-1.0	-1.2	-0.3
Versus 2002	-80.1	-23.0	-18.7	-121.8	Versus 2002	-2.6	-3.7	-3.2	-3.1
Versus 2001	-19.4	-14.4	-54.4	-88.1	Versus 2001	-1.2	-2.6	-3.4	-2.0

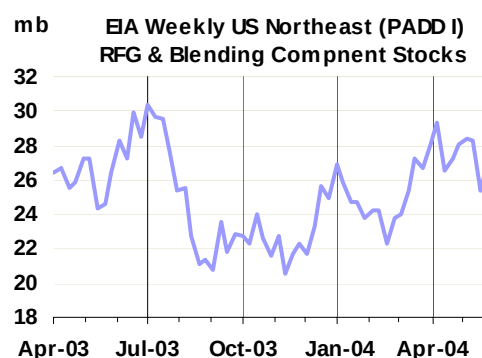
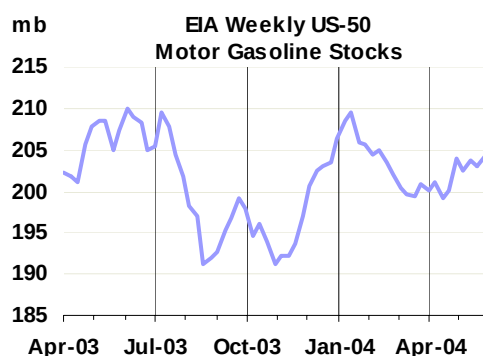
1 other oils includes NGLs, feedstocks and other hydrocarbons

OECD Regional Stock Developments

North America

US-50 crude stocks added over 5 mb in April, closing at 294 mb, slightly higher than a year ago. The modest additions to storage resulted from average crude imports lagging a belated ramp-up in crude runs. Additions to storage accelerated in May and stocks revisited the 302 mb mark, a level not seen since August 2002. Though refiners were running at an average 95% utilisation rate in May, with early peaks in crude runs just shy of 16 mb/d, average crude imports during the period also rose, exceeding the 10 mb/d rate needed to support higher runs. Recently, crude stocks in the Mid-continent have rebuilt, closing May at 65 mb with newly released data for Cushing, the delivery point of NYMEX's WTI contract, showing strong builds. Stocks around Cushing rose 4 mb since early April to close at 16 mb, supporting a weakening of the spread between the near-traded months for WTI futures.

June is likely to see crude stocks hold broadly level if not slightly down, should, at current throughputs, imports stay above 10 mb/d. Recent cash price spreads on the Gulf Coast suggest that availabilities of sweet and sour crude for June delivery were high. The second half of May saw domestic heavy/sour grades weaken against WTI and lost domestic Mars production, was seen broadly offset by offers of Russian Urals and the start-up of new production fields. Offers of light-sweet West African grades were also high. Nigeria supplied extra volumes for May and June while competing demand from Asia eroded compared to the first quarter. These availabilities reflected on the prices of the comparable US light sweet grade, LLS, which saw its backwardation in the near forward months reduced by end-May.



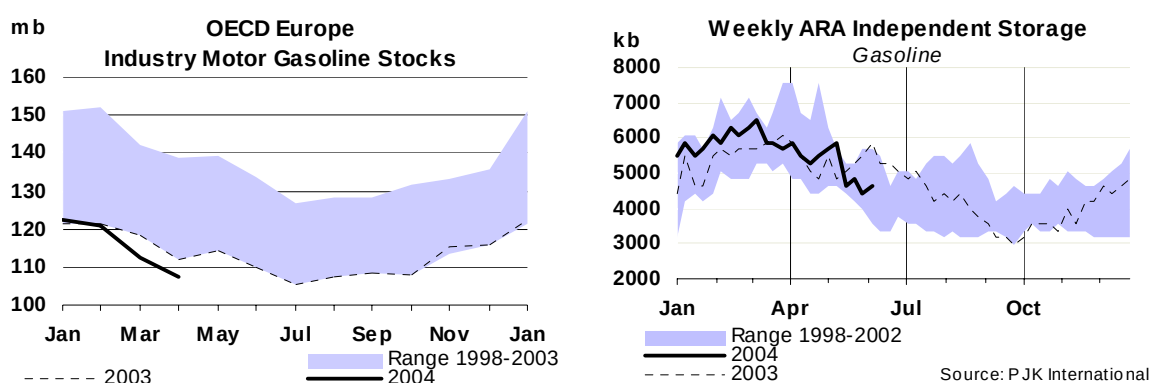
Against a backdrop of strong growth in gasoline deliveries, April **US finished gasoline stocks** closed 2 mb above March, at 135 mb, and added another 3 mb in the last week of May at 138 mb. After revisions to March data, the increase in total gasoline inventories in April came largely on the basis of finished product. Blending components held about even in April, slightly above 68 mb. In May, total gasoline stocks at end-month were unchanged from April at 204 mb in spite of domestic production slipping. Gasoline demand growth eased and imports increased with a rise in exports from Europe, including RBOB blendstock for MTBE free reformulated gasoline (required this year in the states of New York and Connecticut).

In the Northeast, reformulated gasoline stocks tightened in April before flattening by end-May, keeping prices in New York Harbour high. Though blendstocks in the area dipped temporarily in May, RBOB's widening discount to RFG suggests that its availability remained comparatively high. In early June,

there were signs of more ample physical supply. RFG prices in New York Harbour fell while Colonial Pipeline Co apportioned deliveries on its line which moves gasoline from the Gulf Coast to the Northeast due to capacity constraints. The latest data suggest that US gasoline imports approached the 1 mb/d level. This is likely to be sustained while at the same time domestic production is expected to revert closer to 9 mb/d. As a result, in absence of further significant growth in demand, gasoline stocks could recover ahead of peak demand in July/ August and close June above year-ago levels of 207 mb.

Europe

European industry crude stocks fell 12 mb in April to 325 mb as crude runs rebounded on strong margins. Most of the decline, however, was observed in Norway as light sweet crudes from the North Sea met with strong interest from both Europe and the US. Arbitrage to the US picked up in April as WTI/Brent differentials widened. More generally, sour supply remained ample despite some surplus Urals arbitrated to Asia and US Gulf Coast. April crude stock changes in other European countries kept below a million barrels. Crude stocks typically decline in May, and the likely continuation of high runs should favour a stock draw, albeit smaller than seen last year. Though large volumes of May Urals were reported to have been arbitrated out of the region, this was partly offset by additional spot availabilities of Saudi and Iranian crude via Sidi Kerir in the Mediterranean.



European industry gasoline stocks fell 5 mb in April while **distillates stocks** edged higher by 2 mb. Gasoline fell on the strength of arbitrage trade to the US and Nigeria and this trend is likely to extend into May. For US deliveries, trader estimates point to exports of 1.7 million tonnes, up from April's 1.5 million tonnes. Although May crude runs are expected to remain high, unplanned outages in gasoline producing units at refineries in Northwest Europe will add downward pressure on stocks. This was reflected in the decline of independent storage of gasoline in the ARA area. June, however, should see an easing of demand pull from Nigeria as the country restarts one of its refineries.

Middle distillates stocks, at 219 mb, closed April at the bottom of their five-year range. High prompt physical prices, backwardation in gasoil futures and weak heating oil demand prompted lower storage. As such, gasoil in independent ARA storage held level at low levels during May. Also, stocks were kept at a minimum as demand into the German, French and Swiss markets was slack. Oil majors reportedly covered their downstream needs and refinery offers were competitive. Distillate stocks in May could repeat this trend. Notwithstanding firm crude runs, stocks are unlikely to rebound strongly as lower imports thinned regional supplies. Middle Eastern jet fuel was bid to Asia while Baltic gasoil exports were reduced in favour of higher crude shipments. Gasoil demand was also strong in the Mediterranean, mainly in Turkey for domestic use as well as orders for deliveries into Iraq.

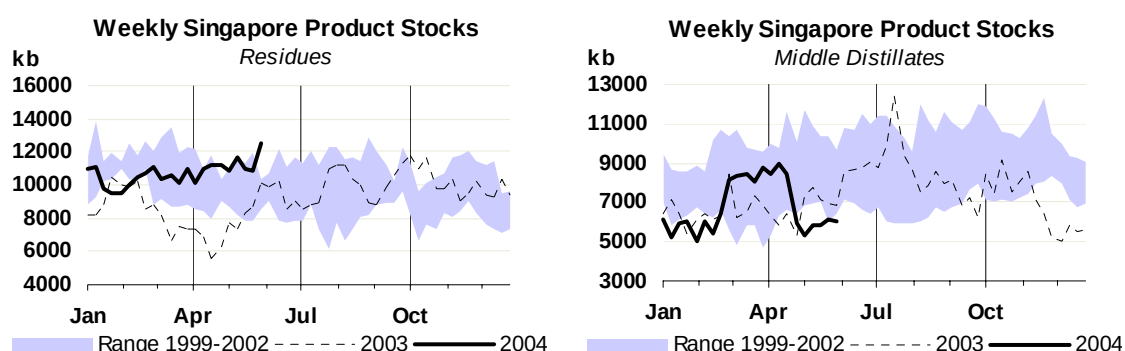
Pacific

Pacific crude stocks fell 4 mb in April to 171 mb, driven by a sharp decline in Japanese stocks outpacing a build in Korea. But inventories kept within seasonal norms ahead of scheduled refinery maintenance in both countries. Custom-cleared data showed April Japanese imports down sharply, both from March and year-ago levels. With Japanese weekly data indicating a crude stock draw in May, it is unlikely that the April draw will be revised lower next month due to the addition of tanker volumes at port (not included in the April estimate). In contrast, though Korean onshore crude stocks fell, rising tanker volumes more than offset this decline. While Korean crude stocks look likely to have slipped in May, additional late April liftings will probably raise end-May storage in Japan above the levels indicated by weekly onshore data. The April draw in Japan was fairly typical, as it accompanies reduced crude needs, but also, it was reinforced by weaker product demand against a year-ago. Pacific crude stocks should show as rise by end-June as these are re-built ahead of higher runs. This will be supported by a number of key Middle Eastern suppliers allocating full term volumes for May and June.

Singapore Stock Developments in May

Product stocks in Singapore, surveyed by International Enterprise rose in May as residual fuel oil and naphtha backed up in storage. While a build was observed in distillates, these inventories remained low against historical norms. Regional demand for distillates was strong and product output constrained from key exporting countries owing to refinery maintenance.

Residual fuel stocks bucked seasonal trends as incoming supply from Europe, the Caribbean and the US outpaced regional demand, keeping inventories above the recent five-year range. The stock build in end-May reflected heavy arbitrated volumes which were pegged at three million tonnes for late May to mid-June. Chinese demand fell and May imports into the country's main Huangpu terminal were reported down 30% from April levels. It is likely that domestic storage was ample following earlier aggressive buying in April and ahead of a holiday in early May. While fuel oil demand by Chinese refineries to upgrade into diesel remains strong, high Singapore prices relative to domestic sales prices have limited buying interest by Chinese importers. At the time of writing, Singapore swap prices for fuel oil for June delivery posted a premium against July, encouraging sales from storage. Market expectations, at the time of writing, also pointed to higher forward supplies as the June swap differential against the third quarter as whole was in backwardation.



Middle distillate stocks edged higher but were down from their early April peak. A strong uptick in gasoil inventories seems unlikely under the current backwardation. Distillate demand from China continues to attract regional supplies of jet fuel and gasoil. At the same time, supplies from key exporters like Korea but also from the Middle East have been curtailed on refinery maintenance. China's main jet importer, China Aviation Oil, is reported to have lifted its second quarter purchases in excess of 660 000 tonnes on strong demand growth from the depressed SARS-related levels of a year-ago. High jet prices on the US West Coast have likely also attracted some supply. Despite an annual fishing ban, alternative Chinese diesel demand for power generation is likely to keep prompt buying interest high.

Light product stocks rebounded in May, rising above 8 mb. The growth likely came from additions to naphtha rather than gasoline stocks. Regional petrochemical demand from Japan, Korea and Taiwan was thin with many plants in turnarounds. Supplies were seen as ample with spot cargo offers from Pakistan and mainly India where petrochemical plants are switching to natural gas. Record high gasoline prices for 95-octane material in turn continued to suggest scarce supply. Chinese exports are down against year-ago levels on strong domestic demand and arbitrage possibilities for product sourced from Korea, Taiwan and Singapore were open to the US West Coast and into the Middle East. Regionally, May saw firm spot demand from Vietnam and high exports from Singapore into Malaysia. However, as regional refiners step up runs to capture high margins, stocks should rise.

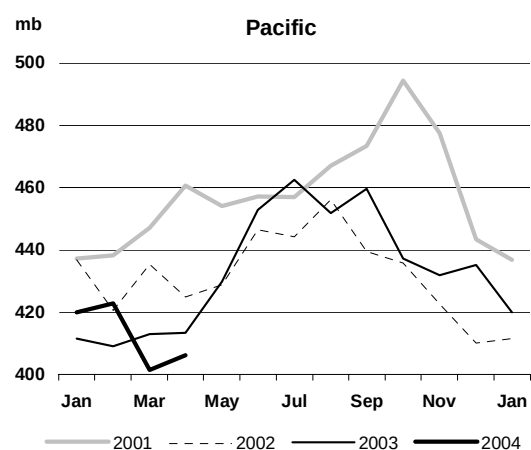
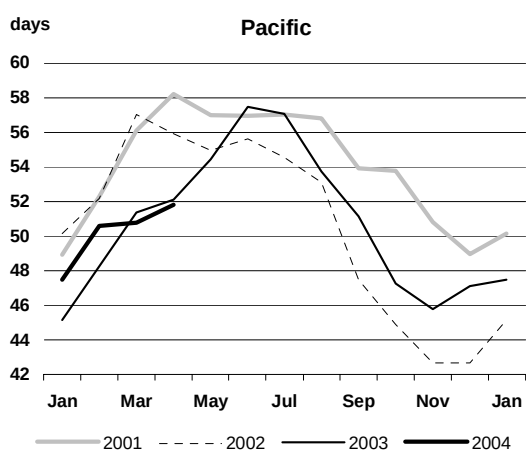
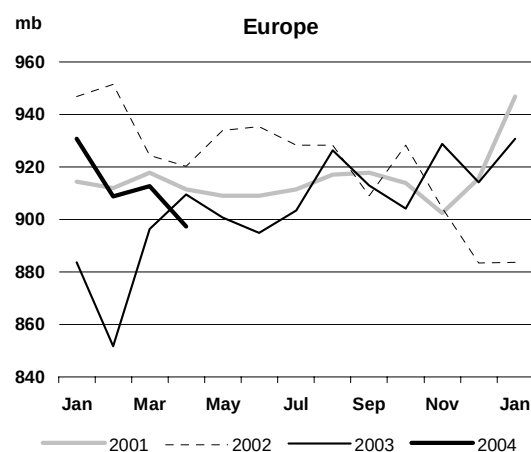
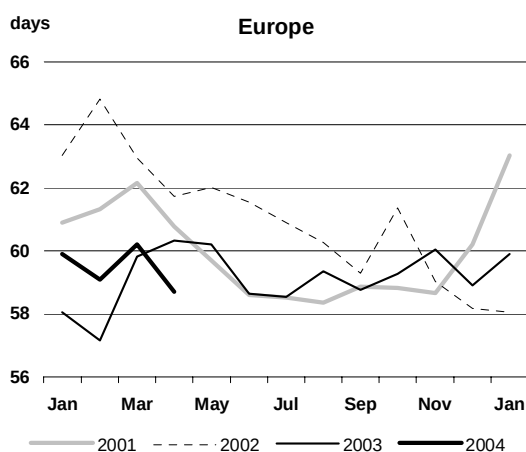
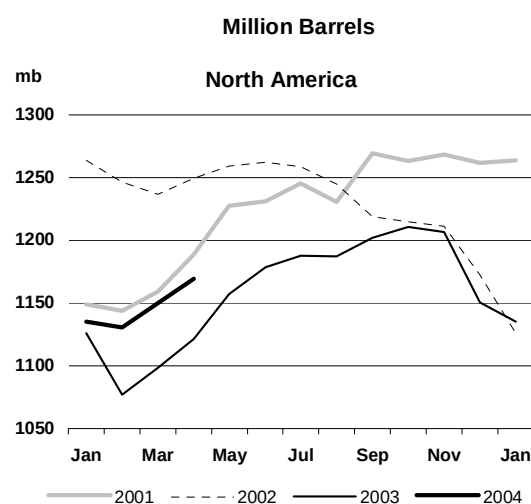
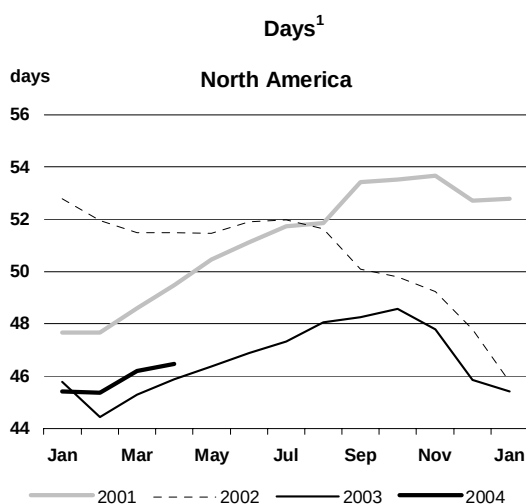
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	2Q03	3Q03	4Q03	1Q04	Feb 04	Mar 04	Apr 04	Latest month vs. Mar 04 Apr 03	
Crude Oil	819	755	892	593	654	777	718	933	585	-348	-218
Products & Feedstocks	-35	-96	-119	-93	-18	-64	-112	2	-144	-146	48
Gasoil/Diesel	-154	-170	-171	-174	-161	-133	-129	-85	-253	-168	-45
Gasoline	-81	-83	-95	-67	-96	-88	-74	-90	-87	3	1
Heavy Fuel Oil	334	320	304	323	341	304	252	335	365	30	91
LPG	-19	-22	-26	-19	-19	-24	-26	-24	-29	-5	-3
Naphtha	6	13	18	5	49	38	34	6	32	27	2
Jet & Kerosene	-65	-99	-93	-103	-77	-99	-107	-75	-103	-28	14
Other	-57	-55	-56	-58	-54	-62	-63	-64	-69	-5	-11
Total	784	659	774	501	636	713	606	935	441	-494	-170

Source: International Enterprise, IEA estimates

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

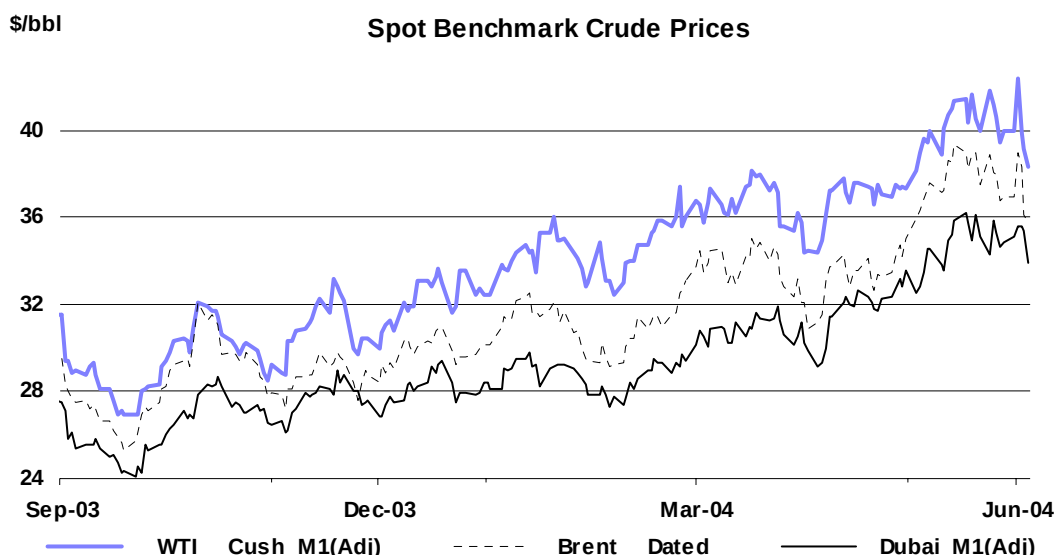


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **Benchmark WTI Cushing peaked at over \$42/bbl** in early June, fuelled by uncertainty over OPEC's meeting in Beirut and continued security concerns in the Middle East. The spike proved temporary, prices resumed the mid-May decline. This was triggered by weaker jet fuel, gasoline, and diesel prices in Europe and the US as refineries came back from maintenance. Saudi Arabia's commitment to produce 9.1 mb/d and additional output pledged by other OPEC members provided additional downward pressure.
- **NYMEX gasoline** prices fell nearly 30 cents/gallon from their 20 May peak as preliminary indications for May implied lower primary demand growth. Stocks remained low, but US refiners cranked up throughputs, yields and blending to meet demand. European refiners returned from heavy maintenance, freeing up more material for export.
- The backwardation in nearby **NYMEX WTI futures spreads** has fallen significantly leaving the first few months at near-parity and flattening the futures curve out to 12 months. **IPE Brent crude** oil remains in a small backwardation (forward discount), but the spreads have followed a similar easing trend. The end of diesel tightness in Europe has also helped to flatten the **IPE gas oil** curve, but a shift into contango is needed to encourage discretionary pre-winter stock building.
- The dip in US product prices from the middle of May translated into a downturn in **refining margins** in the Atlantic Basin. Cracking and coking margins on the US Gulf and West Coast remain very attractive, although in Europe hydroskimming margins turned weaker, contributing to a temporary overhang of crude in North West Europe. Asian margins were pressured once more by high crude prices and a fall in gasoline values.
- East bound **dirty freight** rates rose, suggesting that most of the additional OPEC volume is destined for Asia. Clean rates have also climbed, particularly from Europe to the US, reflecting the peak seasonal import period for gasoline.
- **OECD Refinery throughputs** rose sharply in April, as US refiners cranked up throughput ahead of the driving season and European refiners ended some early spring maintenance. OECD Pacific throughput fell sharply, marking the start of seasonal maintenance in the region.



The Report has now adopted a new series of **refinery margin calculations**, updating its methodology, increasing the coverage from four to six regions and expanding the crudes covered from four to 13 and including coking margins in the US Gulf and West Coasts. These can be found on Page 42.

May Overview

The surge in benchmark crude prices in early May was broadly sustained throughout the month with geopolitical issues compounding concern over market tightness. Benchmark WTI rose by 9.7% in May over April to \$40.24, and peaked briefly at \$42.35 in early June. Prices were pressured by signs of an easing of tight transportation fuel prices, particularly jet/kerosene and gasoline and the pledged addition of supply by OPEC.

Gasoline is by far the most important product for the North American market, and signs that US refiners were cranking up production (throughput, yield and blending) helped to temper prices. Preliminary data for May also implied a slower rate of year-on-year gasoline demand growth over exceptionally high levels in April. The passing of the Memorial Day weekend (which marks the start of the summer season) and the expiry of the steeply backwardated NYMEX June gasoline contract accelerated the decline in prices. The front month NYMEX contract now stands nearly 30 cents below its May peak of \$1.47/gallon.

Jet fuel had a similar steep decline in the US, presaged by an earlier easing of jet and diesel markets in Europe. Jet supplies had been constrained by strong diesel and gasoline demand as refiners maximised output of the two products at the expense of jet. However, by mid-May primary demand had passed the peak period for agricultural use and the return of refinery units in Europe helped to improve supplies.

Crude prices trended lower, but lagged losses in the product markets. Underlying support came from geopolitical tensions, including the attack at the Saudi Eastern Province workers compound, disrupted Iraqi supplies and political issues in Nigeria and Venezuela. These were compounded by weaker product prices and are translating into an easing of refining margins in some regions. This could discourage the use of marginal capacity. However, the promise of additional OPEC crude and refinery economics should help to redress the balance in favour of tighter product markets in the coming weeks.

Economic growth will continue to support petroleum prices. Although we are likely to see a tightening of monetary policy, continued spare capacity in the system seems likely to mean a gradual rather than aggressive tightening of interest rates. Similarly, in China there is no clear indication so far that a tightening of fiscal and monetary policies has led to a dramatic slowing of growth. The impact of high crude prices is being closely watched by policy makers, but it is the duration of high prices rather than their peak level which will have the greatest impact on economic growth.

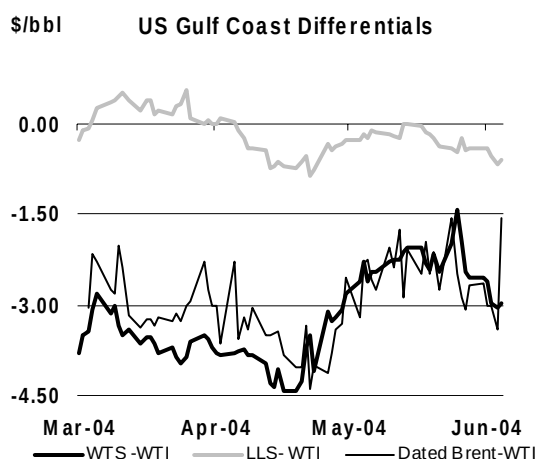
For the short term, product availability in the Atlantic Basin is likely to improve, which should help to further ease some of the gasoline, diesel and jet-related tightness. Increased crude supplies from Saudi Arabia and other OPEC producers with spare capacity should help to meet crude demand, deflate prices and help build inventories ahead of the winter.

Crude Oil Prices

Spot Crude Prices and Differentials in May

Although WTI prices underperformed other crudes on average in May, the strength of WTI reasserted itself in mid-month, widening the discount of LLS, WTS and dated Brent. This in turn reflects high gasoline prices in May, with WTI containing a higher distillation content of light products than either Brent or LLS. The lower gasoline price, together with the widening discount of LLS to WTI should continue to encourage the movement of crude from the Gulf Coast into PADD 2, despite inventories in this region already lying at their highest level since April 2002 (65.2 mb).

Strong WTI prices also attract foreign crudes to the US. Rising shipping costs and strong European demand reduced the economics of moving Brent across the Atlantic from end-April to mid-May, but easing European refinery margins and a strong US crude market helped to reopen the window for transatlantic movement end-May, early June. However, a marginally open arbitrage is not a sufficient condition for crudes to be placed in the US market, and competition from cheaper West African grades helped to create an overhang of North Sea crudes towards the end of May/early June.



Assessing the 'Risk' Premium

Problems in Iraq and the recent attack on foreign workers in Saudi Arabia have been cited as primary factors behind the rise in the oil price, creating a 'risk premium' in the crude price estimated by some observers as up to \$10/bbl. No one doubts these events have contributed to higher prices, but how do you measure the effect?

A common method is to derive a value based on the historical relationship between US crude prices and stocks, and subtract that from the prevailing market price. Most models have shown a significant divergence from this simple historic stock and price regression recently, but particularly in the past few months where there has been up to a \$12 discrepancy between model and market prices. Apportioning all of that discrepancy to a 'risk premium' would however be wrong. The stock/price relationship has a large standard deviation of between \$5 and \$8/bbl depending on duration of the observed relationship. Recent price pressures have been both extreme and to the upside, so taking the upper region, might suggest that the 'risk premium' could be as low as \$3/bbl.

One of the reasons the stock/price relationship exists is that inventories effectively form part of the supply chain. If inventories are ample and prices rise, traders will be more willing to release some stock into the system. Conversely when supplies are tight stockholders would demand a higher premium to release or utilise those inventories. However, recent events in the Middle East occurred when most of the world's producers are operating at capacity. Unsurprisingly there has probably been a shift in the relationship. If refiners feel they should hold 10 days of supply over the operational minimum rather than five, then the stock/price relationship has shifted. Previous relationships may no longer be valid and there could be cyclical factors at play. In periods of robust economic growth, inventories tend to build across the supply chain in all commodities (with some lag and assuming ample supplies).

Let's not forget the increase in gasoline prices, which have moved to record levels. How do you quantify the impact of a \$23/bbl increase in gasoline prices or a \$14/bbl increase in gross product worth or a \$7/bbl increase in Gulf Coast refining margins since the start of the year? Crude has clearly underperformed the surge in product prices, so should we argue (very simplistically) that the current nominal price understates market's appreciation of real crude prices?

Looking at the day after specific events occurred in Iraq and Saudi Arabia provides no further illumination to the level of the 'risk premium'. After the shootings in al-Khobar, front month NYMEX WTI prices spiked up by \$2.45, only to lose all but 8 cents of the gain the following day. But, gasoline was already falling sharply, and who is to say that the price would not have fallen further if the incident had not occurred? In the two days after that event, the 'risk premium' might have risen by \$4 or might have been negligible over this period alone.

Other observers have tried to relate movements in the non-commercial (large speculators and funds) position on NYMEX WTI to prices, but there would appear to be no consistent method of measuring the relationship of prices to changes in fund activity at any single point in time.

Assessing the magnitude of a 'risk premium' (if one actually exists) is more editorial than edifying. The oil market is complex and there are a multitude of variables that can affect the price at any one time. The price impact of any single factor will depend upon the extent to which other fundamentals are affecting price and can vary over time. A US refinery outage in the summer will have a very different impact from an outage in October. Rather than assessing the premium, it might be more appropriate to ask how long these factors will last.

The news that the Mars field in the Gulf of Mexico shut on 22 May for several weeks supported a \$1.80 price rise on 24 May, with the WTS discount to WTI narrowing sharply. However, this gain proved ephemeral as the pledged increase in OPEC output added to expectations for an increase in sour crude supplies, together with increased offers of Russian Urals crude and new Gulf of Mexico fields coming on line.

Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

	Mar 04	Apr 04	May 04	May-Apr		Week Commencing:				
				Change	%	03 May	10 May	17 May	24 May	31 May
Crudes										
Brent Dated	33.79	33.25	37.80	4.55	13.7	36.81	38.16	38.51	37.72	37.80
WTI Cushing 1 month (adjusted)	36.71	36.69	40.24	3.55	9.7	39.21	40.39	40.78	40.58	40.45
Urals (Mediterranean)	30.31	30.13	35.07	4.93	16.4	33.68	35.38	35.91	35.30	35.40
Dubai 1 month (adjusted)	30.85	31.68	34.74	3.05	9.6	33.59	34.66	35.63	34.98	35.33
Tapis	35.71	35.45	39.69	4.24	12.0	38.39	39.51	40.63	40.10	40.28
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	2.93	3.44	2.44	-1.00		2.40	2.23	2.27	2.86	2.65
Urals (Mediterranean)	-3.48	-3.11	-2.73	0.38		-3.13	-2.78	-2.60	-2.42	-2.40
Dubai	-2.94	-1.56	-3.07	-1.50		-3.22	-3.50	-2.89	-2.74	-2.47
Tapis	1.92	2.20	1.88	-0.32		1.58	1.35	2.12	2.38	2.48
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.34	0.21	0.43	0.22		0.47	0.43	0.40	0.33	0.33
WTI Cushing 1mth-2mth (adjusted)	0.64	0.56	0.13	0.10		0.12	0.04	0.14	0.10	0.10

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

The discount of Urals in both the Med and North West Europe (NWE) to dated Brent remains high, reflecting the continued abundance of Russian supplies. A gradual narrowing of the spread was seen throughout May as cargoes were shipped to the US and the overhang of North Sea crudes towards the end of the month pressured Brent differentials. However, expectations of additional supplies pressured differentials in early June.

A pick-up in Asian buying of West African crude for June loading was largely offset by the impact of additional supplies in May and June. West African exports to Asia were assessed at 1.3 mb/d in June from around 1.1 mb/d in May, with volumes increasing as traders sought out alternatives to high-priced Asian sweet crudes (however this is still below the March record of 1.7 mb/d). Early-month indications had suggested that June volumes would be level with May, implying a late surge in bookings.

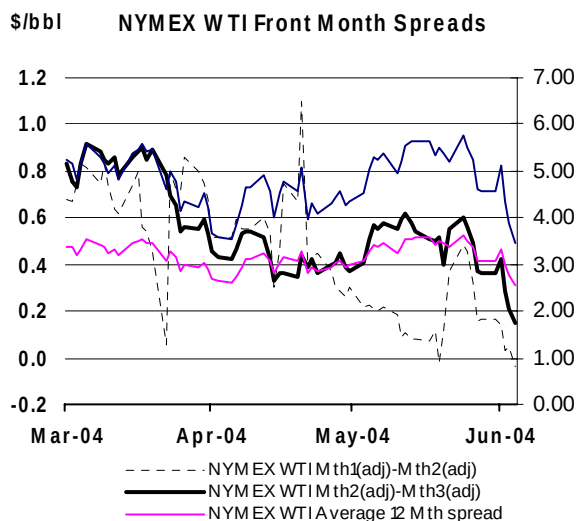
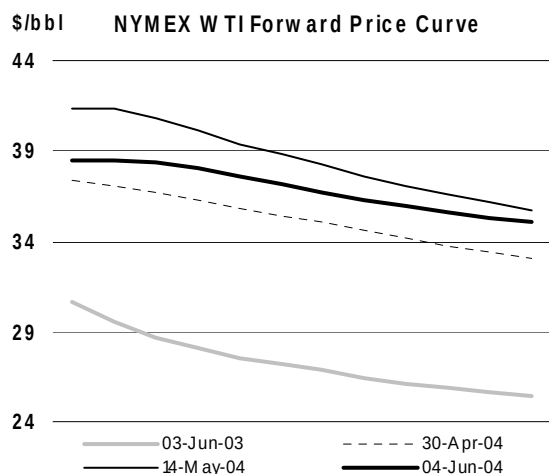
Sweet Libyan crude, Es Sider, continued to narrow its differential to Bonny light. The differential between the two crudes had widened to nearly \$2/bbl in the middle of April as the fundamentals for the two crudes pushed differentials in opposite directions. Increased Libyan production had to compete with additional Urals and Iranian availability in Europe, while West African crudes strengthened on buoyant demand from Asia. The narrowing of the premium of Bonny light to Es Sider in May occurred as Asian demand for West African crude eased and increased Libyan supplies found willing buyers. The recent reversal of this trend though seems to coincide with, a modest resurgence in Asian demand for West African sweets.

Asian refinery maintenance should peak in mid-June, and although the workload remains reasonably heavy in July, it is not surprising that volumes of spot crude have already started to improve. Refiner demand in the region for Middle Eastern and other foreign crudes is likely to increase through June and July as refiners buy-in crude to feed refineries that are returning from maintenance, reversing a previous trend of running down stocks ahead of planned downtime.

Crude Futures in May

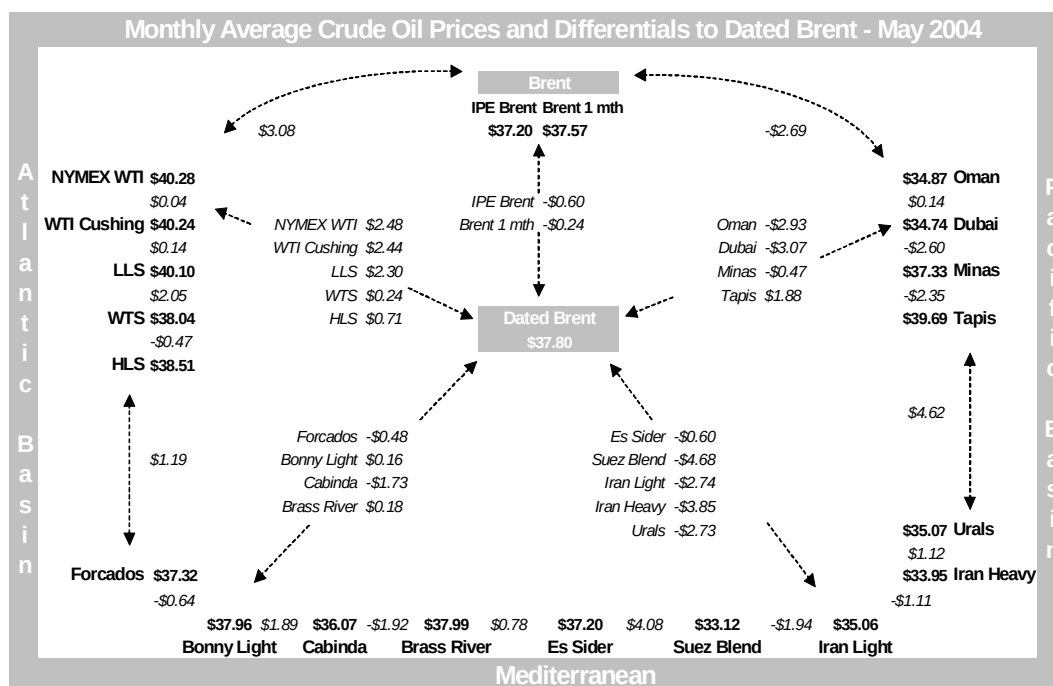
As NYMEX WTI pushed to the highest price for 20 years the multitude of interrelationships in the petroleum market have been (and are still being) scrutinised for possible indications of future direction. Futures spreads are a classic barometer of market tightness, but (as we have noted in recent Reports) have been a poor guide to direction.

However, the recent fall in spot prices has been accompanied by a flattening of the futures curve for both NYMEX WTI and IPE Brent. This has been most noticeable in the front two spreads, but the flattening has been seen across the curve. Given the back months' tendency to be slower to adjust to spot price movements than the front months (they are frequently priced according to crack spread relationships with the products), it is premature to conclude that the recent shift represents a permanent structural shift in the market. However, should the front-end WTI spreads move into contango, it is likely to have an important psychological impact on the market and exert fresh downwards pressure on futures prices.



Delivered Crude Prices in March

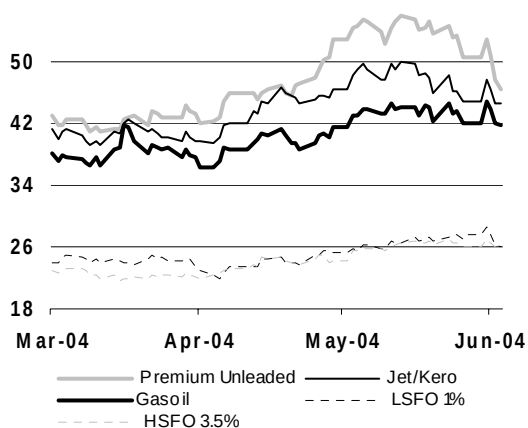
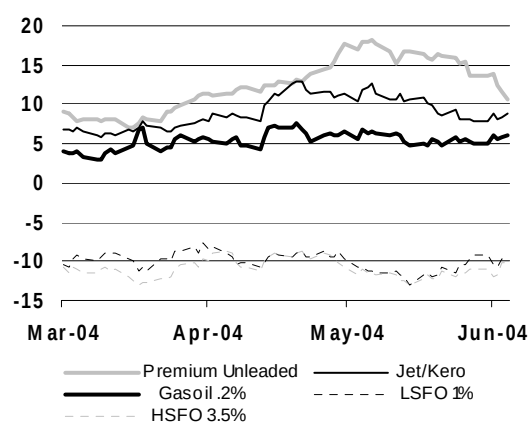
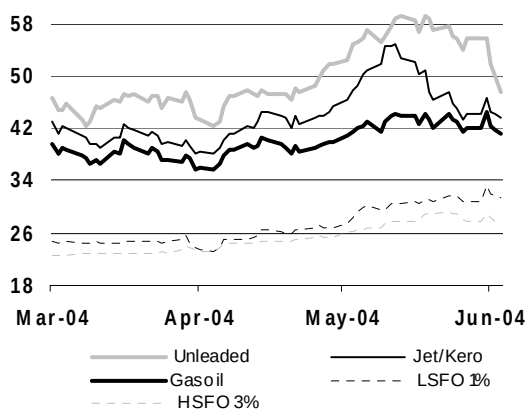
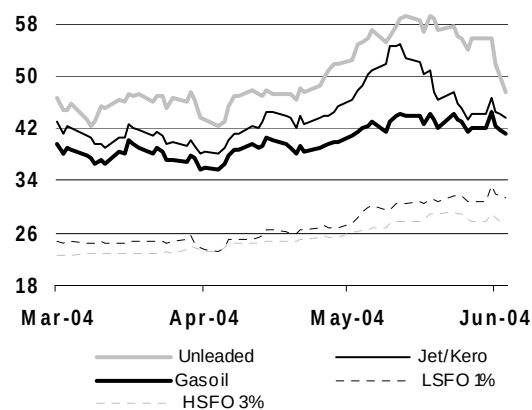
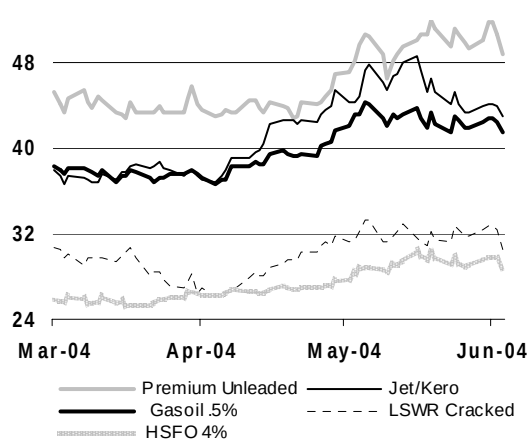
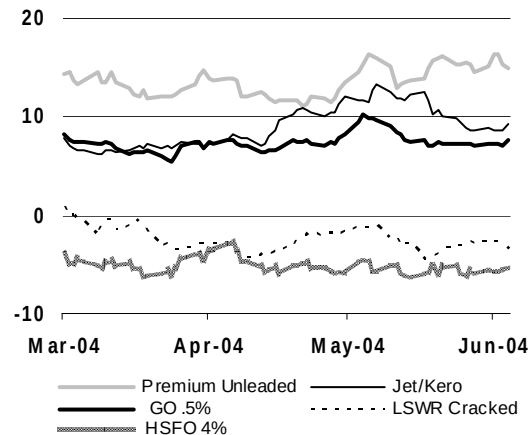
Delivered prices for crude oil imported into IEA countries rose by \$1.42 cents in March from February to \$32.24, up \$2 in IEA Europe and \$1.54 in IEA North America. The trends broadly mimicked the rise in spot prices that was seen between the beginning of February and middle of March. However, IEA Pacific prices lagged, rising just 26 cents on the month, reflecting the relatively steady average prices between mid-January and mid-February, and sharp falls in freight rates.



Product Prices

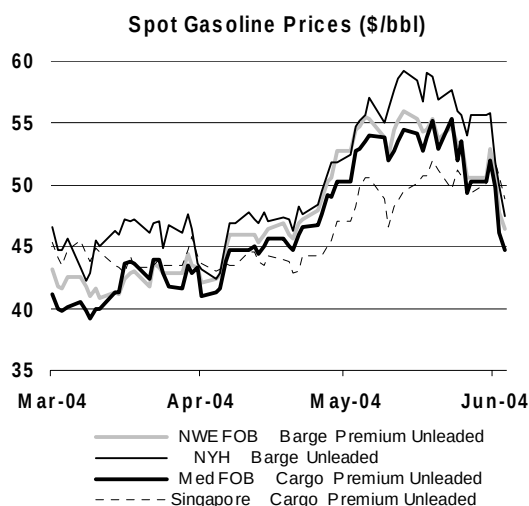
Spot Product Prices in May

Gasoline prices fell sharply in the US and Europe towards the end of May, as refiners cranked up production. But strong demand growth in Asia, together with increased seasonal regional maintenance has (so far) left prices relatively resilient. US jet fuel on the West and East Coasts also lost its extreme premium as imports from Europe and Asia arrived to quell a tight market. Gasoil prices were flat during May, but the large premium for diesel and low sulphur gasoil prices eased in line with other transportation fuels.

\$/bbl Rotterdam Spot Product Prices**\$/bbl Rotterdam Spreads to Dated Brent****\$/bbl New York Harbour Spot Product Prices****\$/bbl New York Harbour Spot Product Prices****\$/bbl Singapore Spot Product Prices****\$/bbl Singapore Spreads to Dubai**

High product prices, while not having a significant impact on short-term demand will over time prompt a shift towards purchases of more economical new vehicles. Some analysts are even indicating that there could be moves by airlines towards more economical jets (although this would take a very long time to impact demand, even if such decisions were made), while there are indications that US consumers are tilting towards more economical SUVs based on car rather than truck chassis. Any shift towards economical vehicles has to be sustained to have a significant impact on the economy of the vehicle fleet, and this would require sustained high prices. Also the impact of higher motoring costs can also be partly offset by economic growth in the short term.

The return of European refining capacity from maintenance, bringing more cracking capacity on line, coupled with higher output at marginal refineries helped to ease gasoline tightness in the North West European market at the end of April. This was slightly ahead of the peak North American prices, and reflects the time taken to ship material across the Atlantic. The US market however remains the primary driving force, with an open arbitrage continuing to attract barrels westward. European exports in June are expected to remain relatively flat with May's 1.6 mt to 1.7 mt, but this is above the 1.5 mt shipped in April. Typically, when a price bubble is pricked additional supplies that have been held for speculative reasons come to the market, and there are suggestions that this factor has helped to depress the Rotterdam barge market.



Spot Product Prices

(monthly and weekly averages, \$/bbl)

	Mar	Apr	May	May-Apr Change	%	Week Commencing:					Mar	Apr	May
						03 May	10 May	17 May	24 May	31 May			
Rotterdam, Barges FOB													
Premium Unleaded (Cargo)	42.43	46.40	54.07	7.67	16.5	54.98	54.35	54.61	52.51	50.46	Differential to Brent		
Regular Unleaded	41.76	45.72	53.32	7.59	16.6	54.18	53.66	53.83	51.76	49.73	8.64	13.15	16.27
Naphtha	35.89	36.60	41.22	4.63	12.6	40.66	41.24	41.83	41.05	40.63	7.97	12.47	15.52
Jet/Kerosene	40.66	43.81	47.94	4.14	9.4	49.03	48.85	48.13	45.98	46.23	2.10	3.35	3.42
Gasoil	38.38	39.35	43.51	4.16	10.6	43.44	43.83	43.61	43.13	43.62	6.87	10.56	10.14
Fuel Oil 1.0%S	24.25	23.94	26.72	2.78	11.6	25.89	26.32	27.05	27.45	27.48	4.59	6.10	5.71
Fuel Oil 3.5%S	22.40	23.74	26.17	2.43	10.3	25.67	25.97	26.57	26.39	26.51	-9.54	-9.31	-11.08
											-11.38	-9.51	-11.63
Mediterranean – Basis Italy, Cargoes FOB													
Premium Leaded (0.15 g/l)	42.37	46.07	53.82	7.75	16.8	53.96	54.01	54.49	52.83	50.02	Differential to Urals		
Premium Unleaded	41.66	45.35	53.10	7.75	17.1	53.24	53.29	53.77	52.11	49.30	12.06	15.94	18.75
Naphtha	34.01	35.53	40.24	4.71	13.2	39.67	40.34	40.88	39.95	39.48	11.35	15.22	18.03
Jet/Kerosene	37.70	42.28	46.97	4.69	11.1	47.60	48.14	47.31	44.96	45.35	3.70	5.40	5.17
Gasoil	37.53	38.92	44.09	5.18	13.3	43.82	44.34	43.98	44.19	44.30	7.39	12.15	11.91
Fuel Oil 1.0%S	24.57	25.28	28.76	3.47	13.7	27.32	28.67	29.23	29.51	29.39	7.22	8.78	9.03
Fuel Oil 3.5%S	20.87	21.90	24.70	2.79	12.8	24.27	24.75	24.76	24.91	24.44	-5.74	-4.85	-6.31
											-9.44	-8.23	-10.37
NY Harbour, Barges													
Super Unleaded *	50.02	52.60	64.40	11.80	22.4	61.45	63.68	66.23	66.23	63.61	Differential to WTI		
Regular Unleaded *	45.76	47.15	56.52	9.38	19.9	55.01	57.32	57.96	55.80	52.50	13.31	15.91	24.16
Jet/Kerosene	40.92	42.31	49.26	6.95	16.4	48.81	53.71	49.40	45.13	45.13	9.05	10.46	16.29
No.2 Heating Oil	38.19	38.65	42.76	4.11	10.6	41.92	43.26	43.15	42.73	42.87	4.20	5.62	9.02
Fuel Oil 1.0%S (Cargo)	24.67	25.65	30.33	4.68	18.2	28.95	30.14	30.85	31.37	32.28	1.47	1.96	2.52
Fuel Oil 3.0%S (Cargo)	22.87	24.55	27.78	3.23	13.1	26.43	27.54	28.55	28.61	28.33	-12.05	-11.04	-9.91
											-13.85	-12.14	-12.46
Singapore, Cargoes													
Premium Unleaded 95	44.10	44.09	49.71	5.63	12.8	49.26	48.38	50.95	50.17	50.91	Differential to Dubai		
Naphtha	36.03	36.48	39.69	3.21	8.8	39.09	38.65	40.45	40.48	40.56	13.25	12.40	14.98
Jet/Kerosene	37.72	40.92	45.71	4.79	11.7	45.78	46.71	46.65	44.06	44.08	5.18	4.80	4.96
Gasoil	37.71	38.93	42.80	3.87	9.9	43.40	42.81	42.86	42.21	42.58	6.88	9.23	10.97
LSWR (0.3%S)	29.27	28.75	31.98	3.23	11.3	32.38	31.93	31.50	32.04	32.53	6.87	7.25	8.06
HSFO (3.5%S 180cst)	25.85	26.90	29.32	2.42	9.0	28.63	29.22	29.98	29.35	29.85	-1.57	-2.94	-2.75
HSFO 4%S	25.76	26.76	29.17	2.41	9.0	28.48	28.93	29.97	29.20	29.78	-5.00	-4.79	-5.42
											-5.09	-4.92	-5.56

* From 1 November 2003 assessments for NYH are for Max 0.3% MTBE

In the US, the peak in gasoline prices appeared to coincide with a slowing year-on-year demand growth trend. Preliminary US data suggest that year-on-year gasoline demand growth fell from over 7% in April to just over 3% in May. Primary demand (defined by refinery deliveries) typically tends to be inflated ahead of the driving season as product is moved from refineries to secondary and tertiary storage, but undoubtedly some 'worst case scenarios' for the driving season (which helped to fuel the price spike) included the assumption of sustained demand growth. There may have been a price-related impact on demand as well, but this is difficult to quantify, certainly surveys of Memorial Day driving intentions suggested a 3.4% increase in traffic over the same holiday weekend last year. Also, perceived risks and higher costs (due to the weaker dollar) can make domestic car travel seem attractive by comparison.

Asian gasoline prices, have been reluctant to follow the recent decline in European and US gasoline prices. Regional refinery maintenance is expected to be particularly heavy in June, while arbitrage opportunities have seen gasoline moving from Singapore and China to Iran. However, naphtha prices are relatively weak in relation to crude, which could result in increased regional gasoline production. Chinese gasoline exports appear to have stabilised well above early first quarter lows, steady at around 500,000 tonnes in May, but the outlook for June remains unclear.

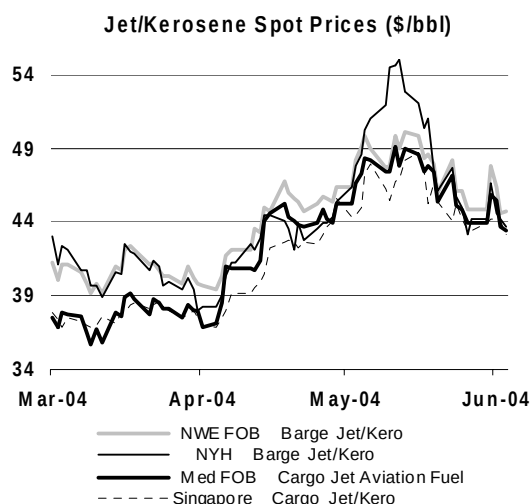
The easing of the gasoline market tightness was presaged by the slump in jet/kerosene prices in Europe and the US. In last month's Report we noted that a large quantity of imports were expected to ease US East and West Coast tightness in May and weekly data confirm their arrival, pegging May imports at more than double April levels. Jet aviation fuel supplies tend to be constrained by tight gasoline and diesel markets. Jet supplies are reduced as refiners make distillation cuts at upper and lower ends of the naphtha stream and by the blending of jet fuel with gasoil to make diesel. Therefore improved availability of jet can have an impact through all transportation fuels.

Jet fuel prices in Asia were also squeezed by strong local demand and exports to the US West Coast. The premium of jet/kerosene over gasoil in Singapore (known as the regrade) peaked at \$4.90 in mid-May, before tumbling to around \$1.60 in early June. A strong recovery in regional air traffic, was highlighted by record quarterly purchases of jet fuel by China Aviation Oil (CAO). CAO has tendered to buy 675,000 tonnes of jet fuel so far in the second quarter, well above the SARS depressed period a year ago and above the previous quarterly record of 662,000 tonnes bought in the fourth quarter of 2003.

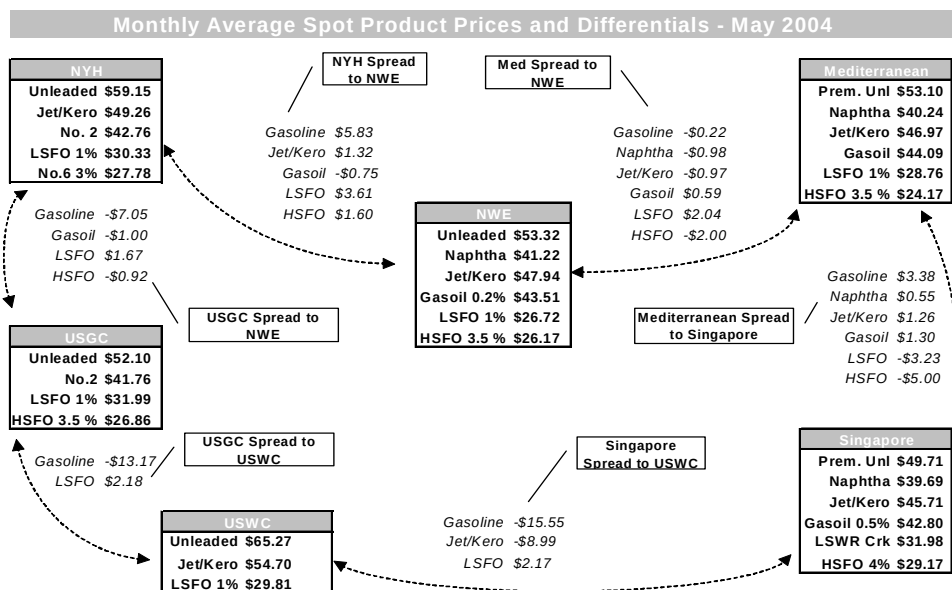
The Asian regrade was pressured towards the end of May/early June by indications that China will also import a record level of gasoil in June, around 220,000 tonnes. Chinese gasoil demand in the summer is expected to increase in unison with temperatures as private power generation using diesel is utilised to meet air conditioning demand and to supplement constrained utility output. State media has reported a deterioration of local power supplies in 2004, with three quarters of its 31 provinces and regions suffering brown-outs in the first three months. However, some of the demand impact will be mitigated by an extension of the annual seasonal 2-month fishing ban to three months. Fishing fleets are also regarded as the most likely source of smuggled gasoil, which means that the extended ban should also lead to less understatement of demand by official figures.

Distillate inventories are also tight regionally, with provisional data in Japan pegging stocks around 1.5% below year ago levels and Singapore middle distillate stocks are over 10% below year ago levels. Lower refinery runs in June due to maintenance will accentuate the seasonal stock draw and should therefore support prices.

Strong European and Russian agricultural use during the planting season and FSU refinery maintenance should be less of a factor in June, but there will be further demand in the third quarter to meet harvesting needs. The dwindling influence of these two factors, coupled with increased refinery throughput, helped to improve distillate availability in Northwest Europe and the Med in May. It remains uncertain whether Russian gasoil exports, which fell by 150,000 tonnes from March levels in April and May, will recover in June, but the return of several Eastern European refineries from turnaround should help to increase supplies from mid-June.



Fuel oil crack spreads to crude remained weak in most regions in May, with differentials of high sulphur crude to regional benchmarks rising across the board, while in the low sulphur market only New York Harbour differentials registered any improvement over May.



Summer utility burn increased demand for low sulphur fuel oil, particularly in the Gulf Coast, narrowing the discount to WTI over the month. However, prices remain capped by European imports. High sulphur prices also rose during the month in line with crude prices, but differentials remained flat, and the narrowing of the spread between the US Gulf and NYH and Singapore has reduced the opportunity for arbitrage trade out of Europe. Arbitrage patterns for HSFO to Asia were different. Although the economics seemed to favour movement on paper, Chinese demand is said to be constrained by high stock levels at the main import point of Huangpu. Eastern European supplies are expected to pick up in-line with higher refinery throughput, but the maintenance of European marginal capacity at high levels will require continued attractive returns to refineries.

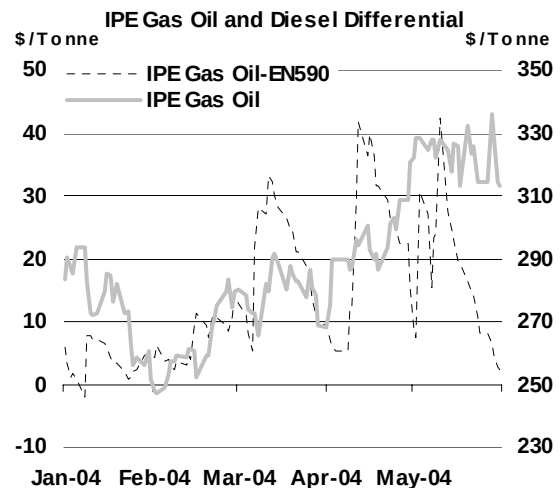
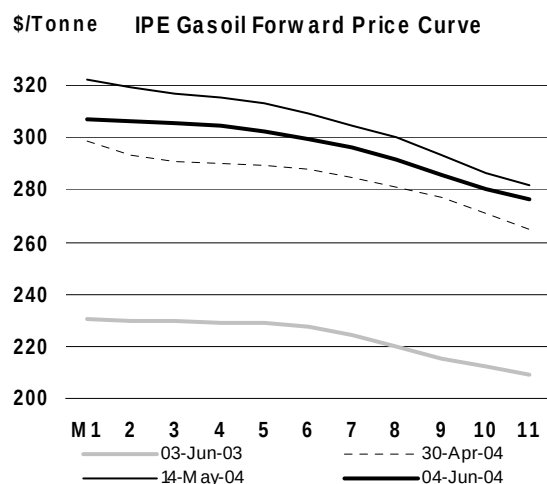
Product Futures in May

The expiry of the steeply backwarddated June NYMEX gasoline contract coincided with the Memorial Day weekend this year, provoking a shift in market perception when trading resumed in the July contract the following week. Not only was a 15 cent backwardation removed from the market, but Memorial Day is regarded as the start of the summer driving season and the seasonal price peak in US gasoline often occurs before this point as refiners move to build stocks to ensure sufficient supplies for the months ahead.

But after an initial increase following the Saudi attacks, gasoline futures prices continued their collapse in the first week of June, leading to a flattening of the steeply backwarddated contract in futures contracts through to the end of 2004. The shape of the current futures curve has now moderated to the shape of the curve in place in early June 2003 (which also reflected tight nearby conditions), but with a constant 35-cent premium.

The NYMEX WTI/Gasoline/Heating Oil (3:2:1) crack spread, a proxy for refining margins, has fallen from over \$14/bbl to close to \$8/bbl. However, this remains well above year ago levels when the spread broadly remained below \$5/bbl.

IPE gas oil was dominated by diesel market tightness for the past few months, but the erosion of the diesel premium against front-month futures has not resulted in a significant decrease in gasoil prices. A reduction in Russian exports in April and May and the blending of gasoil into diesel has helped clear out surplus material. Concerns about the adequacy of winter supplies considering the current focus on gasoline production and the growth in transport fuel use is supporting the back end of the curve. However, the easing of the diesel premium has been accompanied by a notable flattening of the nearby section of the forward curve through to the summer months, while NYMEX heating oil has moved into a very modest nearby contango. A continuation of this trend would need to be seen to support discretionary pre-winter stock building.

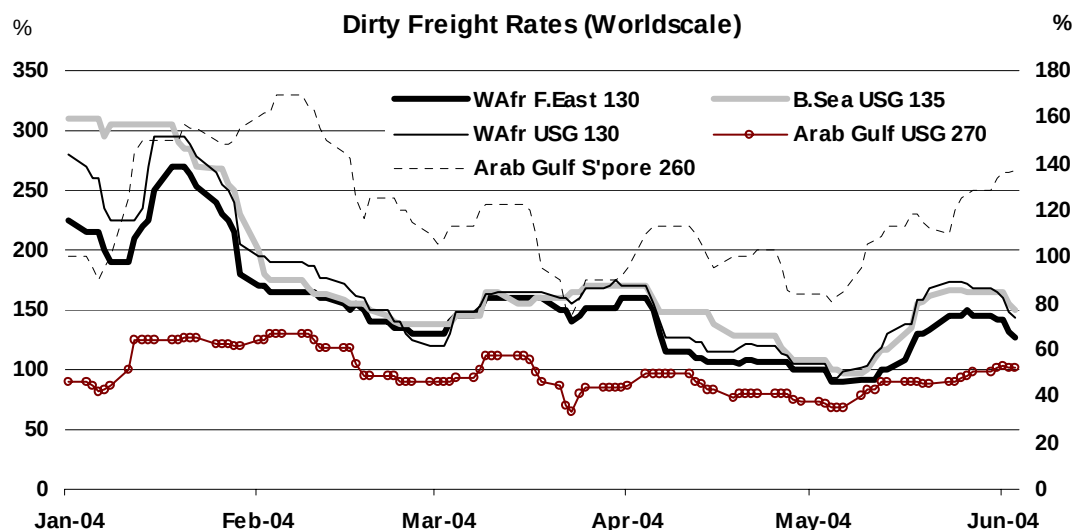


End-User Product Prices in May

Gasoline prices were a key focus in May as US retail prices topped \$2/gallon, reflecting sharp rises in wholesale prices. In the latest two weeks however prices have started to fall from peak levels, and this trend should continue if wholesale prices hold current levels. At the pump, the US remains the cheapest market in the eight countries covered at 52 cents/litre, but on an ex-tax basis France and the UK are cheaper at 39.5 and 38.8 cents/litre respectively compared with 41.7 cents in the US. On an ex-tax basis Japanese prices are the most expensive at 48.3 cents per litre – partly explaining the modest 0.9% move in local pump prices in May. Year-on-year prices highlight the economic discrepancy felt by the consumer. The higher tax burden on European consumers means that prices are broadly 10% higher in France, Germany, Italy and Spain, but over 30% higher in the US. Canadian prices have a slightly higher tax burden than in the US, but it is well below those seen in Europe. Automotive diesel prices rose between 2.8% and 4.0% across the board, while the rise in heating oil prices was fractionally higher. Sharp increases were seen in low sulphur fuel oil prices in Europe in May, with Italian industry paying \$287.8/tonne compared with \$199.5 in lowest priced Germany.

Freight

Dirty freight rates have been rising since Saudi Arabia first indicated that it was lifting output, but the increase has not been uniform across routes. The biggest climb has been in rates from the Arab Gulf to Asia. Although the substantial difference in Worldscale costs between the two routes understates the nominal increase in US voyage costs, even on a \$/tonne basis the Far Eastern route has still outperformed. That would suggest that a large part of the increased OPEC output is destined to head East to coincide with the return of refineries from maintenance in the third quarter.



Part of this discrepancy can be accounted for by the fact that the US refining industry tends to work flat out during the summer months and requires incremental product imports to meet the supply shortfall, not additional crude. This effect is shown by the opposite trend seen in product tanker (clean) freight rates. These saw a steeper rise in US-bound rates than in Asian-bound rates.

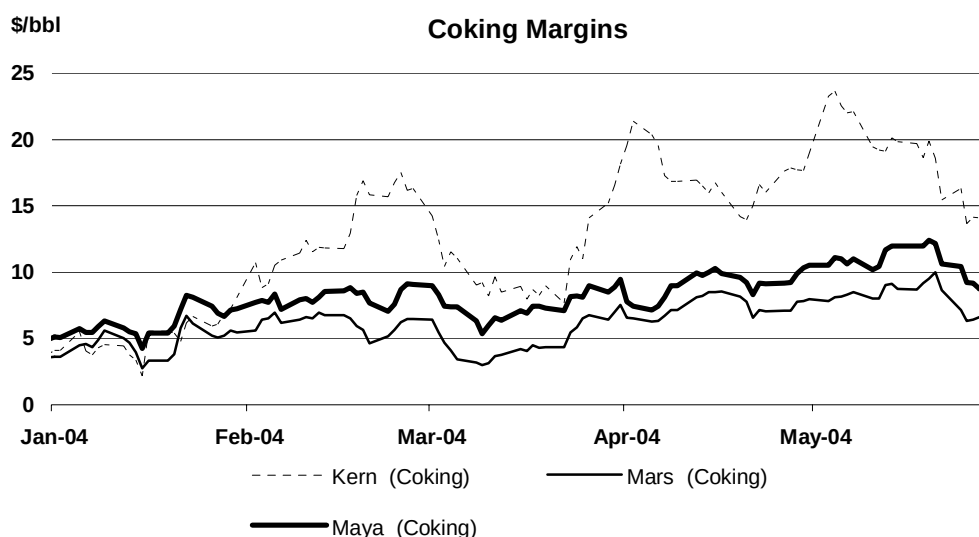
But that only accounts for part of the difference. The US is a net importer of crude oil and therefore as refinery runs rise, more crude is needed. This is highlighted by the increase in freight rates for crude from the Black Sea (Urals) and West Africa to the US Gulf and Atlantic Coasts. If there had merely been an increase in West African rates to the US then the rise could have been attributed to the increase in demand for sweet crude. But for Russian Urals rates to increase in unison would suggest that US refiners are reluctant to take VLCCs of Middle Eastern crude, or that they are not competitively priced. The answer may well lie somewhere between the two. Voyage times from the Middle East to the US Gulf Coast around the cape are 32 days, while from the Black Sea to the US Gulf are 23 days. If refiners are concerned that there could be a sharp correction in prices, then there would be a natural tendency to work as much as possible on a hand-to-mouth basis and they would tend to favour short-haul supply. Similarly, purchases made on an FOB basis would contain a price risk should there be significant volatility in the market.

Refining Margins in May

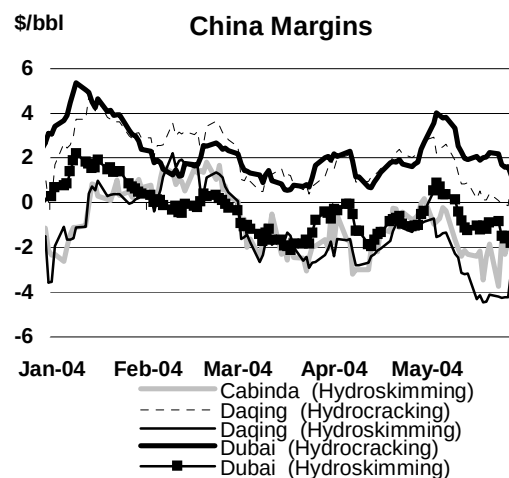
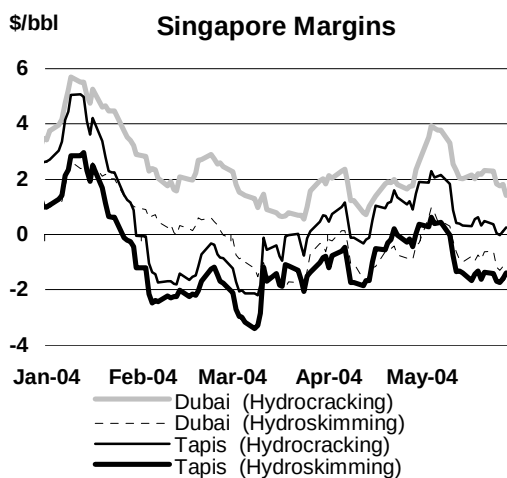
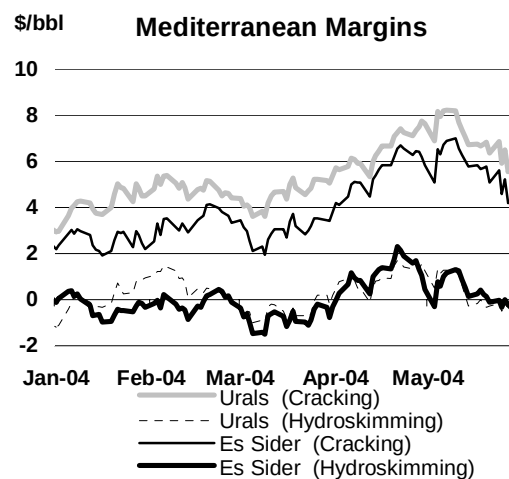
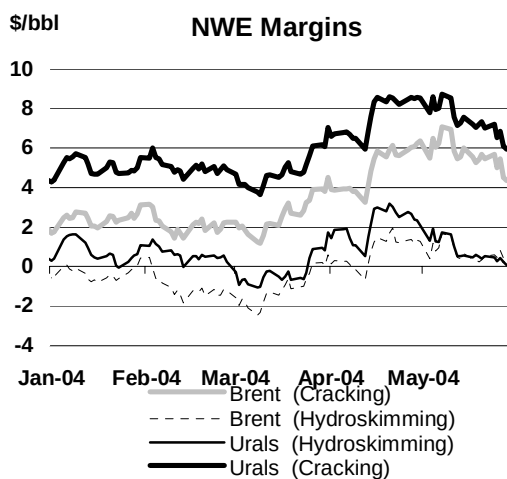
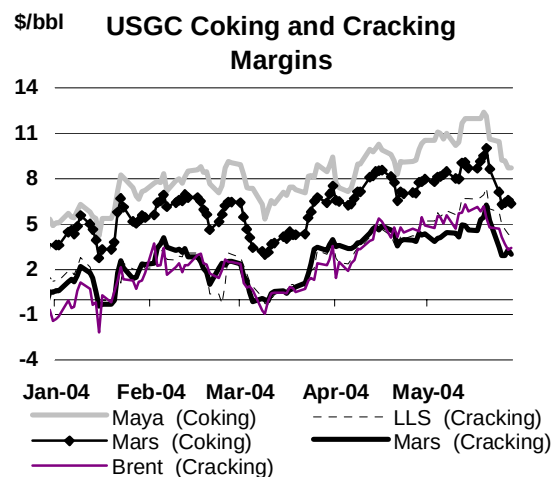
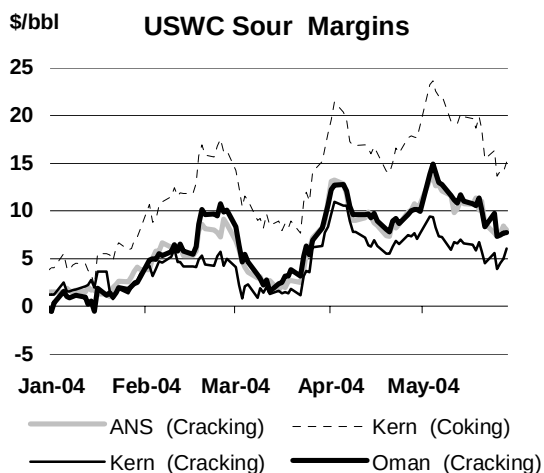
The Report has changed its refinery margin calculations, updating its methodology, increasing the coverage from four to six regions, expanding crude coverage from four to 13 and calculating coking margins in the US Gulf and West Coasts. The new calculations are designed to better reflect regional refinery economics and have been completely overhauled in conjunction with leading petroleum industry consultants Purvin and Gertz.

The calculations are now made on a 'full cost basis', from the previous 'marginal cost' methodology, which we believe provides a more accurate and comprehensive assessment of the profitability of the petroleum industry segment. This is particularly relevant to the consideration of downstream investment in the current environment, while the trend in margins should provide a better indication of refinery profitability.

Further, the broader coverage will provide a greater understanding of regional differences within the industry and competitive pressures. The new margin methodology is significantly more comprehensive than our existing calculations, encompassing a broader range of product outputs. Input costs take into account adjustments for energy, interest, inflation, insurance and wage costs along with variable costs such as electricity and refinery fuel costs and freight rates (where appropriate). A comprehensive historical series is available in the special features section of the OMR website, www.oilmarketreport.org.



The new calculations reinforce the common perception of relatively robust margins in the US and weaker returns in Europe, while underscoring the more difficult conditions facing refiners in Singapore and China. However, the magnitude of some of these differences is astounding.



US coking margins during the past few months have been exceptional in the US Gulf Coast, averaging between \$7 and \$10/bbl in April and May, but the magnitude of the return implied by our West Coast coking margins has been astounding. Kern coking margins peaked in May at over \$23/bbl and have averaged nearly \$13 in the first five months of this year. This compares with a peak of nearly \$12.50 in the Gulf Coast and a 2004 average to date of \$8.29 well ahead of a 2003 average of \$3.79.

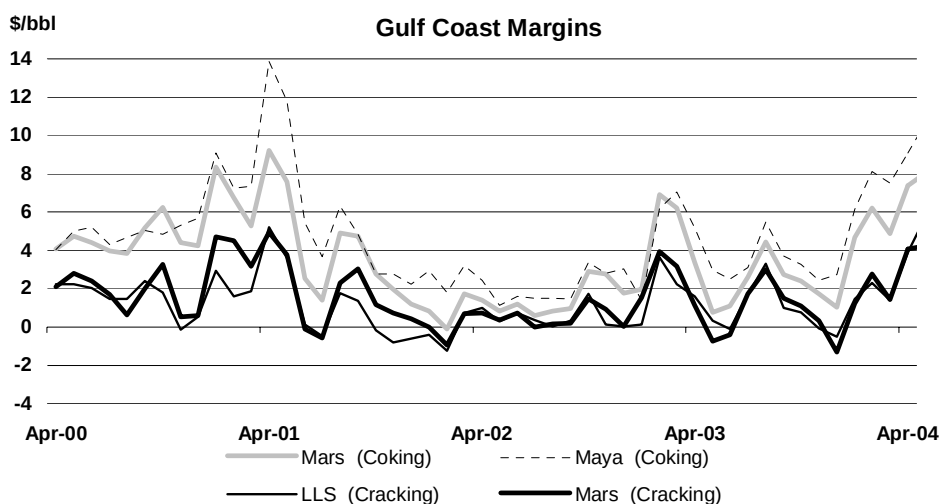
West Coast cracking margins have also been attractive, averaging \$6.74 for Oman, and \$4.69 for Kern so far this year, up from \$2.61 and \$2.64 respectively in 2003. That compares with an LLS cracking margin of \$2.93 so far this year on the Gulf Coast.

The Californian market is a metaphorical island for the petroleum industry. Not only is it geographically isolated by the Rockies, limiting crude and product transfer from other US regions, but also has the most stringent environmental regulations in the world. Consequently, few refiners outside of the region have the capability to meet Californian requirements. Faced with infrastructural and environmental barriers, there are significant difficulties in building new refineries and significant costs to upgrade existing facilities to keep pace with regulations.

A comparison of refining margins since 2000 shows that although average margins for Kern coking in the West Coast have been above Gulf Coast Maya coking margins (\$6.20 and \$4.72 respectively), returns to Gulf Coast refiners have been significantly less volatile. Investing to accommodate a short-term price peak might not have the same allure to a refiner accustomed to changes in fuel specifications. Upgrading to a coking facility can also be very expensive, requiring a high rate of return to encourage investment. Nevertheless, so far in 2004 coking in the West Coast has undoubtedly been a very profitable business.

With heavy crude forming a greater part of global supply in recent years, coking economics have been very attractive. Cracking LLS crude on the Gulf Coast has returned an average of \$3.42/bbl less than coking cheaper, heavy Maya crude. Maya coking margins in May were over \$10, nearly double LLS cracking margins.

The addition of a coker to an existing refinery is a costly process, and there are additional factors such as tankage, rail services, hydrotreating etc. that add to the required investment package and limit its application. Greenfield refineries are also expensive. An analyst at the American Petroleum Institute recently estimated that a 200k to 300 kb/d refinery could cost up to \$3 bn to build in the US. Clearly, even at current low interest rates, this requires a substantial return to cover investments. Refinery operations might currently be providing attractive returns, but have not done so regularly over the past 20 years.



Regulation and environmental concerns have also been a major issue in preventing the construction of new refineries in the US, leaving brownfield expansions to fill capacity needs. However, political moves are being made to try to accelerate the process. The Refinery Revitalisation Act of 2004 was introduced to Congress in early June, with the aim of boosting investment in the industry by streamlining the costly and cumbersome review and approval process. The act aims to encourage the restart of idled capacity and the building of new refineries in areas of high unemployment. The bill has been criticised by environmental groups.

Refining Margins in Major Refining Centres

(\$/bbl)

	Monthly Average			May 04 - Apr 04		Week Ending:				
	Mar 04	Apr 04	May 04	Change	%	30 Apr	07 May	14 May	21 May	28 May
Refining Margins										
NW Europe										
Brent (Cracking)	2.59	5.01	5.61	0.60		6.36	7.06	6.01	5.47	4.34
Urals (Cracking)	4.86	7.66	7.31	-0.35		8.54	8.72	7.56	7.01	5.93
Brent (Hydroskimming)	-1.11	0.80	0.64	-0.17		1.28	1.66	0.65	0.54	0.15
Urals (Hydroskimming)	-0.25	2.15	0.75	-1.40		2.08	1.72	0.58	0.52	0.06
Mediterranean										
Es Sider (Cracking)	3.03	5.57	5.69	0.12		5.84	6.88	5.78	5.07	4.33
Urals (Cracking)	4.58	6.58	6.94	0.36		7.64	8.21	6.73	6.36	5.65
Es Sider (Hydroskimming)	-0.79	1.14	0.32	-0.82		0.44	1.17	0.12	-0.13	-0.38
Urals (Hydroskimming)	-0.46	1.00	0.24	-0.76		1.25	1.26	-0.28	-0.29	-0.45
US Gulf Coast										
Brent (Cracking)	1.02	3.96	5.04	1.07		4.89	5.57	5.85	4.78	3.43
LLS (Cracking)	1.40	3.91	5.77	1.87		5.20	5.89	6.68	6.01	4.12
Mars (Cracking)	1.42	4.07	4.24	0.17		4.36	4.42	4.62	5.25	2.98
Mars (Coking)	4.87	7.39	8.04	0.64		7.96	8.47	8.71	8.65	6.36
Maya (Coking)	7.53	9.10	10.70	1.60		10.53	11.00	11.99	10.63	8.73
US West Coast										
ANS (Cracking)	4.47	9.85	10.32	0.48		10.77	12.08	10.76	8.70	8.02
Kern (Cracking)	2.92	7.60	6.43	-1.18		7.68	7.26	6.62	4.52	6.07
Oman (Cracking)	4.90	9.97	10.63	0.66		9.94	12.80	11.04	8.34	7.75
Kern (Coking)	10.99	17.27	18.67	1.41		18.99	22.12	19.87	15.47	15.11
Singapore										
Dubai (Hydroskimming)	-1.19	-0.72	-0.48	0.25		-0.30	0.48	-0.99	-0.63	-1.47
Tapis (Hydroskimming)	-1.92	-0.71	-0.93	-0.22		0.38	0.43	-1.38	-1.38	-1.40
Dubai (Hydrocracking)	1.23	1.72	2.51	0.79		2.63	3.77	2.02	2.32	1.41
Tapis (Hydrocracking)	-0.77	0.79	0.83	0.04		1.91	2.14	0.32	0.50	0.26
China										
Cabinda (Hydroskimming)	-1.74	-1.37	-1.85	-0.48		0.19	-0.37	-2.31	-1.85	-1.99
Daqing (Hydroskimming)	-1.91	-1.73	-3.10	-1.37		-0.84	-1.34	-3.18	-4.12	-2.99
Dubai (Hydroskimming)	-1.32	-0.91	-0.70	0.21		-0.39	0.37	-1.23	-0.89	-1.81
Daqing (Hydrocracking)	1.11	1.81	1.04	-0.77		2.79	2.62	0.90	0.41	0.99
Dubai (Hydrocracking)	1.22	1.68	2.44	0.76		2.70	3.80	1.94	2.23	1.21
Net Product Worth										
NW Europe										
Brent (Cracking)	37.32	39.16	44.28	5.12	13.1	42.30	45.53	46.27	43.92	42.19
Urals (Cracking)	35.69	37.48	42.17	4.69	12.5	40.37	43.32	44.10	41.77	40.16
Brent (Hydroskimming)	33.61	34.96	39.31	4.35	12.5	37.23	40.13	40.91	39.00	38.00
Urals (Hydroskimming)	30.58	31.97	35.61	3.64	11.4	33.90	36.33	37.11	35.27	34.29
Mediterranean										
Es Sider (Cracking)	36.57	38.41	43.92	5.51	14.3	41.21	44.42	45.44	43.65	42.15
Urals (Cracking)	35.15	36.95	42.23	5.28	14.3	39.77	42.78	43.70	41.88	40.50
Es Sider (Hydroskimming)	32.75	33.98	38.55	4.57	13.4	35.82	38.71	39.78	38.44	37.44
Urals (Hydroskimming)	30.11	31.37	35.53	4.15	13.2	33.37	35.83	36.69	35.23	34.41
US Gulf Coast										
Brent (Cracking)	37.38	39.38	44.99	5.61	14.2	41.71	44.88	47.27	44.87	42.93
LLS (Cracking)	38.35	40.21	45.79	5.58	13.9	42.31	45.73	48.02	45.65	43.67
Mars (Cracking)	33.60	35.30	40.21	4.91	13.9	37.11	39.97	42.10	40.39	38.42
Mars (Coking)	37.05	38.62	44.00	5.38	13.9	40.72	44.02	46.19	43.78	41.81
Maya (Coking)	35.66	37.51	43.28	5.77	15.4	39.94	43.23	45.62	43.24	40.89
US West Coast										
ANS (Cracking)	40.45	45.73	49.75	4.02	8.8	47.29	51.23	51.25	47.86	47.28
Kern (Cracking)	34.37	38.62	41.27	2.65	6.9	39.50	41.41	42.29	40.07	40.49
Oman (Cracking)	39.93	45.21	49.07	3.87	8.6	46.73	50.63	50.59	47.14	46.54
Kern (Coking)	42.45	48.28	53.52	5.23	10.8	50.81	56.27	55.54	51.02	49.53
Singapore										
Dubai (Hydroskimming)	30.67	31.93	35.30	3.37	10.6	34.03	35.87	35.93	35.57	34.65
Tapis (Hydroskimming)	34.27	35.11	39.09	3.99	11.4	38.00	40.22	39.80	39.21	38.41
Dubai (Hydrocracking)	33.08	34.37	38.29	3.92	11.4	36.97	39.17	38.94	38.53	37.52
Tapis (Hydrocracking)	35.42	36.60	40.85	4.25	11.6	39.52	41.94	41.50	41.09	40.07
China										
Cabinda (Hydroskimming)	32.48	32.74	36.43	3.68	11.2	35.78	37.73	37.34	36.22	35.92
Daqing (Hydroskimming)	31.30	31.19	34.71	3.52	11.3	34.24	36.08	35.64	34.39	34.35
Dubai (Hydroskimming)	31.15	32.35	35.72	3.38	10.4	34.45	36.28	36.36	35.98	35.07
Daqing (Hydrocracking)	34.32	34.72	38.84	4.12	11.9	37.87	40.05	39.72	38.93	38.33
Dubai (Hydrocracking)	33.70	34.93	38.86	3.92	11.2	37.54	39.71	39.53	39.10	38.09

Refinery costs and construction times vary. For example: The Chinese government has reported that China Petrochemical Corp plans to build a 160 kb/d refinery in Guangxi province at an estimated cost of \$1.3bn, with the decision, planning and construction process likely to be completed in three to four years. In other countries, expediting planning approval in such a time frame would be considered a success.

The US refining system processes domestic crude production and often in excess of 10 mb/d of imports, but still requires imports from Canadian, European, and South American refiners (along with some custom Caribbean units) to meet product requirements. The international interlinking of product prices mean that seasonal tightness in the US is exported globally, encouraging refiners to meet not only domestic requirements but to also factor in seasonal export demand. As these demands change, so too does the effective product balance of these regional refiners. European refiners therefore are seeing margins favouring higher gasoline yields in what is a regionally distillate-biased market. Such a shift also makes hydroskimming refineries, which comprise a large proportion of spare European capacity, relatively less attractive.

While Atlantic Basin refining margins have been attractive this year, hydroskimming margins in Europe remain poor and cracking margins in 2003 were best described as moderate. Asian margins remain erratic on a full cost basis, but on a marginal basis have been more attractive. Thus throughput can be maximised while future investment does not yet appear financially attractive. Nevertheless, this is the region where most capacity expansion is likely to take place in the coming years, with strategic and long-term interests and future demand growth helping to offset current financial limitations.

Clearly the rebalancing of global refinery operations to cope with robust demand growth in transportation fuels will take some time, which would suggest that strong and volatile refining margins are likely. However, it should also be stressed that the peaks in product prices appear to have been linked to refinery maintenance issues and product specification changes. Refiners, who operate at high capacity levels need to build product stocks during the off-season. This has to be supported by market conditions (contango) but product specification changes can also limit the opportunity to build stocks of the right specification.

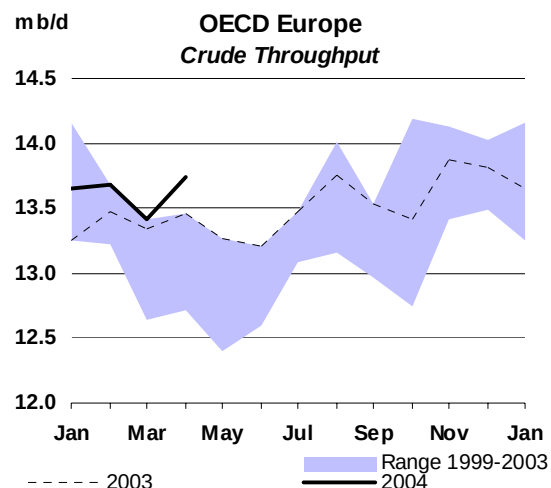
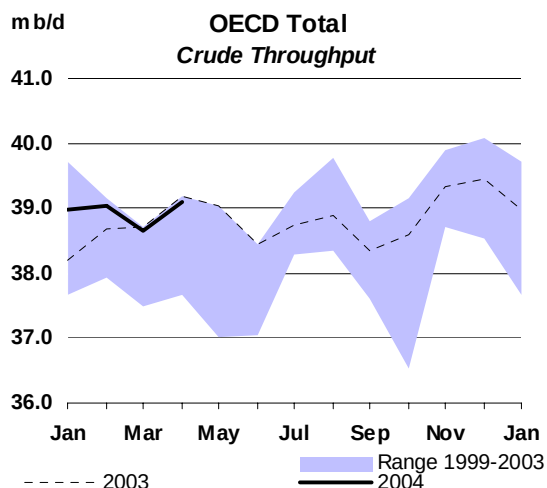
If refinery modifications are required, to produce new fuel specifications then the ability to build stocks will depend on the timing of the refinery conversion. With the emphasis in modern financial markets on short-term cost control, backwardated markets provide little incentive to invest in new technology ahead of their implementation. However, while this scenario may lead to spikes in product prices in the year when new product specifications are introduced, it does not mean they will be repeated to the same degree in ensuing years. Ultimately though tight crude markets feed back into product tightness, which is why the recent supply of additional crude by OPEC is welcome.

Short-term market considerations show that while US refiners continue to see very attractive returns on both a coking and cracking basis in the Gulf Coast and cracking margins remain healthy in Europe, hydroskimming margins have become less attractive. With hydroskimmers likely to process sweet, rather than sour crude, this downturn explains why an overhang of North Sea crude has developed in recent weeks. Asian hydrocracking margins continue to look attractive, although regional sweet crudes are highly priced relative to Middle Eastern crudes, helping to explain the recent increase in demand for both West African and Middle East crudes.

Refinery Throughput in April

OECD refinery throughput rose sharply in April to 39.09 mb/d from an upwardly revised 38.66 mb/d in March. A large upward revision to US and Canadian data of nearly 250 kb/d for March was largely offset by downward revisions in Europe and OECD Pacific. Sharp gains in throughput were seen, as expected in North America as US refiners geared up for the driving season, while European refiners benefited from the return of capacity from heavy March maintenance.

US refinery throughput rose to 15.14 mb/d in April from 14.8 mb/d in March, accounting for the bulk of North America's April increase. Provisional May numbers suggest that throughput jumped by nearly 1 mb/d to 16.1 mb/d as refiners pushed to meet demand ahead of the driving season and a number of unplanned glitches were resolved. US refiners are now running at 95% utilisation rates which although slightly below year ago levels, is pretty close to capacity and above the average for the driving season last year.



European refinery throughput jumped to 13.74 mb/d in April from 13.41 mb/d in March as heavy maintenance ended. Estimates show that nearly 800 kb/d of capacity was down in March across Europe, falling to just under 500 kb/d in April. Therefore, the economic impact of higher margins was limited to an increase of under 50 kb/d. Maintenance levels are expected to rise slightly in May, but falling back in June, but on balance the picture is relatively static for April, May and June.

April's refinery run rate was well above the 5-year range, and attractive refining margins for marginal capacity during May would suggest that throughput should have continued at this high level last month. However, by early June margins were less attractive, but given strong US and European demand, it is unlikely that this environment will persist.

European product supplies were also constrained in April and May by FSU refinery maintenance. The work was predominantly in the Ukraine, and contributed to the decline in gasoil exports during the month. Their return in June should help to improve regional middle distillate and fuel oil supplies.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day					Change from Apr 03			Utilisation rate ²	
	Nov 03	Dec 03	Jan 03	Feb 04	Mar 04	Apr 04	mb/d	%	Apr 04	Apr 03
OECD North America										
US ³	15.45	15.34	14.82	14.71	14.80	15.14	-0.44	-2.8	90.4	92.9
Canada	1.77	1.77	1.83	1.88	1.89	1.80	0.11	6.7	90.4	84.9
Mexico	1.16	1.21	1.29	1.31	1.25	1.30	0.06	4.5	77.4	72.0
Total	18.38	18.33	17.94	17.90	17.94	18.24	-0.27	-1.4	89.3	90.6
OECD Europe										
France	1.86	1.88	1.80	1.86	1.72	1.85	0.28	17.6	94.8	82.6
Germany	2.34	2.29	2.28	2.30	2.07	2.24	-0.05	-2.2	95.5	97.7
Italy	1.94	1.85	1.81	1.88	1.85	1.82	0.06	3.2	78.5	76.5
Netherlands	0.93	1.05	1.15	1.15	1.10	1.10	0.08	7.7	90.3	84.9
Spain	1.16	1.13	1.16	1.09	1.19	1.14	-0.07	-5.6	89.8	91.5
UK	1.59	1.65	1.62	1.65	1.70	1.73	0.09	5.3	95.5	92.1
Other OECD Europe	4.05	3.98	3.84	3.76	3.79	3.86	-0.10	-2.5	85.2	87.2
Total	13.87	13.81	13.66	13.68	13.41	13.74	0.28	2.1	89.0	87.4
OECD Pacific										
Japan	4.10	4.25	4.28	4.40	4.26	4.08	-0.15	-3.4	86.8	88.7
Korea	2.31	2.31	2.38	2.37	2.32	2.29	0.15	6.9	90.1	83.7
Other OECD Pacific	0.68	0.73	0.73	0.70	0.73	0.73	-0.10	-12.4	85.3	87.7
Total	7.08	7.30	7.39	7.47	7.31	7.11	-0.10	-1.4	87.7	87.0
OECD Total	39.34	39.44	38.99	39.05	38.66	39.09	-0.09	-0.2	88.9	88.8

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US\$0

The 200 kb/d dip in OECD Pacific refinery throughput in April marks the start of seasonal maintenance in the region, which deepened in May and should maintain similar levels in early June. Throughput typically hits a trough in July, before recovering as refineries crank up production to meet winter heating needs, but the early start to maintenance this year would suggest that the trough could actually be seen a month early. Japanese refinery utilisation averaged below 70% in the second half of May, and a number of Korean refineries were reported to have started maintenance in the second half of the month.

Non-OECD maintenance in Asia was relatively heavy in April, and moderated significantly in May, leaving net regional throughput relatively flat. Combined OECD and non-OECD maintenance should then reach a peak of over 1.2 mb/d in June before recovering to levels comparable with the start of the second quarter in July.

The net result of maintenance schedules should be a continued tightening of Asian product markets in June, while European product markets should ease further over the month, helping to alleviate peak seasonal gasoline demand in the US.

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

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	24.1	24.0	23.9	24.0	24.3	24.3	24.2	24.5	24.3	25.1	24.9	24.7	25.1	24.9	25.6	25.4	25.2
Europe	15.1	15.3	15.2	14.7	15.2	15.3	15.1	15.2	15.0	15.3	15.5	15.2	15.5	15.2	15.4	15.8	15.5
Pacific	8.6	8.5	9.1	7.6	8.0	9.3	8.5	9.6	8.0	7.9	9.0	8.6	9.2	7.9	7.9	8.9	8.5
Total OECD	47.8	47.8	48.2	46.3	47.5	48.9	47.8	49.3	47.3	48.3	49.4	48.6	49.8	48.0	49.0	50.0	49.2
NON-OECD DEMAND																	
FSU	3.7	3.7	3.5	3.1	3.4	3.8	3.5	3.8	3.1	3.4	3.9	3.6	3.5	3.6	3.4	3.8	3.6
Europe	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8
China	4.6	4.7	4.6	5.0	4.9	5.2	4.9	5.2	5.2	5.7	5.8	5.5	6.2	6.4	6.2	6.3	6.3
Other Asia	7.4	7.6	7.6	7.7	7.6	7.9	7.7	7.7	7.7	7.8	8.3	7.9	8.2	8.2	8.2	8.6	8.3
Latin America	4.9	4.9	4.7	4.8	4.9	4.7	4.8	4.5	4.7	4.8	4.8	4.7	4.7	4.8	4.9	4.9	4.8
Middle East	4.7	4.9	5.0	4.9	5.1	5.1	5.1	5.2	5.0	5.3	5.3	5.2	5.4	5.4	5.6	5.5	5.5
Africa	2.5	2.5	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.5	2.7	2.6	2.7	2.7	2.6	2.7	2.7
Total Non-OECD	28.4	29.0	28.8	28.9	29.2	30.2	29.3	29.9	29.0	30.4	31.5	30.2	31.5	31.8	31.6	32.6	31.9
Total Demand¹	76.2	76.8	77.0	75.3	76.7	79.1	77.0	79.2	76.3	78.6	81.0	78.8	81.3	79.7	80.6	82.6	81.1
OECD SUPPLY																	
North America	14.3	14.4	14.6	14.6	14.4	14.4	14.5	14.7	14.5	14.7	14.8	14.7	14.8	14.6	14.7	14.9	14.8
Europe	6.8	6.7	6.7	6.7	6.2	6.8	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	6.0	6.2	6.2
Pacific	0.9	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6
Total OECD	21.9	21.8	22.1	22.1	21.4	21.9	21.9	22.1	21.3	21.4	21.8	21.7	21.8	21.4	21.3	21.7	21.6
NON-OECD SUPPLY																	
FSU	7.9	8.6	9.0	9.2	9.5	9.8	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.0	11.2	11.3	11.1
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.2	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Other Asia	2.3	2.4	2.5	2.4	2.5	2.5	2.5	2.6	2.6	2.5	2.7	2.6	2.7	2.7	2.7	2.8	2.7
Latin America	3.8	3.8	3.9	3.9	3.9	3.8	3.9	3.9	3.8	4.0	4.0	3.9	3.9	3.9	4.0	4.1	4.0
Middle East	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	1.9	2.0	1.9	1.9	1.8	1.9	1.9
Africa	2.8	2.8	3.0	3.0	3.0	2.9	3.0	2.9	3.0	3.1	3.2	3.1	3.3	3.4	3.5	3.6	3.4
Total Non-OECD	22.5	23.2	24.0	24.2	24.7	24.7	24.4	24.9	25.1	25.6	26.2	25.5	26.3	26.6	26.8	27.2	26.7
Processing Gains ²	1.7	1.7	1.8	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8
Total Non-OPEC	46.1	46.7	47.9	48.1	47.8	48.5	48.1	48.9	48.2	48.7	49.8	48.9	49.9	49.8	49.9	50.8	50.1
OPEC																	
Crude ³	27.8	27.0	24.9	24.3	25.3	25.8	25.1	26.7	26.2	26.6	27.7	26.8	27.9				
NGLs	2.8	3.1	3.4	3.4	3.6	3.5	3.5	3.3	3.7	3.8	4.0	3.7	4.0	4.0	4.1	4.2	4.1
Total OPEC	30.7	30.2	28.3	27.7	28.9	29.3	28.6	29.9	29.8	30.4	31.6	30.5	31.9				
Total Supply⁴	76.7	76.9	76.2	75.8	76.7	77.7	76.6	78.8	78.1	79.2	81.4	79.4	81.8				
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.2	0.2	-0.3	0.5	-0.8	-1.1	-0.4	-0.6	1.3	0.5	-0.8	0.1	-0.4				
Government	-0.1	0.0	0.2	0.1	0.1	0.3	0.2	0.2	0.0	0.2	0.3	0.2	0.1				
Total	0.2	0.3	-0.1	0.7	-0.8	-0.8	-0.3	-0.5	1.3	0.7	-0.5	0.3	-0.2				
Floating Storage/Oil in Transit	0.1	-0.1	0.1	-0.3	0.2	-0.2	0.0	0.3	0.1	0.0	0.3	0.2	-0.2				
Miscellaneous to balance ⁵	0.3	-0.2	-0.9	0.1	0.6	-0.3	-0.1	-0.2	0.3	-0.2	0.7	0.2	1.0				
Total Stock Ch. & Misc	0.6	0.1	-0.9	0.5	0.0	-1.3	-0.4	-0.4	1.8	0.5	0.5	0.6	0.5				
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.3	27.0	25.7	23.8	25.3	27.2	25.5	27.0	24.4	26.1	27.2	26.2	27.4	25.9	26.6	27.6	26.9
Total Demand ex. FSU	72.5	73.2	73.5	72.2	73.3	75.2	73.6	75.4	73.1	75.2	77.1	75.2	77.8	76.2	77.2	78.8	77.5
Total demand exc. FSU (% ch) ⁷	0.9	0.9	-0.6	0.0	0.9	2.0	0.6	2.5	1.3	2.5	2.5	2.2	3.2	4.2	2.7	2.2	3.1

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

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

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

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

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

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

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

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

(million barrels per day)

	2000	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
OECD DEMAND																	
North America	-	-	-	-	-	-	-	-	0.1	0.2	-	0.1	0.1	0.4	0.3	-	0.2
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Total OECD	-	-	-	-	-	-	-	-	0.1	0.2	-	0.1	0.1	0.5	0.3	0.1	0.2
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	0.4	-	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	0.1	-	-	-	0.2	0.6	0.1	0.1	0.2
Total Demand	-	-	-	-	-	-	-	-	0.2	0.3	-	0.1	0.3	1.1	0.4	0.1	0.5
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	0.1	-	-0.1	-	-	-	-	-	-
Miscellaneous to balance	-	-	-	-	-	-	-	-	-0.2	-0.3	0.1	-0.1	-0.2	-	-	-	-
Total Stock Ch. & Misc	-	-	-	-	-	-	-	-	-0.2	-0.3	-	-0.1	-0.3	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	-	-	-	-	-	-	-	-	0.2	0.3	-	0.1	0.3	1.1	0.3	0.2	0.5
Total Demand ex FSU	-	-	-	-	-	-	-	-	0.1	0.3	-	0.1	0.3	0.7	0.4	0.1	0.4

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

	2001	1Q02	2Q02	3Q02	4Q02	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004
Demand (mb/d)																
North America	24.00	23.94	24.02	24.31	24.34	24.16	24.53	24.25	25.13	24.91	24.71	25.09	24.89	25.56	25.37	25.23
Europe	15.27	15.21	14.69	15.20	15.33	15.11	15.19	14.98	15.26	15.54	15.24	15.52	15.16	15.45	15.75	15.47
Pacific	8.54	9.06	7.64	8.03	9.26	8.50	9.60	8.04	7.88	8.99	8.63	9.24	7.91	7.95	8.93	8.50
Total OECD	47.81	48.21	46.35	47.54	48.93	47.76	49.32	47.28	48.27	49.43	48.58	49.84	47.95	48.96	50.05	49.20
FSU	3.65	3.48	3.11	3.38	3.84	3.45	3.81	3.14	3.45	3.87	3.57	3.49	3.55	3.40	3.84	3.57
Europe	0.75	0.81	0.75	0.70	0.76	0.75	0.82	0.76	0.71	0.77	0.77	0.84	0.78	0.73	0.79	0.78
China	4.67	4.64	5.02	4.94	5.20	4.95	5.21	5.18	5.73	5.85	5.49	6.21	6.38	6.19	6.34	6.28
Other Asia	7.57	7.56	7.70	7.62	7.87	7.69	7.73	7.67	7.80	8.29	7.87	8.22	8.20	8.18	8.58	8.30
Latin America	4.89	4.73	4.82	4.87	4.75	4.79	4.49	4.65	4.80	4.76	4.68	4.65	4.85	4.93	4.86	4.82
Middle East	4.93	5.02	4.94	5.15	5.13	5.06	5.18	4.96	5.34	5.33	5.20	5.38	5.36	5.61	5.48	5.46
Africa	2.55	2.58	2.59	2.51	2.60	2.57	2.63	2.63	2.54	2.66	2.61	2.68	2.68	2.58	2.71	2.66
Total Non-OECD	29.00	28.81	28.93	29.16	30.16	29.27	29.87	29.00	30.36	31.53	30.20	31.47	31.80	31.63	32.59	31.87
World	76.82	77.02	75.28	76.70	79.09	77.03	79.19	76.28	78.63	80.96	78.77	81.31	79.75	80.59	82.64	81.08
<i>of which:</i>																
US	19.65	19.53	19.72	19.92	19.87	19.76	19.98	19.76	20.57	20.25	20.14	20.36	20.37	20.95	20.62	20.58
Euro4	8.43	8.35	7.99	8.38	8.27	8.25	8.21	8.17	8.23	8.34	8.24	8.45	8.15	8.27	8.37	8.31
Japan	5.39	5.68	4.62	5.03	5.87	5.30	6.19	4.99	4.87	5.57	5.40	5.89	4.80	4.86	5.49	5.26
Korea	2.13	2.35	1.99	2.01	2.37	2.18	2.41	2.03	1.98	2.37	2.20	2.32	2.05	2.03	2.34	2.19
Mexico	1.99	1.99	1.98	1.97	1.98	1.98	2.02	2.07	2.07	2.07	2.06	2.07	2.05	2.09	2.13	2.08
Canada	2.04	2.08	2.02	2.09	2.15	2.09	2.17	2.10	2.17	2.25	2.17	2.30	2.15	2.20	2.28	2.23
Brazil	2.20	2.16	2.17	2.23	2.23	2.20	2.03	2.08	2.17	2.19	2.12	2.14	2.21	2.24	2.25	2.21
India	2.27	2.31	2.31	2.21	2.33	2.29	2.37	2.29	2.24	2.43	2.33	2.55	2.44	2.35	2.50	2.46
Annual Change (% per annum)																
North America	-0.2	-1.6	0.8	1.0	2.4	0.6	2.5	0.9	3.4	2.3	2.3	2.3	2.6	1.7	1.9	2.1
Europe	1.1	0.0	-0.5	-2.0	-1.7	-1.1	-0.1	2.0	0.4	1.3	0.9	2.2	1.2	1.3	1.4	1.5
Pacific	-0.9	-3.6	-4.2	0.0	5.4	-0.5	6.0	5.3	-1.9	-2.9	1.5	-3.8	-1.7	0.9	-0.7	-1.4
Total OECD	0.1	-1.5	-0.5	-0.2	1.7	-0.1	2.3	2.0	1.5	1.0	1.7	1.1	1.4	1.4	1.2	1.3
FSU	-0.3	-6.3	-7.1	-1.6	-6.6	-5.5	9.3	1.2	2.1	0.6	3.3	-8.3	13.0	-1.2	-0.6	0.2
Europe	6.0	0.8	1.1	1.4	1.5	1.2	1.8	1.5	1.6	1.7	1.6	1.8	1.9	2.0	2.2	2.0
China	2.5	3.9	1.1	9.7	9.0	5.9	12.3	3.3	16.1	12.5	11.1	19.3	23.2	8.1	8.3	14.3
Other Asia	2.1	0.7	1.7	1.9	2.1	1.6	2.2	-0.4	2.4	5.3	2.4	6.4	6.9	4.9	3.4	5.4
Latin America	0.4	-1.0	-2.6	-1.6	-2.5	-1.9	-4.9	-3.5	-1.5	0.3	-2.4	3.5	4.1	2.8	2.1	3.1
Middle East	4.0	2.6	2.4	2.7	2.7	2.6	3.2	0.3	3.7	3.7	2.8	3.9	8.1	5.1	2.8	4.9
Africa	3.5	0.0	0.5	2.2	1.0	0.9	2.1	1.7	1.0	2.2	1.7	1.8	1.7	1.8	1.8	1.7
Total Non-OECD	2.1	0.2	-0.1	2.3	1.3	0.9	3.7	0.3	4.1	4.5	3.2	5.4	9.6	4.2	3.4	5.6
World	0.8	-0.8	-0.4	0.8	1.5	0.3	2.8	1.3	2.5	2.4	2.3	2.7	4.5	2.5	2.1	2.9
Annual Change (mb/d)																
North America	-0.06	-0.39	0.18	0.24	0.58	0.15	0.59	0.23	0.82	0.57	0.55	0.56	0.63	0.43	0.46	0.52
Europe	0.17	0.00	-0.08	-0.31	-0.26	-0.16	-0.02	0.30	0.06	0.21	0.13	0.33	0.18	0.19	0.22	0.23
Pacific	-0.08	-0.34	-0.33	0.00	0.48	-0.04	0.55	0.41	-0.15	-0.27	0.13	-0.37	-0.14	0.07	-0.06	-0.12
Total OECD	0.03	-0.73	-0.23	-0.07	0.80	-0.05	1.11	0.93	0.73	0.50	0.82	0.52	0.67	0.69	0.62	0.63
FSU	-0.01	-0.24	-0.24	-0.05	-0.27	-0.20	0.33	0.04	0.07	0.02	0.11	-0.32	0.41	-0.04	-0.02	0.01
Europe	0.04	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02
China	0.12	0.17	0.05	0.44	0.43	0.27	0.57	0.17	0.79	0.65	0.55	1.01	1.20	0.46	0.49	0.79
Other Asia	0.16	0.05	0.13	0.14	0.16	0.12	0.16	-0.03	0.18	0.42	0.19	0.49	0.53	0.38	0.28	0.42
Latin America	0.02	-0.05	-0.13	-0.08	-0.12	-0.09	-0.23	-0.17	-0.07	0.01	-0.11	0.16	0.19	0.13	0.10	0.14
Middle East	0.19	0.13	0.12	0.13	0.14	0.13	0.16	0.01	0.19	0.19	0.14	0.20	0.40	0.27	0.15	0.26
Africa	0.09	0.00	0.01	0.05	0.03	0.02	0.06	0.04	0.03	0.06	0.04	0.05	0.04	0.04	0.05	0.05
Total Non-OECD	0.60	0.07	-0.04	0.65	0.37	0.26	1.06	0.08	1.20	1.37	0.93	1.60	2.79	1.27	1.06	1.68
World	0.63	-0.66	-0.27	0.57	1.17	0.21	2.17	1.01	1.93	1.87	1.74	2.12	3.47	1.96	1.68	2.31
Changes from Last Month's Report																
North America	-	-	-	-	-	-	-0.03	0.09	0.24	-0.02	0.07	0.06	0.44	0.28	0.04	0.20
Europe	-	-	-	-	-	-	-	-	-	0.01	-	0.03	-0.04	0.01	0.03	0.01
Pacific	-	-	-	-	-	-	-	-	-	-	-	0.01	0.05	0.01	-	0.02
Total OECD	-	-	-	-	-	-	-0.03	0.09	0.24	-0.01	0.07	0.10	0.45	0.29	0.07	0.23
FSU	-	-	-	-	-	-	-	0.04	-	-	0.01	-	0.36	-	-	0.09
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	0.04	0.12	-	-	0.04
Other Asia	-	-	-	-	-	-	-	0.01	0.01	0.01	0.01	0.11	0.01	-	-	0.03
Latin America	-	0.01	0.01	0.01	0.03	0.02	0.03	0.02	0.02	0.02	0.02	0.10	0.12	0.07	0.06	0.09
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	0.01	0.01	0.01	0.03	0.02	0.03	0.06	0.02	0.03	0.04	0.25	0.61	0.07	0.06	0.24
World	-	0.01	0.01	0.01	0.03	0.02	-	0.16	0.26	0.02	0.11	0.35	1.06	0.36	0.12	0.47

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2002	2003	2004	4Q03	1Q04	2Q04	3Q04	4Q04	Mar 04	Apr 04	May 04
OPEC											
Crude Oil											
Saudi Arabia	7.38	8.48		8.24	8.21				8.15	8.00	8.37
Iran	3.40	3.78		3.95	3.92				3.96	4.00	4.00
Iraq	2.01	1.33		1.82	2.11				2.38	2.34	2.13
UAE	1.99	2.29		2.26	2.28				2.25	2.08	2.25
Kuwait	1.60	1.87		1.97	1.95				1.95	1.99	2.02
Neutral Zone	0.54	0.61		0.61	0.60				0.60	0.58	0.56
Qatar	0.64	0.74		0.74	0.75				0.76	0.77	0.79
Nigeria	1.97	2.15		2.28	2.33				2.33	2.28	2.33
Libya	1.32	1.42		1.45	1.47				1.48	1.49	1.51
Algeria	0.85	1.11		1.15	1.14				1.15	1.12	1.18
Venezuela	2.29	2.01		2.19	2.17				2.18	2.18	2.17
Indonesia	1.11	1.01		1.00	0.98				0.97	0.97	0.97
Total Crude Oil	25.08	26.78		27.66	27.92				28.15	27.80	28.27
Total NGLs ¹	3.47	3.67	4.10	3.96	4.01	4.05	4.11	4.23	4.03	4.04	4.03
Total OPEC	28.55	30.46		31.62	31.94				32.18	31.84	32.30
NON-OPEC²											
OECD											
North America	14.50	14.66	14.76	14.80	14.79	14.63	14.70	14.90	14.79	14.66	14.55
United States	8.06	7.88	7.87	7.84	7.85	7.81	7.86	7.99	7.88	7.83	7.77
Mexico	3.59	3.79	3.81	3.84	3.82	3.84	3.78	3.78	3.82	3.90	3.81
Canada	2.86	3.00	3.08	3.12	3.12	2.98	3.07	3.13	3.09	2.93	2.97
Europe	6.61	6.35	6.21	6.44	6.38	6.20	6.02	6.23	6.37	6.21	6.17
UK	2.50	2.29	2.15	2.26	2.20	2.11	2.12	2.17	2.22	2.13	2.09
Norway	3.33	3.26	3.23	3.37	3.36	3.26	3.07	3.24	3.31	3.27	3.25
Others	0.78	0.80	0.83	0.82	0.82	0.83	0.83	0.83	0.84	0.82	0.83
Pacific	0.76	0.65	0.60	0.59	0.60	0.59	0.61	0.62	0.58	0.57	0.59
Australia	0.71	0.61	0.55	0.55	0.55	0.54	0.56	0.57	0.53	0.52	0.54
Others	0.05	0.05	0.05	0.04	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Total OECD	21.88	21.66	21.56	21.83	21.77	21.41	21.33	21.75	21.74	21.44	21.30
NON-OECD											
Former USSR	9.37	10.31	11.10	10.72	10.84	11.03	11.18	11.33	10.91	10.98	11.05
Russia	7.66	8.49	9.15	8.82	8.93	9.10	9.23	9.33	8.99	9.05	9.12
Others	1.71	1.82	1.95	1.90	1.91	1.93	1.95	2.00	1.92	1.93	1.93
Asia	5.89	6.00	6.15	6.06	6.13	6.15	6.16	6.18	6.09	6.16	6.15
China	3.39	3.41	3.42	3.41	3.43	3.42	3.42	3.42	3.39	3.44	3.43
Malaysia	0.79	0.83	0.85	0.86	0.87	0.86	0.85	0.84	0.87	0.85	0.86
India	0.78	0.79	0.81	0.82	0.81	0.82	0.81	0.80	0.79	0.83	0.81
Others	0.94	0.97	1.07	0.97	1.02	1.05	1.08	1.13	1.04	1.05	1.05
Europe	0.18	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
Latin America	3.90	3.94	3.99	4.00	3.92	3.94	3.98	4.11	3.91	3.93	3.95
Brazil	1.72	1.77	1.80	1.76	1.74	1.75	1.79	1.90	1.76	1.73	1.76
Argentina	0.80	0.78	0.73	0.77	0.74	0.73	0.73	0.73	0.72	0.74	0.73
Colombia	0.59	0.55	0.53	0.54	0.53	0.54	0.53	0.52	0.53	0.55	0.53
Ecuador	0.40	0.43	0.53	0.53	0.51	0.53	0.53	0.55	0.50	0.52	0.53
Others	0.39	0.40	0.40	0.40	0.40	0.40	0.40	0.41	0.40	0.40	0.40
Middle East³	2.09	1.98	1.87	1.95	1.89	1.88	1.85	1.85	1.87	1.89	1.87
Oman	0.90	0.82	0.75	0.81	0.76	0.76	0.75	0.73	0.75	0.77	0.76
Syria	0.55	0.53	0.50	0.52	0.51	0.50	0.49	0.49	0.51	0.50	0.50
Yemen	0.45	0.44	0.42	0.44	0.43	0.42	0.42	0.41	0.43	0.43	0.42
Africa	2.99	3.06	3.43	3.25	3.31	3.40	3.45	3.56	3.31	3.33	3.41
Egypt	0.75	0.75	0.72	0.74	0.73	0.71	0.71	0.73	0.71	0.70	0.71
Angola	0.90	0.88	0.96	0.91	0.93	0.94	0.95	1.03	0.92	0.93	0.95
Gabon	0.25	0.24	0.24	0.25	0.24	0.24	0.23	0.23	0.24	0.24	0.24
Others	1.09	1.19	1.51	1.35	1.41	1.51	1.56	1.57	1.43	1.47	1.51
Total Non-OECD	24.41	25.46	26.70	26.16	26.26	26.57	26.78	27.20	26.25	26.47	26.60
Processing Gains ⁴	1.76	1.80	1.83	1.82	1.85	1.81	1.81	1.85	1.85	1.81	1.81
TOTAL NON-OPEC	48.05	48.93	50.10	49.81	49.88	49.79	49.92	50.80	49.84	49.72	49.71
TOTAL SUPPLY	76.60	79.38		81.43	81.82				82.02	81.55	82.02

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

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

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

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

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Dec2003	Jan2004	Feb2004	Mar2004	Apr2004*	Apr2001	Apr2002	Apr2003	2Q2003	3Q2003	4Q2003	1Q2004
North America												
Crude	374.7	379.8	386.1	405.4	414.1	427.0	438.3	399.4	-0.01	-0.03	-0.15	0.34
Motor Gasoline	233.7	236.3	234.2	234.4	240.9	235.2	251.6	238.9	0.05	-0.11	0.08	0.01
Middle Distillate	210.0	195.4	181.2	173.8	176.3	178.6	196.0	164.6	0.19	0.25	0.05	-0.40
Residual Fuel Oil	45.7	46.5	49.3	48.1	46.2	48.7	42.9	39.5	0.03	-0.03	0.05	0.03
Total Products ³	645.1	625.3	608.2	606.5	620.5	620.9	662.4	590.3	0.66	0.16	-0.08	-0.42
Total ⁴	1150.5	1135.2	1130.7	1149.8	1169.2	1188.6	1249.3	1121.1	0.88	0.25	-0.56	-0.01
Europe												
Crude	311.1	315.2	313.2	336.6	324.6	322.0	314.2	327.8	-0.09	-0.08	0.06	0.28
Motor Gasoline	116.0	122.5	120.9	112.6	107.4	114.9	121.2	112.0	-0.09	-0.01	0.08	-0.04
Middle Distillate	236.9	241.1	226.5	216.9	219.2	217.1	244.0	220.6	0.17	0.22	-0.16	-0.22
Residual Fuel Oil	78.0	77.7	74.4	73.7	73.0	86.7	68.5	73.9	-0.03	0.05	0.07	-0.05
Total Products ³	532.1	543.7	522.7	501.8	499.0	528.2	541.8	507.8	0.10	0.23	-0.02	-0.33
Total ⁴	914.1	930.7	908.7	912.7	897.3	911.6	920.2	909.5	-0.02	0.20	0.01	-0.02
Pacific												
Crude	179.9	172.8	182.5	175.4	171.3	180.8	162.8	166.8	0.07	-0.05	-0.04	-0.05
Motor Gasoline	22.4	25.0	26.4	25.4	26.4	26.5	26.9	26.4	0.00	-0.02	-0.02	0.03
Middle Distillate	74.2	66.6	61.2	54.7	58.6	75.2	68.3	63.2	0.17	0.13	-0.10	-0.21
Residual Fuel Oil	22.8	23.0	21.8	19.9	22.2	23.5	23.0	23.8	0.03	-0.02	0.00	-0.03
Total Products ³	183.9	176.6	171.7	158.2	165.6	194.0	184.5	177.1	0.29	0.15	-0.22	-0.28
Total ⁴	435.3	419.9	422.9	401.5	406.2	460.6	424.9	413.5	0.44	0.07	-0.26	-0.37
Total OECD												
Crude	865.7	867.9	881.8	917.3	910.1	929.7	915.4	894.0	-0.04	-0.17	-0.13	0.57
Motor Gasoline	372.1	383.7	381.5	372.4	374.7	376.6	399.7	377.3	-0.05	-0.14	0.14	0.00
Middle Distillate	521.1	503.1	468.8	445.4	454.1	471.0	508.3	448.4	0.53	0.59	-0.21	-0.83
Residual Fuel Oil	146.5	147.2	145.5	141.7	141.3	159.0	134.4	137.2	0.03	0.00	0.12	-0.05
Total Products ³	1361.2	1345.6	1302.5	1266.5	1285.1	1343.1	1388.7	1275.2	1.05	0.54	-0.33	-1.04
Total ⁴	2499.9	2485.8	2462.3	2464.0	2472.7	2560.8	2594.5	2444.1	1.30	0.52	-0.81	-0.39

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Dec2003	Jan2004	Feb2004	Mar2004	Apr2004*	Apr2001	Apr2002	Apr2003	2Q2003	3Q2003	4Q2003	1Q2004
North America												
Crude	638.4	641.2	646.9	652.1	657.9	542.4	566.7	599.6	0.10	0.17	0.15	0.15
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	156.7	156.6	156.0	157.2	157.2	140.0	143.7	150.7	-0.05	-0.03	0.06	0.01
Products	211.9	211.3	209.7	208.7	208.7	211.4	206.0	201.8	-0.01	0.06	0.04	-0.04
Pacific												
Crude	384.7	384.8	384.7	386.8	386.8	367.0	379.1	383.0	0.00	0.00	0.02	0.02
Products	11.0	11.0	11.0	11.0	11.0	6.7	7.3	9.6	0.00	0.01	0.01	0.00
Total OECD												
Crude	1179.8	1182.5	1187.6	1196.1	1201.9	1049.3	1089.5	1133.3	0.05	0.14	0.24	0.18
Products	224.9	224.3	222.7	221.7	221.7	220.1	215.3	213.3	-0.01	0.06	0.05	-0.04
Total ⁴	1405.7	1407.8	1411.3	1418.8	1424.6	1270.4	1305.7	1347.7	0.04	0.20	0.29	0.14

* estimated

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

2 Closing stock levels.

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

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

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

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

	End March 2003		End June 2003		End September 2003		End December 2003		End March 2004 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	149.3	71	161.8	75	170.4	76	160.8	70	174.8	-
Mexico	51.5	25	44.2	21	41.4	20	39.0	19	38.9	-
United States ⁴	1476.8	75	1561.0	77	1594.3	79	1568.9	77	1568.2	-
Total ⁵	1699.7	70	1789.1	72	1828.2	73	1790.9	71	1804.0	72
Pacific										
Australia	39.8	46	38.1	43	36.0	39	32.4	37	33.8	-
Japan	619.0	124	646.7	133	653.6	117	636.3	108	614.4	-
Korea	137.0	67	152.1	77	154.5	65	154.5	67	142.9	-
New Zealand	9.8	66	8.5	60	8.5	63	7.9	54	8.3	-
Total	805.6	100	845.4	107	852.6	95	831.1	90	799.3	101
Europe⁶										
Austria	17.6	60	18.5	62	20.3	70	20.9	81	23.2	-
Belgium	29.1	48	27.5	47	29.1	45	27.7	44	28.4	-
Czech Republic	15.3	82	13.5	71	13.4	68	16.4	95	15.6	-
Denmark	15.4	85	15.5	85	16.3	86	16.8	87	15.6	-
Finland	24.7	121	23.9	112	23.2	103	26.5	123	27.8	-
France	175.0	89	173.3	84	179.2	85	185.3	87	176.4	-
Germany	258.6	95	260.7	98	258.6	98	264.9	100	262.7	-
Greece	29.3	75	32.3	85	30.9	66	27.5	57	24.9	-
Hungary	17.9	136	17.6	130	18.3	120	16.8	140	19.5	-
Ireland	10.9	62	11.0	64	11.9	63	12.0	61	12.0	-
Italy	136.3	75	134.6	73	140.7	75	135.2	73	135.6	-
Luxembourg	0.9	17	0.8	14	0.8	16	1.0	17	0.8	-
Netherlands	95.4	103	106.5	115	111.1	116	100.1	106	107.2	-
Norway	33.2	141	21.1	82	23.1	98	27.2	103	28.5	-
Poland	27.2	67	27.9	61	26.9	60	28.7	69	29.7	-
Portugal	24.0	74	24.7	72	25.6	79	25.3	81	24.4	-
Spain	122.8	81	121.1	79	121.4	77	122.4	78	123.5	-
Sweden	34.3	114	34.0	113	36.1	117	35.8	119	31.8	-
Switzerland	36.1	146	37.2	144	37.4	143	36.1	140	35.4	-
Turkey	55.6	89	54.8	77	55.2	83	55.1	85	54.9	-
United Kingdom	99.8	60	95.7	58	92.9	54	101.9	56	101.7	-
Total	1259.4	84	1252.3	82	1272.6	82	1283.6	83	1279.6	84
Total OECD	3764.7	80	3886.9	81	3953.4	80	3905.5	78	3882.8	81
DAYS OF IEA Net Imports⁷	-	110	-	114	-	115	-	111	-	111

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

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

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

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled <i>Millions of Barrels</i>	Industry	Total	Government ¹ controlled <i>Days of Fwd. Demand²</i>	Industry
1Q2001	3794	1270	2524	81	27	54
2Q2001	3864	1268	2597	81	27	55
3Q2001	3925	1265	2660	82	26	55
4Q2001	3905	1284	2621	81	27	54
1Q2002	3899	1302	2597	84	28	56
2Q2002	3958	1314	2644	83	28	56
3Q2002	3887	1319	2567	79	27	52
4Q2002	3809	1343	2466	77	27	50
1Q2003	3765	1357	2408	80	29	51
2Q2003	3887	1361	2526	81	28	53
3Q2003	3953	1379	2574	80	28	52
4Q2003	3906	1406	2500	78	28	50
1Q2004	3883	1419	2464	81	30	51

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 1Q2004 (when latest forecasts are used).

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

	2001	2002	2003	2Q03	3Q03	4Q03	1Q04	Jan 04	Feb 04	Mar 04	Year Earlier	
											Mar 03	change
Saudi Light & Extra Light												
North America	0.69	0.70	0.64	0.75	0.63	0.66	0.56	0.56	0.59	0.55	0.55	-0.01
Europe	0.92	0.92	1.00	1.14	0.99	0.95	0.85	1.04	0.82	0.69	1.03	-0.34
Pacific	1.22	1.22	1.18	1.16	1.04	1.12	1.14	1.13	1.08	1.22	1.51	-0.29
Saudi Medium												
North America	0.73	0.86	0.83	0.94	0.79	0.71	0.72	0.79	0.75	0.61	0.91	-0.29
Europe	0.15	0.11	0.11	0.13	0.14	0.07	0.07	0.05	0.11	0.05	0.09	-0.04
Pacific	0.17	0.16	0.24	0.26	0.20	0.30	0.31	0.30	0.35	0.28	0.25	0.03
Saudi Heavy												
North America	0.21	0.20	0.30	0.48	0.25	0.19	0.19	0.21	0.13	0.23	0.41	-0.18
Europe	0.14	0.09	0.19	0.26	0.21	0.16	0.16	0.13	0.18	0.16	0.17	-0.01
Pacific	0.15	0.12	0.16	0.21	0.15	0.15	0.13	0.14	0.14	0.12	0.15	-0.04
Iraqi Basrah Light ^c												
North America	0.65	0.35	0.44	0.24	0.20	0.82	0.75	0.63	0.86	0.76	0.57	0.18
Europe	0.15	0.08	0.09	0.05	0.04	0.15	0.22	0.21	0.17	0.28	0.08	0.20
Pacific	0.01	0.02	0.03	..	..	0.11	0.14	0.16	0.16	0.12	..	..
Iraqi Kirkuk												
North America	0.09	0.14	0.06	0.02	..	..	..	..	..	..	0.17	..
Europe	0.31	0.32	0.12	0.04	0.04	..	0.03	..	..	0.07	0.43	-0.36
Pacific	0.01	0.00	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.16	0.17	0.19	0.24	0.17	0.18	0.14	0.19	0.08	0.14	0.21	-0.07
Pacific	0.13	0.12	0.17	0.16	0.16	0.17	0.18	0.20	0.17	0.18	0.18	0.00
Iranian Heavy ^a												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.53	0.44	0.59	0.57	0.74	0.55	0.42	0.38	0.52	0.38	0.52	-0.14
Pacific	0.63	0.54	0.69	0.67	0.58	0.74	0.73	0.65	0.85	0.71	0.80	-0.10
Venezuelan Light & Medium												
North America	0.61	0.68	0.69	0.83	0.75	0.84	0.61	0.71	0.62	0.51	0.64	-0.13
Europe	0.07	0.08	0.02	0.04	0.01	0.01	..	..	..	..	0.03	..
Pacific	0.00	0.00	0.00	..	0.00	0.00	..	..	..	..	0.00	..
Venezuelan 22 API and heavier												
North America	0.65	0.55	0.60	0.66	0.83	0.73	0.79	0.76	0.92	0.69	0.50	0.18
Europe	0.07	0.05	0.06	0.05	0.07	0.09	0.05	0.05	0.05	0.05	0.04	0.01
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92	1.32	1.31	1.46	1.37	1.31	1.30	1.36	1.29	1.19	0.09
Europe	0.14	0.17	0.16	0.17	0.21	0.13	0.14	0.11	0.14	0.16	0.16	0.00
Pacific	0.01	0.00	0.00	..	0.01	..	0.01	0.02	..	..	..	..
Mexican Isthmus												
North America	0.04	0.01	0.00	0.00	..	..	..	..	..	..	0.01	..
Europe	0.03	0.01	0.00	0.00	..	0.00	..	..	..	..	0.00	..
Pacific	0.01	0.01	0.00	..	0.01	..	0.01	0.04	..	..	..	..
Russian Urals												
North America	..	0.03	0.14	0.23	0.33	..	0.01	0.00	0.03	..	..	..
Europe	1.10	1.32	1.62	1.50	1.70	1.75	2.04	1.78	2.20	2.14	1.68	0.46
Pacific	0.01	0.01	0.00	..	..	0.01	0.00	0.01	..	..	..	..
Nigerian Light ^a												
North America	0.50	0.39	0.63	0.59	0.78	0.67	0.80	0.76	0.92	0.71	0.56	0.15
Europe	0.38	0.32	0.41	0.38	0.44	0.38	0.31	0.38	0.29	0.28	0.46	-0.18
Pacific	0.02	0.06	0.08	0.03	0.05	0.09	0.12	0.19	0.07	0.10	0.09	0.01
Nigerian Medium												
North America	0.31	0.16	0.17	0.21	0.10	0.21	0.26	0.22	0.17	0.39	0.14	0.25
Europe	0.10	0.06	0.06	0.04	0.04	0.09	0.03	0.04	0.01	0.06	0.05	0.01
Pacific	0.00	0.01	0.01	..	..	..	0.02	0.03	0.03	..	..	..

1 Data based on monthly submissions from IEA countries to the crude oil import register (in '000 bbl), subject to availability. May differ from Table 21 of the Report.

IEA North America includes United States and Canada.

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

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

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
Regional OECD Imports^{1,2}
(thousand barrels per day)

	2001	2002	2003	2Q03	3Q03	4Q03	1Q04	Jan 04	Feb 04	Mar 04	Year Earlier	
											Mar 03	% change
Crude Oil												
North America	8020	7584	8027	8441	8475	8013	8028	7644	7832	8596	7946	8%
Europe	8592	8662	8983	8972	9228	9048	9830	9375	10254	9889	9097	8%
Pacific	6895	6422	6711	6720	6098	6680	7033	6821	7515	6796	7206	-6%
Total OECD	23506	22668	23722	24133	23801	23741	24892	23840	25601	25280	24249	4%
of which Non-OECD	22184	21132	22462	22901	22366	22673	23738	22824	24481	23958	23041	4%
LPG												
North America	28	39	27	15	16	33	29	48	5	34	37	-8%
Europe	251	228	207	161	191	223	252	250	255	250	241	4%
Pacific	546	553	541	525	553	523	550	530	548	572	579	-1%
Total OECD	825	820	774	701	759	779	831	828	808	856	857	0%
of which Non-OECD	818	788	717	640	706	765	828	825	803	854	739	13%
Naphtha												
North America	59	42	68	90	90	64	53	60	79	22	37	-66%
Europe	298	298	311	308	273	323	307	283	296	343	377	-10%
Pacific	647	705	770	711	839	761	782	749	891	712	761	-7%
Total OECD	1005	1045	1150	1109	1202	1149	1142	1092	1266	1078	1175	-9%
of which Non-OECD	953	990	1092	1031	1138	1090	1076	1042	1178	1014	1152	-14%
Gasoline³												
North America	673	680	694	889	695	569	677	450	612	963	744	23%
Europe	148	179	170	169	147	182	245	210	258	267	165	38%
Pacific	36	58	70	70	79	76	102	97	105	103	50	52%
Total OECD	857	917	935	1127	921	828	1023	758	975	1333	959	28%
of which Non-OECD	579	621	615	727	625	561	628	562	634	689	521	24%
Jet & Kerosene												
North America	139	97	97	108	114	67	47	39	65	39	99	-150%
Europe	247	221	208	202	248	216	183	195	116	234	183	22%
Pacific	73	97	103	49	48	133	91	97	84	91	61	34%
Total OECD	459	416	408	359	410	415	321	331	265	365	343	6%
of which Non-OECD	408	367	379	331	354	398	310	323	251	353	325	8%
Gasoil/Diesel												
North America	186	102	128	88	126	87	195	159	227	201	244	-21%
Europe	601	690	685	781	637	662	714	633	767	745	568	24%
Pacific	31	53	74	78	66	77	57	61	54	57	68	-21%
Total OECD	817	846	887	948	829	826	966	853	1048	1003	880	12%
of which Non-OECD	763	804	843	915	785	783	944	841	1010	985	838	15%
Heavy Fuel Oil												
North America	314	237	325	316	306	323	369	337	411	361	413	-14%
Europe	403	474	398	378	455	448	374	378	379	367	319	13%
Pacific	81	89	89	105	72	81	76	65	70	94	64	31%
Total OECD	799	800	812	799	833	853	820	780	860	822	797	3%
of which Non-OECD	721	749	767	759	797	805	772	758	792	767	760	1%
Other Products												
North America	703	689	701	791	759	618	881	752	999	898	671	25%
Europe	737	739	674	584	707	703	671	694	631	684	679	1%
Pacific	218	256	229	232	222	198	246	254	240	242	287	-19%
Total OECD	1658	1685	1604	1608	1688	1518	1797	1701	1871	1825	1636	10%
of which Non-OECD	1228	1302	1189	1151	1210	1184	1329	1152	1451	1393	1256	10%
Total Products												
North America	2103	1887	2041	2298	2106	1762	2251	1846	2397	2519	2244	11%
Europe	2686	2829	2653	2583	2658	2757	2747	2643	2703	2891	2533	12%
Pacific	1631	1811	1875	1769	1879	1849	1903	1853	1993	1871	1870	0%
Total OECD	6420	6527	6569	6650	6644	6368	6901	6342	7093	7281	6647	9%
of which Non-OECD	5470	5621	5602	5554	5614	5586	5888	5503	6120	6056	5592	8%
Total Oil												
North America	10122	9471	10068	10739	10581	9775	10279	9490	10229	11115	10190	8%
Europe	11277	11491	11636	11555	11886	11805	12577	12018	12958	12779	11630	9%
Pacific	8526	8233	8587	8489	7977	8529	8937	8674	9508	8666	9076	-5%
Total OECD	29925	29195	30291	30783	30445	30109	31793	30182	32694	32561	30896	5%
of which Non-OECD	27654	26752	28064	28455	27980	28259	29627	28327	30602	30014	28632	5%

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

2. Excludes intra-regional trade

© OECD/IEA. All Rights Reserved

The International Energy Agency's ('IEA') makes every attempt to ensure, but does not guarantee, the accuracy and completeness of the information or the clarity of content of the Oil Market Report (hereafter the 'OMR'). The IEA shall not be liable to any party for any inaccuracy, error or omission contained or provided in this OMR or for any loss, or damage, whether or not due to reliance placed by that party on information in this OMR.

The Executive Director and Secretariat of the IEA are responsible for the publication of the OMR. Although some of the data are supplied by IEA Member-country governments, largely on the basis of information they in turn receive from oil companies, neither these governments nor these oil companies necessarily share the Secretariat's views or conclusions as expressed in the OMR. The OMR is prepared for general circulation and is distributed for general information only. Neither the information nor any opinion expressed in the OMR constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities.

The OMR is copyrighted by the IEA. The user may reference or copy this OMR for personal, non-commercial use provided that there be a specific written reference to the IEA as the source of the material. No part of the OMR may be copied, reproduced, republished, displayed, distributed or posted on servers in any manner for commercial purposes or for compensation of any kind without the prior written permission of the IEA (rights@iea.org).

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halff (+33) 0*1 40 57 65 93 e-mail: antoine.halff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org
	Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France
Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 69
E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

Readers are referred to the Users' Guide, published in conjunction with the Annual Statistical Supplement (current issue dated 11 August 2003), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to US\$ per barrel according to the Platt's specification of products (©2004 Platt's - a division of McGraw-Hill Inc.).

The monthly Oil Market Report is published on the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member Governments, largely on the basis of information received from oil companies, neither governments nor companies necessarily share the Secretariat's views or conclusions as expressed therein. ©OECD/IEA2004

13 July 2004

HIGHLIGHTS

- World oil demand growth is projected to ease to 1.8 mb/d in 2005 from a 2.5 mb/d high in 2004, reflecting more moderate global economic expansion. Non-OECD economies continue to account for the bulk of the increase. Upward revisions to baseline OECD demand bring the global demand forecast for 2004 to 81.4 mb/d and 83.2 mb/d in 2005.
- Non-OPEC oil supply in 2005 is forecast to repeat the 1.2 mb/d growth anticipated for 2004, and will average 51.3 mb/d. The FSU underpins this growth, adding 585 kb/d in 2005. African supply rises by 375 kb/d, driven by Angola. Latin America will see output up by 285 kb/d, based largely on Brazil. OPEC non-crude oil supply rises by 420 kb/d in 2005.
- OPEC crude supply averaged 28.6 mb/d in June, increasing 635 kb/d from May despite a 325 kb/d reduction from Iraq. The “call on OPEC crude & stock change” for 2004 is revised up 300 kb/d to 27.2 mb/d. The call for 2005 rises modestly to 27.4 mb/d.
- OECD industry oil inventories rose 33 mb in May to 2506 mb, 12 mb higher than last year. While crude stocks returned to more comfortable levels in the OECD, product stocks remained tight. Days of forward demand cover in May was depressed at 51.7 days, little changed from that in April and similar to the low cover level of 2003.
- NYMEX WTI futures topped \$40 in early July. Concerns over strong demand and supply disruption issues prevailed over higher OPEC output in June. Strength in transportation fuels re-emerged, and concerns remain that refiners’ focus on gasoline, diesel and jet fuel could delay production of heating oil ahead of the winter.

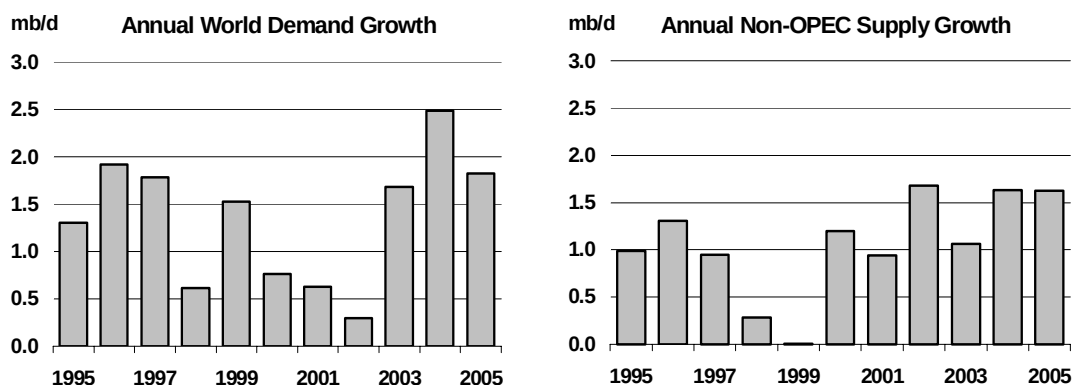
Next Issue: 11 August 2004

CONTENTS

HIGHLIGHTS.....	1
FIRST LOOK: 2005	3
DEMAND	4
Summary 4	
From 2004 to 2005 4	
OECD 8	
Revisions to Historical Data	8
Early Indications of Current Demand	9
North America	10
Europe	11
Pacific.....	12
Non-OECD 12	
FSU	12
China	13
SUPPLY.....	15
Summary 15	
2005 Outlook: Non-OPEC Supply 16	
OECD 18	
North America	18
North Sea.....	19
Other OECD.....	20
Former Soviet Union (FSU) 20	
Russia	20
Other FSU	21
Other Non-OPEC 21	
Africa	21
Latin America.....	22
Asia & Middle East.....	23
OPEC 23	
OECD STOCKS.....	28
Summary 28	
OECD Industry Stock Changes in May 2004 29	
Revisions to Preliminary OECD Stocks and Inventory Position at End-May 29	
OECD Regional Stock Developments 30	
North America	30
Europe	31
Pacific.....	31
Singapore Stock Developments in June 32	
PRICES AND REFINERY ACTIVITY	34
Summary 34	
June Overview 35	
Crude Oil Prices 35	
Spot Crude Prices and Differentials	35
Crude Futures	37
Delivered Crude Prices in April.....	37
Product Prices 38	
Spot Product Prices	38
Product Futures.....	42
End-User Product Prices in June	43
Freight 43	
Refining Margins 44	
Refinery Throughput in May 44	
TABLES	48
OIL MARKET REPORT CONTACTS	

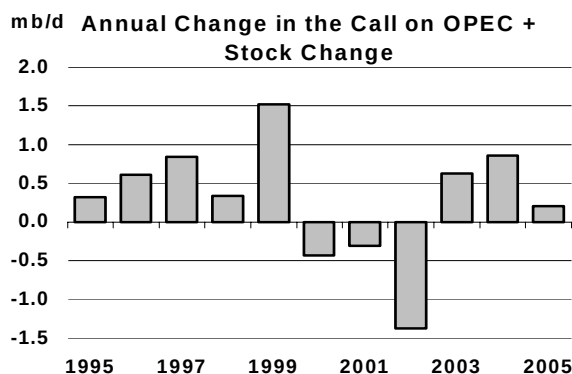
FIRST LOOK: 2005

This Report details our estimates for 2005 global demand and non-OPEC supply. We expect oil demand to grow by 1.8 mb/d, or 2.2%, in 2005. This projection is on par with the level of growth experienced in 2003, as the global economy was recovering from a steep, but short-lived, recession. But it might seem conservative in contrast with the record 2.5 mb/d - an astounding 3.2% - projected for 2004. A contributing factor in this year's robust, synchronous growth was the transfer of manufacturing activity to less energy-efficient non-OECD countries and their increasing propensity to consume. Because we believe there are capacity and infrastructure limits to which these countries can sustain these levels of activity, we expect economic and oil demand growth to moderate in 2005 from 2004.



The 2005 demand estimate assumes: normal weather, a moderate slowdown in global GDP growth, an easing of crude oil and product prices and a modest reduction in Chinese oil consumption growth. Even so, Chinese oil demand is expected to grow by 510 kb/d, or 8.1% in 2005. The Middle East is also expected to contribute strong consumption growth in 2005 of 260 kb/d or 4.7%. These high growth rates contrast with substantially lower oil demand growth in the OECD of slightly less than 1% in 2005, holding flat in OECD Asia but rebounding slightly in OECD Eastern Europe.

Non-OPEC supply, including non-crude production from OPEC, is expected to show robust growth of around 1.6 mb/d in 2005. Non-OPEC supply growth averages over 1.0 mb/d per year during 1995-2005. Russia has been the engine of non-OPEC supply growth over the last half of this period and has the capacity to maintain strong growth in the future. However, in light of recent developments in Russia, this Report takes a more conservative approach to supply growth in 2005. Despite ongoing investments in infrastructure that should allow higher rates of exports, we expect Russian production growth to slow to 400 kb/d in 2005. There are both upside and downside risks associated with this assumption. Elsewhere, Angolan supply is forecast to grow by 250 kb/d and Brazil by 215 kb/d. In addition, OPEC NGL, condensates and non-conventional crude are expected to grow by 420 kb/d.



The net result of the projected supply-demand balances is that the 'call on OPEC' crude plus stock change is set to grow by only 200 kb/d in 2005 versus 900 kb/d in 2004. The key variable here is the projected moderation in economic activity and oil demand growth. Should oil demand growth continue at 2004 rates, not only would there be a greater 'call on OPEC' crude, but these requirements would tax oil infrastructure from the wellhead to the gas pump.

But a few caveats are in order. Supply uncertainties in Iraq, Nigeria, Russia and Venezuela, demand uncertainties in China, North America and Asia and continuing tensions in the Middle East will affect our projections to varying degrees as the year unfolds. The market sets off into the next 18 months with limited spare production and distribution capacity. Product stocks are still low heading into a winter of unpredictable weather. Finally, while most analysts predict a moderate decline in economic growth next year, reduced liquidity from higher interest rates and tighter credit policies could sharpen the decline.

DEMAND

Summary

- **Global oil product demand for 2005** is forecast to grow by 1.82 mb/d, or 2.2%. Average demand for the year is projected at 83.23 mb/d.
- **Non-OECD economies** are expected to provide more than three quarters of incremental demand for 2005, including 510 kb/d from **China** and 270 kb/d from **other non-OECD Asian economies**.
- **The demand barrel keeps getting lighter.** As in previous years, **distillates** will account for the bulk of the volumetric increase for 2005. In the OECD, gasoil demand is projected to increase by 190 kb/d, more than 40% of the total increment. Residual fuel oil consumption is expected to decline.
- The **estimate of demand growth for 2004** has been raised by 180 kb/d, to 2.49 mb/d, due mostly to stronger-than-expected **FSU implied demand**. In addition, baseline demand for 2003 and earlier has been raised. Those two adjustments combined lift 2004 demand by a total of 330 kb/d from last month's Report, to 81.41 mb/d.

Global Oil Demand from 2003 to 2005

	Demand (mb/d)	Annual Change* (%)	(mb/d)	Changes from last month's Report (mb/d)
1Q03	79.5	3.0	2.3	0.3
2Q03	76.4	1.2	0.9	0.1
3Q03	78.6	2.2	1.7	-
4Q03	81.2	2.3	1.9	0.2
1Q04	81.5	2.5	2.0	0.2
2Q04	80.4	5.2	3.9	0.6
3Q04	80.8	2.8	2.2	0.2
4Q04	82.9	2.2	1.8	0.3
1Q05	83.5	2.4	2.0	
2Q05	82.0	2.1	1.7	
3Q05	82.7	2.3	1.9	
4Q05	84.7	2.2	1.8	
2003	78.9	2.2	1.7	0.1
2004	81.4	3.2	2.5	0.3
2005	83.2	2.2	1.8	

* year-on-year change

- **Historical OECD demand data** have been revised upwards, with Japan accounting for the bulk of the increase. Revisions for recent years include upward adjustments of 130 kb/d for 2000, 125 kb/d for 2001 and 211 kb/d for 2002. Those changes, which have been carried forward as adjustment factors, stem from the IEA's annual review of OECD data. Data for 2003 have been revised upwards by 104 kb/d, reflecting both the new annual adjustment factors and revisions to 2003 monthly oil statistics. Findings from the IEA's review of annual non-OECD data for 2002 and earlier will be incorporated in next month's Report.

From 2004 to 2005

Despite record high prices, oil consumption is growing at a breakneck pace. Based on current estimates, oil product demand expanded by roughly 1.7 mb/d, or 2.2%, in 2003, and is set to grow by nearly 2.5 mb/d, or 3.2%, in 2004. A further gain of 1.82 mb/d, or 2.2%, is expected for 2005.

This sequence of gains contrasts with the milder growth pattern of 1998 to 2002, roughly the period from the Asian financial crisis to the global economic downturn of 2000-2001 and its aftershock. During that time, annual demand growth averaged 765 kb/d, sinking to a low of 300 kb/d, or 0.4%, in 2002.

Demand growth in the late 1990s and early 2000s was slowed, first and foremost, by adverse economic conditions, be it on a regional scale during the Asian financial crisis or, more recently, at a more global level. Meanwhile, much of the economic growth that was achieved during that time was led by sectors with relatively low energy intensities, such as the service industries and the internet economy. Those economic effects were compounded by fuel-switching away from oil in both OECD and non-OECD economies. Switching from oil to natural gas for electricity generation was embraced in various countries, including parts of OECD Europe, OECD Asia and Southeast Asia, the US and the FSU.

The current oil demand rebound mirrors those developments. World oil consumption bounced back in 2003 with the beginning of the US and global economic recovery, helped by low interest rates and US tax cuts. At the same time, supply shortfalls affecting other forms of energy caused wide-scale fuel switching into oil by electric utilities and industrial users. Those one-off disruptions included a natural gas price spike and natural gas deliverability issues in the US and extended nuclear plant shutdowns in Japan. An exceptionally cold 2002-2003 winter in the northern hemisphere further boosted demand. While some of those factors have since abated, rapid and synchronous economic recovery spanning most of the globe helped fuel record-high oil demand growth starting in late 2003. Two of the world's fastest growing economies, the US and China, are among those that have recently experienced the steepest oil demand growth, with Chinese apparent demand soaring by more than 1 mb/d in the first half of this year.

Our forecast for 2005 reflects the expectation that the world economy will continue to expand at a relatively fast pace of around 4%, albeit more slowly than the 5% factored in for 2004. Uncertainties regarding the pace of economic growth continue to cloud the outlook. Of particular concern is the sustainability of Chinese economic expansion. China has been a key driver of both global economic growth and global oil demand in recent months. Recently, there have been signs that Beijing had achieved some success in its bid to restrict loans and prevent overheating of the economy, but concerns remain that its efforts may either not be enough or overshoot their target and cause a hard landing. Chinese imports of some commodities have slowed dramatically. The working assumption in this Report is that robust Chinese economic growth will continue through 2005, albeit at a somewhat slower pace than in 2004. US economic expansion is also expected to moderate in 2005, despite an improving labour market and recovering consumer confidence, due to the reversal of tax and interest-rate stimulus measures that helped spur the recent rebound.

Global Oil Demand by Region

(million barrels per day)

	Demand	Annual Change			Annual Change (%)		
	2004	2003	2004	2005	2003	2004	2005
North America	25.11	0.47	0.53	0.26	1.9	2.2	1.0
Europe	16.33	0.11	0.24	0.20	0.7	1.5	1.2
OECD Pacific	8.63	0.14	-0.15	0.00	1.7	-1.7	0.0
China	6.29	0.55	0.80	0.51	11.1	14.5	8.1
Other Asia	8.30	0.18	0.42	0.27	2.4	5.4	3.2
Subtotal Asia	23.22	0.87	1.07	0.78	4.1	4.9	3.3
FSU	3.69	0.11	0.13	0.12	3.3	3.6	3.3
Middle East	5.56	0.18	0.31	0.26	3.6	6.0	4.7
Africa	2.68	0.04	0.06	0.09	1.7	2.4	3.3
Latin America	4.82	-0.11	0.14	0.11	-2.4	3.0	2.2
World	81.41	1.68	2.49	1.82	2.2	3.2	2.2

As a matter of policy, the IEA does not release any price forecast. Directionally, the price assumptions used in this forecast rest on the expectation that robust non-OPEC supply growth will partly counter-balance demand gains and that the 200 kb/d boost in the 'call on OPEC' implied in our balances will be easily met by projected OPEC capacity expansions and a ramp-up in Iraqi exports. While that would allow some easing of prices, persistently tight infrastructure capacity and political risks in some producing countries could limit the scope for a product price drop. Importantly, price effects are expected to remain at least partly offset by income gains, especially in the faster-growing emerging economies such as China. Short-term price effects are thus expected to be relatively subdued, except in some of the slower, oil-import dependent, emerging economies, but those economies' share of global oil demand is relatively modest. As in the case of the "oil shocks" of the

1970s, the real effect of sustained high oil prices may be lagged, reflecting the delayed impact of policy measures and long-term consumer shifts towards greater fuel efficiency.

As in 2004, the non-OECD region is expected to provide the bulk of incremental demand for 2005. Chinese demand growth is forecast at 510 kb/d, roughly in line with projections for the second half of 2004, but significantly slower than the torrid pace of the first half of this year. Although slower Chinese economic growth may cool domestic energy consumption, infrastructure and structural developments are expected to provide both a floor and a ceiling to Chinese demand growth. Paradoxically, a change of pace in Chinese economic growth may have a greater impact on oil demand in neighbouring and client economies, whose own growth depends on the scope on Chinese import requirements.

Among the structural factors likely to boost Chinese oil consumption, large petrochemical capacity increases scheduled to come on stream in 2005 will support naphtha demand, while continued expansion of both the automobile fleet and the highway network will sustain road fuel consumption. Airport infrastructure additions and increased air travel will boost jet fuel usage. Residual fuel oil and gasoil demand for power generation may subside somewhat, but new coal, hydro, natural gas and nuclear power-plants will not be enough to bridge the widening gap between electricity demand and generation capacity, and are thus unlikely to displace diesel demand for back-up power generators. On the other hand, limited refining and oil-import capacity and transportation bottlenecks may put a cap on Chinese demand growth by constraining supply. Refining capacity is already stretched, and disclosed company budgets may not be enough to fund substantial expansions in the short term. New import terminal capacity is mostly for crude and residual fuel oil, and thus may not help accommodate larger imports of light products.

Estimated Annual World Oil Demand Growth 2000-2005

	(million barrels per day)					
	00-99	01-00	02-01	03-02	04-03	05-04
North America	0.26	-0.06	0.10	0.47	0.53	0.26
Latin America	-0.01	0.02	-0.09	-0.11	0.14	0.11
FSU	0.09	-0.01	-0.20	0.11	0.13	0.12
Europe	-0.12	0.20	-0.03	0.11	0.24	0.20
OECD Pacific	-0.04	-0.07	-0.04	0.14	-0.15	0.00
China	0.26	0.12	0.27	0.55	0.80	0.51
Other Asia	0.09	0.16	0.12	0.18	0.42	0.27
Subtotal, Asia	0.31	0.20	0.36	0.87	1.07	0.78
Middle East	0.18	0.19	0.13	0.18	0.31	0.26
Africa	0.05	0.09	0.02	0.04	0.06	0.09
World	0.76	0.63	0.30	1.68	2.49	1.82

Infrastructure improvements may support demand growth in other economies as well. Indian gasoline and diesel demand is likely to surge once the country's ambitious road construction programmes, including the so-called "quadrilateral" highway project and the complementary east-west and north-south axes, are brought to completion. While that may not happen for another two to three years, completion of key segments will likely start boosting consumption as early as next year.

A substantial increase in oil demand is also expected from oil exporting economies, particularly Middle East Gulf and North African producers. Demand growth there is driven by three key factors: an oil revenue windfall enhanced by several consecutive years of high international oil prices, deeply subsidised domestic oil product prices, and explosive population growth. Demand assessments for those economies are hampered by a notorious scarcity of consumption data. The few statistics that are available, however, along with anecdotal market evidence and product export trends, confirm that a sharp increase in domestic demand has occurred over the last two years (adjustments to the demand baseline for those economies will be implemented when findings of the IEA's annual review of non-OECD data are incorporated in next month's Report). Although several countries have taken steps to curb domestic oil consumption (including through promotion of natural gas for power generation, as in the case of Saudi Arabia, or through reductions in product price subsidies, as in Iran), those measures are unlikely to offset continuing demographic expansion and high oil revenues. Additional factors may further enhance Middle Eastern and North African demand growth, including a surge in Middle Eastern tourism, the lifting of US economic sanctions on Libya, and the unleashing of pent-up Iraqi demand since the end of the war and the liberalisation of the Iraqi economy.

In the FSU, the revenue windfall brought by high oil prices has been further enhanced by surging oil production growth. But in contrast with Middle East producers, that has been partly offset, until recently, by demographic decline and, more importantly, efficiency gains associated with consolidation and rationalisation in the highly oil-intensive heavy industry inherited from the Soviet Union. A recent slowdown in the pace of FSU export growth, amid continued sharp production gains, suggests that the tide may be turning. Apparent demand is on the rebound and product exports have thinned. But whether that fully reflects a pick-up in end-user domestic demand, or in part a temporary bottleneck in export capacity, remains to be ascertained. This Report's FSU demand forecast strikes a balance between expectations of export capacity increases and projections of rising domestic demand for gasoline and diesel. However, given uncertainties regarding the timing of pipeline expansion projects, the projected curve of FSU demand growth may be adjusted.

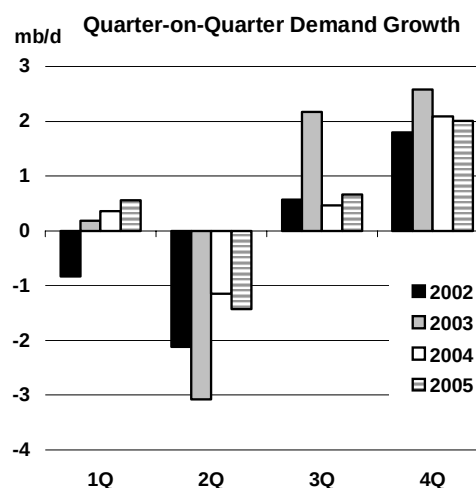
OECD economies are expected to provide a comparatively smaller contribution to global oil demand growth in 2005. North America will account, once again, for the bulk of the OECD increment. However, soaring diesel demand growth this year is unlikely to be replicated next year in a context of moderating economic growth. Residual fuel oil and distillate demand for power generation will also be further constrained by technical limitations in dual-use turbines as well as the higher environmental cost of burning oil compared to natural gas, especially during the summer months.

European demand growth is expected to exceed that in North America in percentage terms in 2005 for the first time in four years. Most of the growth in OECD Europe will likely occur outside of the largest economies. Growth will be driven in part by continued gains in transportation fuel demand in Eastern and Central Europe, further enhanced by an expected expansion in manufacturing and petrochemical activity resulting from European Union accession. In addition, German heating oil demand is expected to rebound in 2005 after contracting in 2004. In a pattern similar to that of 2000-2001, delays in German consumer buying, in expectation of an elusive product price drop, may hamper full residential stock rebuilding ahead of winter. That would lead to higher demand year-on-year in the first half of 2005. A return to normal weather would also boost heating demand in the 2004-2005 winter compared to the previous year.

Demand in the OECD Asia-Pacific region is expected to remain flat in 2005. While continued economic recovery in Japan and higher heating demand associated with the assumption of normal weather, in contrast with milder-than-normal winter temperatures this year, are expected to support oil demand growth, that will be offset by fuel switching away from oil in Japan and Korea, along with efficiency gains associated with the conversion of the Korean automobile fleet to diesel. As most Japanese nuclear plant outages were brought to an end by early 2004, the plants' restart may not, in and of itself, cause as pronounced a dip in oil demand from the utility sector in 2005 as in 2004. But it will allow power generators to renew their long-standing drive to switch out of oil, a trend which the nuclear outages had temporarily reversed.

Aside from the amount of expected incremental demand and the geographical distribution of growth, two key messages can be taken away from this forecast. One, which is fully within expectations, is the continued lightening of the demand barrel. Most of the projected growth in oil demand is in light products, including naphtha, gasoline, jet fuel and distillates, while demand for residual fuel oil is generally contracting. This is true even of China, despite soaring residual fuel oil imports in recent months, as a large percentage of those imports is understood to be for further processing as feedstock at small refineries, rather than for end-user consumption.

The other message may come as more of a surprise in light of past expectations for 2004, and regards the relative flattening of the annual demand curve (see graph). Soaring demand in China and the rest of Asia has rebalanced the quarterly allocation of demand towards a less pronounced second-quarter dip than has been the case historically. In contrast with OECD demand, which sinks to a seasonal low in the second quarter, Chinese apparent demand often shows a secondary peak, and sometimes even a primary peak, during that time: In addition, the growing share of Chinese and non-OECD demand in global demand will likely continue to offset the traditional summer trough in OECD distillate demand, as more gasoil will be needed to meet summer cooling requirements in the fast-growth areas of southeast China and other emerging economies.



OECD

Revisions to Historical Data

In conjunction with the IEA's annual review of historical OECD petroleum data, adjustments have been made to demand estimates for several OECD economies for 2002 and earlier. The aggregate result of the changes is a net increase in OECD annual demand which has been carried forward as an adjustment factor, lifting 2003 estimates, compounding the effect of upward adjustments to the 2004 growth forecast and boosting 2005 projections accordingly. IEA annual surveys are more comprehensive and offer more product detail than monthly surveys, and are generally taken to be more accurate.

For 2002, annual oil data submissions of OECD countries have raised total OECD demand by 211 kb/d, of which Japan accounts for 164 kb/d. In the case of Japan, the annual review of 2002 data has been accompanied by a switch to new methodological standards adopted by the Ministry of the Economy, Trade and Industry. Data from 1990 onwards have been revisited, resulting in changes which, up to 1998, remain relatively modest: estimates have been trimmed by 30 kb/d for 1993 and 1994 and 50 kb/d for 1995, but raised by 20 kb/d for 1996, 70 kb/d for 1997 and 53 kb/d for 1998. The changes are larger for more recent years, however: besides the 2002 increase, demand estimates have been lifted by 91 kb/d for 1999, 128 kb/d for 2000 and 141 kb/d for 2001. Most of the changes are in residual fuel oil, "other products" and LPG. On aggregate, the changes paint a slightly gentler picture of the decline in Japanese oil use starting in 1996 than previously estimated, though directionally the trend is unchanged. As far oil demand for power generation is concerned, however, the changes are reversed, and the initial decline in utility oil use from 1994 to 2000 now appears somewhat steeper than previously estimated. Utility fuel-switching away from oil has clearly dented total consumption levels of both residual fuel oil and crude for direct burn every year since 1994, until nuclear plant shutdowns forced a temporary rebound in 2002 (see graph). With most of the outages behind us, the decline in demand is now expected to resume.

Aside from the Japanese gain and an 11 kb/d increase in New Zealand, the upward adjustments to demand for 2002 were all in Europe. Aggregate European demand was raised by 121 kb/d, including increases of 71 kb/d in the UK, 27 kb/d in Poland, 22 kb/d in Italy and 11 kb/d in Norway, partly offset by drops of 9 kb/d Ireland and 8 kb/d in Sweden. Aggregate OECD Asia Pacific demand was raised by 139 kb/d, with a 31 kb/d downward adjustment in Korea partly counterbalancing the gains in Japan and New Zealand. In North America, the changes were all downwards, including cuts of 43 kb/d in Mexico and 7 kb/d in Canada.

For each country and each main product category, the spread between annual demand assessments for 2002 and the average of monthly oil statistics for that year has been carried forward as an adjustment factor applied to monthly data from 2003 onwards. That new set of adjustment factors replaces those that had been derived from last year's review of 2001 annual data. But while the new adjustment factors are larger, the resulting boost to 2003 demand assessments is partly muted by downward changes from monthly data resubmissions. The net result is that 2003 OECD demand has been adjusted upwards by roughly 100 kb/d, or less than half the 2002 adjustment. That, in turn, has trimmed the 2003 OECD demand growth assessment by 110 kb/d, to 710 mb/d. However, that estimate remains subject to revisions, as several OECD economies have yet to submit final monthly data for 2003.

North America accounts for the bulk of the provisional cut in the 2003 growth assessment. US data resubmissions have trimmed the regional average by an additional 80 kb/d, on top of the 49 kb/d reduction carried forward from 2002. North American growth for 2003 is thus now provisionally assessed at 470 kb/d, from 550 kb/d last month. A smaller upward adjustment to UK demand for 2003 than for 2004 cuts European growth to 100 kb/d, down from 130 kb/d last month. The Asia Pacific region bucks the trend, with a slight increase in 2003 average monthly data boosting year-on-year growth by 10 kb/d.

Early Indications of Current Demand

OECD demand estimates for the first quarter of 2004 have been raised by 160 kb/d, the bulk of which reflects higher baseline demand resulting from 2002 data revisions. In addition, new data add roughly 30 kb/d each to March demand estimates for the Netherlands and Sweden.

For April, the impact of baseline revisions is compounded by even larger upward adjustments to preliminary delivery estimates and growth forecasts. In aggregate, demand assessments for Germany, Italy and France have been raised by roughly 200 kb/d from preliminary delivery figures, and by 350 kb/d for the rest of OECD Europe from forecasts (including baseline adjustments). For Japan, delivery data revisions, combined with a large baseline increase, lift estimated April demand by 230 kb/d from preliminary estimates. In all, April OECD demand has been raised by nearly 720 kb/d.

The OECD demand picture painted by the Monthly Oil Statistics (MOS) for April thus differs substantially from the one sketched by last month's preliminary data. Whereas raw preliminary statistics for eight of the largest OECD economies pointed to a demand contraction of nearly 2%, revised data for the same economies show growth of 330 kb/d, or 0.9% (raw preliminary data had been adjusted upwards in last month's Report in anticipation of future revisions, so the increase versus previous OMR figures is less dramatic). For the OECD as a whole, April data now show growth of 855 kb/d, or 1.8%, extending the 2.9% gain posted in March.

Provisional delivery figures for eight of the largest OECD economies point to further growth in May. If experience is any guide, those figures may be revised substantially upwards. But the average delivery expansion of 0.6% shown by the raw data conceals sharp contrasts between strong North American growth and decline elsewhere (see table below). Japanese and German deliveries appear particularly weak. While a 7.9% drop in Japan makes sense in light of reduced utility requirements, an 18.3% contraction in Germany, led by a drop of more than 50% in heating oil deliveries, comes as more of a surprise, given the relatively low level of reported German consumer heating oil inventories. In contrast, US deliveries show a 6.1% surge, with the increment spanning the entire demand barrel.

Preliminary Inland Deliveries – May 2004¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	9.20	0.9	1.60	5.7	3.02	6.6	0.99	19.3	0.77	14.8	4.93	12.6	20.51	6.1
Canada	0.70	1.5	0.14	12.9	0.43	-0.2	0.06	0.0	0.16	8.2	0.27	-1.9	1.75	1.9
Mexico	0.62	2.0	0.06	14.3	0.30	-3.2	0.00	na	0.31	-19.9	0.37	2.8	1.66	-3.4
Japan	1.04	1.6	0.36	10.1	0.63	-1.0	0.43	-1.1	0.35	-39.1	1.42	-11.0	4.23	-7.9
Korea	0.16	-7.1	0.07	60.0	0.39	-4.2	0.05	-15.5	0.25	-10.6	0.99	3.0	1.91	-0.6
France	0.25	-9.9	0.13	14.9	0.57	-1.8	0.19	-10.0	0.04	10.3	0.42	-2.3	1.61	-2.9
Germany	0.58	-7.5	0.15	0.9	0.56	-2.8	0.31	-54.3	0.10	-19.1	0.45	-5.5	2.14	-18.3
Italy	0.33	-8.5	0.07	-6.7	0.48	3.5	0.07	-11.1	0.15	-13.1	0.45	3.9	1.56	-2.2
Total	12.88	0.0	2.58	7.6	6.38	2.3	2.09	-10.6	2.13	-11.0	9.30	4.4	35.36	0.6

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

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

1 excludes refinery fuel and bunkers (except US)

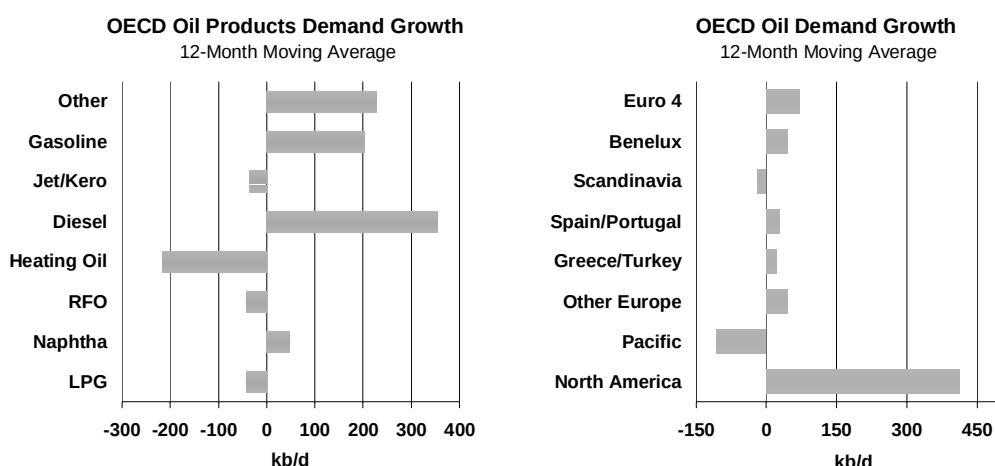
2 includes direct use of crude oil

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

Preliminary May data have been adjusted upwards for inclusion in this Report's balances, both to account for changes in baseline demand and in anticipation that the recent pattern of revisions to preliminary data will continue. Even so, the reported contraction in German deliveries is such that May OECD data estimates have been revised downwards by 205 kb/d from last month's Report. Based on market reports that German heating oil deliveries remained poor through most of last month, June German demand estimates have been trimmed by another 105 kb/d. That, however, was more than offset by stronger-than-expected preliminary weekly surveys of June US deliveries. On balance, June estimates have been adjusted upwards by 310 kb/d, included the baseline increase.

Combined adjustments for April, May and June demand lift the second-quarter average by roughly 270 kb/d. Further upward revisions may be applied as new oil statistics come in. In contrast, downward adjustments to North American demand for the third and fourth quarter of 2003 have been carried forward into 2004, trimming third quarter demand assessments for this year and reducing the forecast of fourth quarter growth. In sum, total OECD demand for the year has been raised by 80 kb/d.

Broken down by products, preliminary May delivery data for eight of the largest OECD economies confirm the diverging trends in demand for transportation fuels, which is rapidly rising, and for power generation and industrial fuels, which is appears on a downward trend. The increase in demand from the transportation sector is consistent with the synchronous economic recovery. The 7.6% jump in aggregated jet fuel/kerosene deliveries is particularly noteworthy, and suggests that airline jet fuel consumption has started catching up with a sharp increase in air travel demand. OECD jet fuel/kerosene demand is currently estimated to have expanded by 240 kb/d, or 6.8%, in the second quarter, reversing four quarters of contraction.



However, the steep drop in “other gasoil” deliveries may partly understate end-user demand. Reports of sharply lower-than-normal German consumer stocks suggest that the recent weakness in German heating oil deliveries is less a case of contracting demand than of differed buying; demand will need to rebound for homeowners to rebuild their stocks in time for winter and maintain adequate inventory levels through the heating season. This could result in stronger-than-normal European demand for heating fuels in the second half of the year.

Moving Annual Average Change in Oil Demand* – May 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	-0.6%	0.7%	2.0%	0.4%	5.7%	-5.4%	6.1%	4.3%	2.1%	410
Canada**	6.7%	-2.7%	1.7%	5.3%	-1.3%	5.5%	15.5%	0.7%	3.6%	77
Mexico	1.4%	26.3%	5.6%	2.4%	4.2%	4.2%	-11.0%	42.7%	3.3%	64
Japan	-5.1%	-2.0%	0.8%	-5.8%	-2.6%	-2.4%	-5.1%	-5.8%	-3.2%	-180
Korea	-3.6%	3.7%	-6.3%	-7.9%	5.6%	-7.7%	-1.4%	-22.3%	-0.2%	-5
France	4.7%	22.7%	-7.4%	5.7%	0.6%	1.4%	0.3%	16.1%	3.6%	72
Germany	2.9%	4.3%	-3.3%	1.3%	7.5%	-21.0%	-0.2%	4.4%	-3.5%	-95
Italy	2.3%	2.6%	0.5%	16.4%	14.1%	-25.6%	-5.4%	0.8%	1.1%	20
UK	11.0%	1.6%	-4.1%	2.1%	4.8%	4.8%	8.2%	-1.2%	1.4%	25
Total	0.1%	2.9%	1.2%	-0.6%	4.7%	-6.8%	-1.1%	4.4%	1.0%	388
kb/d	3	78	157	-19	284	-246	-36	167	388	

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

** near-month data are estimated

North America

Large upward revisions to US preliminary demand data for April were fully anticipated. Preliminary data had been adjusted upwards in anticipation of future revisions, and April US demand estimates have been revised marginally *downwards* from last month's Report. May estimates are roughly unchanged from last month, but preliminary data for June are sharply above expectations, leading to a 110 kb/d upward adjustment in US demand estimates for the second quarter as a whole.

North American demand is now estimated to have grown by 3.6% in the second quarter, up from 1.9% in the first quarter. The second-quarter increase was led by double-digit growth in LPG and a jump of nearly 8% in jet fuel deliveries. May growth in US demand was particularly strong, at 6.4%.

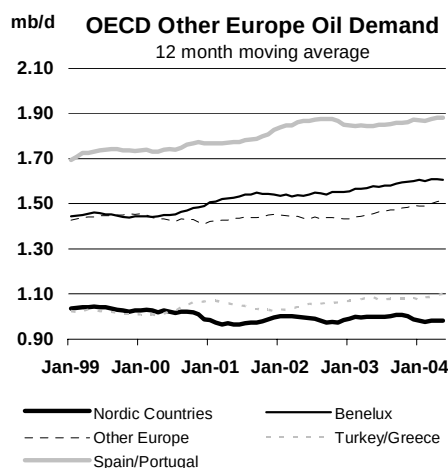
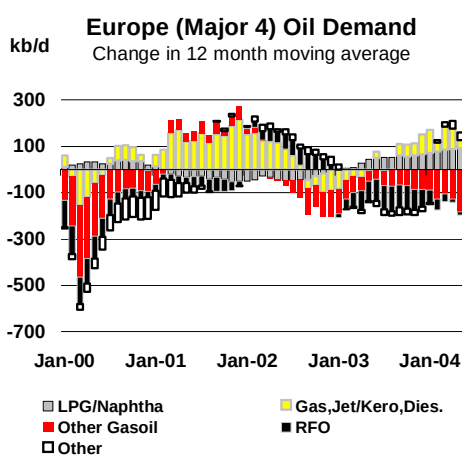
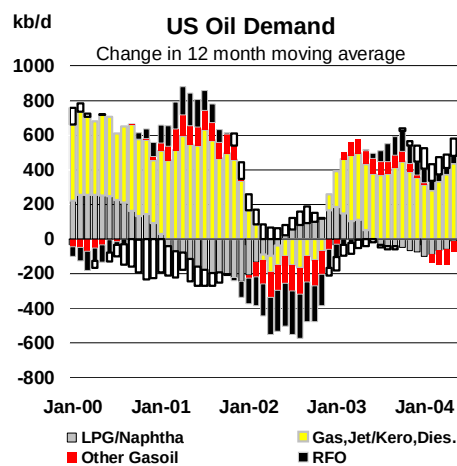
North American demand growth is expected to slow down after that second-quarter spike, which mirrors 2003 patterns, when demand growth slowed to 0.6% in the second quarter from 2.6% in the first quarter, before rebounding to 2.4% in the third quarter. Second-quarter demand last year had been dragged down by steep contraction in LPG and jet fuel, the two products that showed especially strong growth recently.

Canadian demand estimates that showed a dramatic spike in demand for "other products" in February, including a sharp increase in petroleum coke deliveries, have been revised downwards, by an aggregate 140 kb/d. Other product demand growth for the month is now down to 0.2%, from 12.3% in last month's Report. Delivery data for March and April have been adjusted downwards in anticipation of similar revisions.

Europe

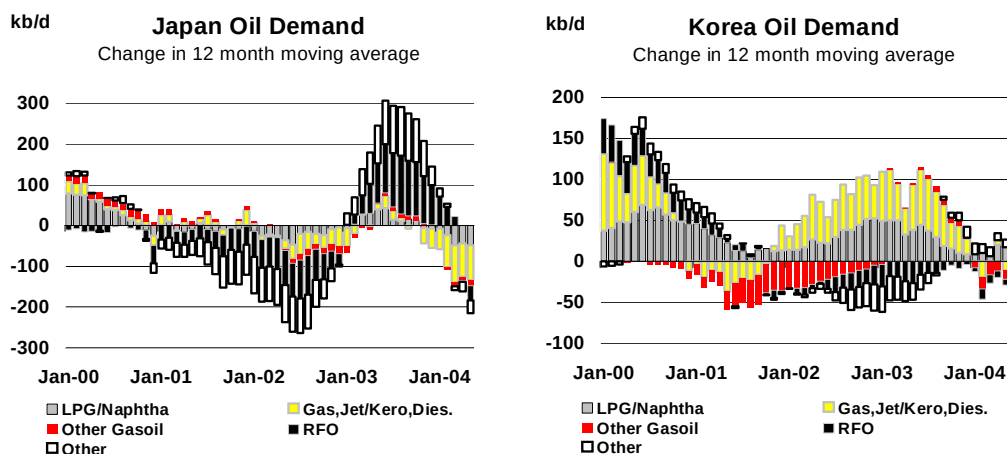
The assessment of European second-quarter demand has been adjusted upwards by 40 kb/d. That increase amounts to less than the gain in baseline demand and implies slower-than-expected second quarter demand growth of 140 kb/d, down from 180 kb/d in last month's Report.

Such a relatively small revision conceals steeper changes in the allocation of second-quarter demand by month. A 450 kb/d upward adjustment to April demand for the four largest OECD economies nearly balances a 420 kb/d cut for May. The main drag on May demand was the weakness in German heating oil deliveries, which reportedly extended through most of June. However, steeply lower-than-normal residential stocks of heating oil reported at end-May appear to set the stage for a rebound in distillate demand in the second half of the year. Depending on winter weather, demand may remain relatively strong on a year-on-year basis through the first half of 2005.



Demand for May and beyond may also be revised upwards if recent trends in UK demand prove to be sustained. UK demand growth soared to nearly 15% in April, following gains of 2.2% in January, 6.9% in February and 8.3% in March. Diesel demand reached double-digit growth in the February-April period, more than counter-balancing a comparatively small contraction in gasoline. LPG and "other products" showed even steeper percentage growth: LPG demand expanded by nearly 30%, or more than 40 kb/d, in the first quarter and roughly 20%, or nearly 40 kb/d, in April, when "other product" demand jumped by 60 kb/d (or more than 45%), following growth of 30 kb/d (more than 20%) in the first quarter. Preliminary data for May had yet to be received at the time of writing. But such growth rates as occurred in the first four months could lead to upward revisions in demand if they were to continue through the second quarter.

Since the beginning of the year, Polish residual fuel oil demand has shown very strong year-on-year growth reaching roughly 40% in January and February, and nearly 80% in March and April. That steep increase stems in large part from a change in methodology. Since January, the source of the data for refinery fuel has been modified. Previously, refinery fuel and the corresponding refinery gross output of fuel oil were estimated. These data are now based on refinery reports. Revisions to 2003 and historical data are pending. In addition, in March and April there has been a substantial increase in Polish imports of low-sulphur residual fuel oil.



Pacific

OECD Asia Pacific demand is estimated to have fallen by 1.9% year-on-year in the second quarter, compared to a 3.8% drop in the first quarter. But while overall contraction in regional demand appears to be slowing, a decline in Japanese utility demand, which accounts for much of the recent regional weakness, is thought to have temporarily deepened from the first to the second quarter. First-quarter Japanese demand for residual fuel oil and “other products” contracted by an aggregate 160 kb/d, due mostly to lower utility oil demand following the restart of idled nuclear power plants. That year-on-year shortfall is estimated to have widened to 180 kb/d in the second quarter, since it is at that time in 2003 that Japan’s nuclear power generation shortfall, and the corresponding increase in utility oil use, reached their full scope, when all 17 of Tokyo Electric Power Co.’s nuclear plants were idled. The contraction in Japanese residual fuel oil and other product demand is expected to narrow again in the second half, reflecting a shallower increase in utility oil demand a year earlier.

Looking forward, however, utility demand should continue on a downward trend, as power generators renew their drive to cut back on oil consumption in favour of alternative fuels. Chubu Electric Power Co., for one, is expected to further reduce its oil use following the start-up of a new nuclear reactor in 2005. The share of oil-fired generation capacity in Chubu’s mix is already estimated at below 5%. Refiner Toho Oil Co., which Chubu established in the early 1960s with Mitsubishi Corp. and Idemitsu Kosan to supply oil to its power plants, ceased operations in April.

Non-OECD

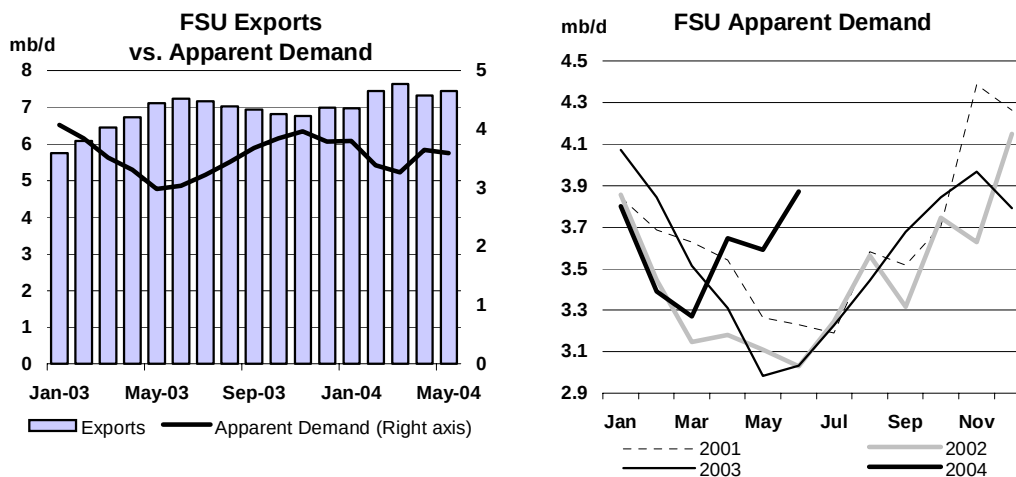
FSU

Apparent oil demand continued to surge in June, extending the gains of April and May, as export growth trailed far behind production increases. FSU oil output growth reached an estimated 950 kb/d in June, in line with April and roughly 10 kb/d more than in May. But oil export growth rose by only 110 kb/d on the year, compared to 330 kb/d in the previous month and 610 kb/d in April.

As a result, year-on-year growth in apparent demand – defined as production minus exports – picked up momentum, rising to 340 kb/d in April to 610 kb/d in May and 840 kb/d in June. In absolute terms, apparent demand rose counter-seasonally to 3.87 mb/d in June, from 3.59 mb/d in May and 3.65 mb/d in April. While that level would not appear as exceptional for a winter month – apparent demand reached 3.97 mb/d last November – it marks the highest demand registered for June since 1998.

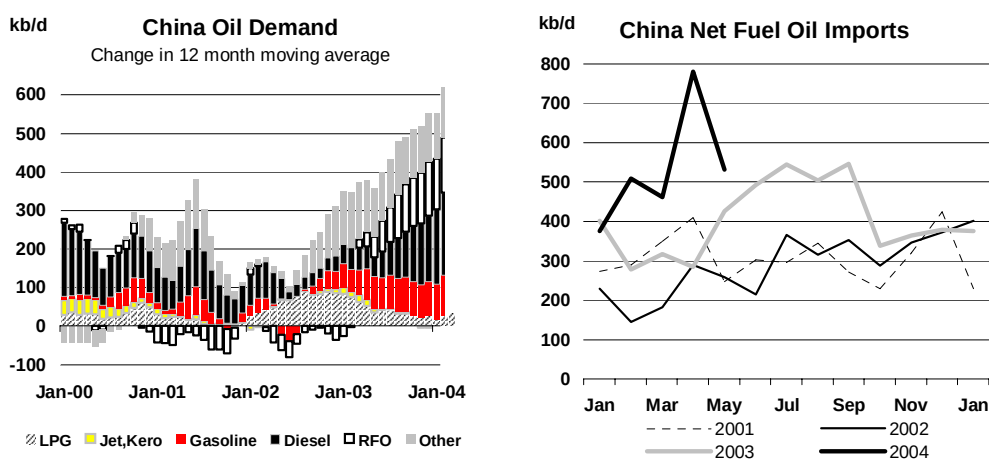
Maintenance turnarounds at two large FSU export refineries might explain in part lower product exports in April. But both plants have since been returned to service. Meanwhile, there has been no report of crude or product inventory logjams in the FSU, nor of domestic price drops. This suggests that a

rebound in domestic end-user demand, rather than export capacity constraints, might account for the export drop, or at the very least that demand is robust enough to absorb the apparent export shortfall. How sustainable that apparent rebound in domestic demand might be remains to be ascertained, however. Export economics might favour exports over domestic sales once additional export pipeline capacity is brought online later on this year and in the course of next year, putting a ceiling on the recovery in apparent domestic demand.



China

As expected, preliminary estimates of Chinese apparent demand show a slight decrease in May from April's all-time high of 6.53 mb/d. The month-on-month drop reflects primarily reduced residual fuel oil imports compared to April's 780 kb/d record, partly offset by slightly higher refinery throughputs.



On a year-on-year basis, however, estimated May demand of 6.34 mb/d shows stronger percentage growth, at more than 25%, than in April, when demand rose by 21% on the year. Reported gross and net imports of gasoil for May, respectively at 73 kb/ and 60 kb/d, were the highest on record since July 1998, when Beijing embarked on a policy designed to eradicate light product imports and promote self-sufficiency. LPG imports were also at very high levels for the second month in a row.

China Crude & Product Trade

(thousand barrels per day)

	2002	2003	2Q03	3Q03	4Q03	1Q04	Mar 04	Apr 04	May 04	Latest month vs.	
										Apr 04	May 03
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1556	1731	1716	2290	2079	2400	2101	-299	843
Products & Feedstocks	361	442	415	586	445	600	568	991	755	-236	295
Gasoil/Diesel	-16	-28	-32	-42	-9	22	23	34	60	26	89
Gasoline	-142	-175	-191	-184	-151	-95	-140	-157	-125	33	37
Heavy Fuel Oil	281	407	401	531	361	448	461	780	531	-250	105
LPG	197	202	209	211	203	172	151	228	233	5	56
Naphtha	-16	-22	-25	-22	-24	-21	-13	-6	-5	1	-16
Jet & Kerosene	9	1	4	15	-6	21	22	33	-2	-35	16
Other	48	58	50	77	70	54	64	79	63	-16	9
Total	1609	2106	1972	2317	2161	2890	2647	3390	2856	-535	1138

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

India Crude & Product Trade

(thousand barrels per day)

	2002	2003	2Q03	3Q03	4Q03	1Q04	Feb 04	Mar 04	Apr 04 ¹	Latest month vs.	
										Mar 04	Apr 03
Net Imports/(Exports) of:											
Crude Oil	Na	1863	1957	1801	1943	1938	1800	2033	1736	-297	-141
(by Public Oil Cos)	1088	1243	1317	1137	1379	1105	1003	1088	1170	82	-159
Products & Feedstocks	-83	-152	-185	-205	-91	-132	-186	-234	-143	91	-32
Gasoil/Diesel	-53	-119	-120	-144	-99	-137	-154	-197	-157	40	-80
Gasoline	-48	-72	-71	-88	-62	-77	-98	-80	-63	17	7
Heavy Fuel Oil	6	5	24	13	-8	-12	-33	-30	35	65	-7
LPG	22	55	28	38	79	90	88	94	43	-51	5
Naphtha	4	-1	-43	-3	30	19	18	-4	19	22	73
Jet & Kerosene	10	-22	-3	-28	-42	-29	-16	-37	-33	3	-48
Other	-23	1	-1	7	11	14	9	19	13	-5	18
Total	1005	1091	1771	1596	1852	1807	1614	1799	1592	-206	-173

¹ Preliminary

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

Yearly data for net imports of crude oil for 2002 are not available.

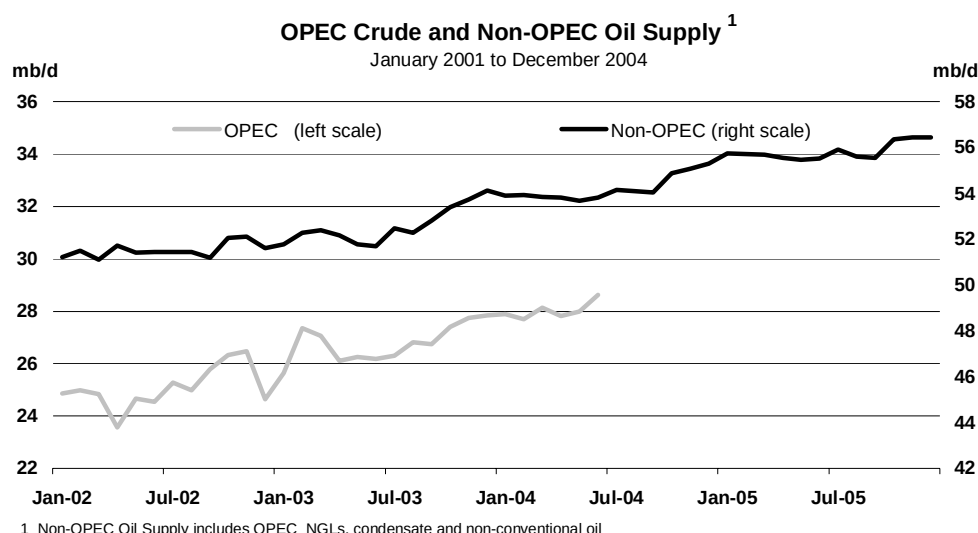
For 2002, 'Total' indicates the sum of net crude oil imports by public oil companies and net products & feedstock by public, private and joint-venture companies.

SUPPLY

Summary

- **Non-OPEC oil supply** in 2005 is expected to repeat the 1.2 mb/d growth anticipated for 2004, averaging 51.3 mb/d for the year. The FSU remains the largest contributor to growth, as it has since 2000, adding 585 kb/d in 2005 versus 790 kb/d in 2004 and 940 kb/d in 2003. Africa generates 375 kb/d of growth, notably with new field production in Angola. Brazil underpins an expected 285 kb/d rise from Latin America as new supplies from the Campos Basin build up in late-2004 and early-2005. North American supply could rise 150 kb/d with significant expansions from Canadian oil sands and US deepwater Gulf of Mexico and NGL supply. However, the impact is tempered by ongoing decline from mature areas. Also, North Sea output decline should accelerate, total European oil production falling by 200 kb/d. In the Asia-Pacific, increases from East Timor and Thailand will be offset by reductions from Australia, India and Malaysia. Chinese production could stabilise around 3.4 mb/d. Non-OPEC Middle East output should reverse four years of decline as new supply accruing to Bahrain from summer 2004 boosts 2005's total, although otherwise regional supply remains on a downward trend.
- **OPEC NGL, condensate and non-conventional oil supply** in 2005 should also grow by 420 kb/d, similar to 2004's increase. Supply will average 4.5 mb/d for 2005. Venezuelan syncrude accounts for 175 kb/d of the increase in 2005, following a 125 kb/d rise in 2004. Iran should see combined condensate and NGL output rise by 115 kb/d in 2005. Lesser increases in NGL and condensate supply in 2005 derive from Saudi Arabia, Algeria, Libya, Nigeria, UAE and Qatar.
- **June world oil supply** increased by 790 kb/d and averaged 82.5 mb/d. OPEC crude production increased by 635 kb/d from May, while non-OPEC production was up by 135 kb/d, despite OECD decline. OPEC supplies of non-crude liquids were up by 20 kb/d. On a yearly comparison basis, world supply is 4.6 mb/d higher than June 2003, with OPEC producing 2.5 mb/d above year-ago. Non-OPEC production stands 1.7 mb/d above last year and OPEC other liquids is 395 kb/d higher.
- **Non-OPEC's June production** increase occurred despite unplanned outages from OECD producers. Output from Norway suffered from a week-long oil workers strike and the USA was hit by the continued outage at the Mars field in the Gulf of Mexico. However, a 120 kb/d fall in OECD output was countered by a 255 kb/d increase from the non-OECD. Russia generated 150 kb/d of the rise, while new field supplies from Brazil and Chad also played a role.
- **OPEC crude supply in June** averaged 28.6 mb/d, an increase of 635 kb/d from May's downward-revised estimate. Production from Iraq fell by 325 kb/d to 1.7 mb/d as pipeline flows to southern export terminals and to Ceyhan in Turkey remained severely disrupted. Local refinery operations were also curtailed. However a 500 kb/d increase from Saudi Arabia, augmented by higher supply from Iran, UAE, Kuwait, Nigeria, Libya, Algeria and Qatar, easily eclipsed Iraq's reduction.
- **OPEC-10** (excluding Iraq) produced 26.9 mb/d in June, 960 kb/d higher than in May. This compares to a production target of 23.5 mb/d in place since April and a target of 25.5 mb/d from 1 July. Recent statements from the Saudi Oil Minister indicated that a further 500 kb/d increase in the production ceiling will proceed from 1 August without requiring sanction from the 21 July OPEC meeting in Vienna. Upward adjustment of OPEC's price band from a current \$22-\$28/bbl, favoured by some OPEC members, was reported unlikely to be discussed in detail at the meeting.
- **The 'call on OPEC' crude and stock change** for 2004 has been revised up 300 kb/d following revisions to both OECD and non-OECD demand statistics. It now averages 27.2 mb/d, an increase of 900 kb/d from 2003. The 2Q 2004 call stands at 26.6 mb/d, implying a stock build of around 1.5 mb/d for the quarter just ended, since actual OPEC supply is assessed at 28.1 mb/d for the quarter. The call increases to 27.8 mb/d by end-year. For 2005, the call is expected to rise by a modest 200 kb/d to average 27.4 mb/d, with a 2Q low of 26.5 mb/d and a 4Q high of 28.3 mb/d.

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

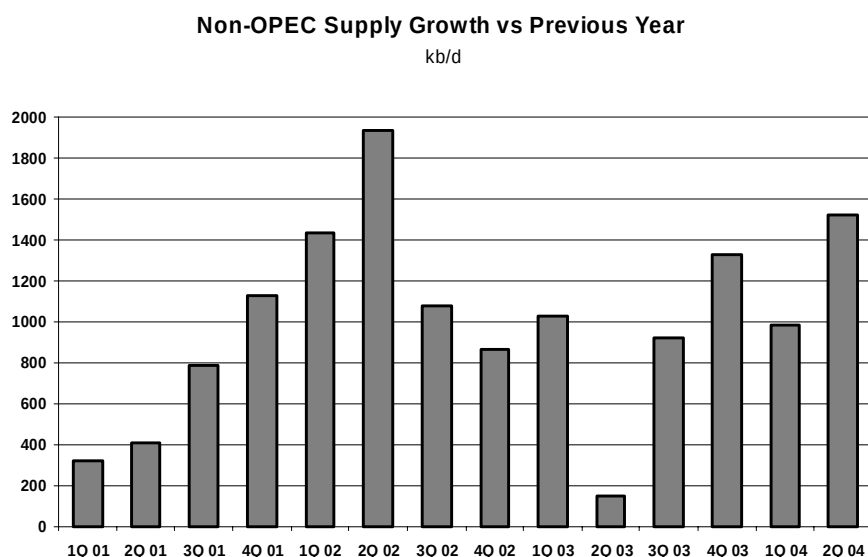


Note: Random events present downside risk to the non-OPEC production forecast contained in this Report. These events can include accidents, unplanned or unannounced maintenance, technical problems, labour strikes, political unrest, guerrilla activity, wars and weather-related supply losses. No contingency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

This month's Supply section focuses on the outlook for non-OPEC supply through 2005. As a result, discussion of non-OPEC trends in the most recent months has been curtailed.

2005 Outlook: Non-OPEC Supply

The trend of near-one million b/d annual non-OPEC supply growth set in train in 2000 looks set to continue for another year at least. For now, the global oil supply sector is in the midst of a spate of new field development projects which are being brought to fruition in 2004 and 2005 and which should comfortably offset prevailing decline in more mature producing areas. Overall, non-OPEC



growth has rebounded from a temporary dip in early-2003. In the graph above, this rebound is clear, and although 2Q 2004 data remain provisional, sharp growth versus depressed 2Q 2003 production levels is indeed likely to be verified with time. Concerns remain about a dip in exploration spending and reserve replacement levels. Exploration spending by the major international companies has declined in relative terms for the past six years. However, the impact of this phenomenon is more

likely to be felt in the longer term. There are also signs that upstream spending levels are increasing, against a back-drop of higher price expectations employed in the budgeting and planning process by major operators. While investment projects may now be tested against a more stringent \$20/bbl-plus hurdle rate versus earlier prevailing \$15-\$20/bbl, medium-term price expectations have moved up too.

Surveys of upstream capital expenditure in 2004 now suggest spending is increasing by around 8-10% versus 2003 as opposed to the 4-5% growth envisaged by operating companies at the end of 2003. Higher prices do lead to higher levels of upstream spending, although the impact is dulled by the growing list of competitive claims on company cash. Organic exploration and development activity therefore increasingly needs to compete with debt reduction, reserve and other asset acquisitions and mandatory environmental expenditures for a share of the budget. So while there is an optimistic slant to this Report's forecast of non-OPEC supply growth in 2005 (and potentially beyond), a degree of caution about the longer term is probably in order.

Examining this Report's projections from a year ago for 2004 non-OPEC supply, the overall trend has changed very little. In June 2003 non-OPEC was expected to add 1.32 mb/d on an average basis in 2004, while our latest projections now see growth this year amounting to 1.22 mb/d. However, the balance between the prospects for the OECD and the non-OECD producing areas has shifted. Whereas North America, the North Sea and Australia were expected to see a combined increase of 150 kb/d in 2004, recent performance has seen the projections revised to show a net 60 kb/d decline for the OECD producers. Accelerated decline rates, prolonged new-field development and build-up and unexpected outages have forced a re-evaluation of output from these predominantly mature areas.

World Oil Supply 2002-2005

(million barrels per day)

	2002	2003	2004	2005	02 vs 01	03 vs 02	04 vs 03	05 vs 04
North America	14.50	14.66	14.80	14.95	0.15	0.16	0.14	0.15
Europe	6.61	6.35	6.22	6.02	-0.05	-0.26	-0.13	-0.20
Pacific	0.76	0.65	0.58	0.53	-0.03	-0.11	-0.07	-0.05
Total OECD	21.88	21.66	21.60	21.49	0.06	-0.21	-0.06	-0.10
Former USSR	9.37	10.31	11.10	11.69	0.81	0.94	0.79	0.59
East Europe	0.18	0.17	0.17	0.16	-0.01	-0.01	-0.01	-0.01
China	3.39	3.41	3.43	3.45	0.09	0.02	0.02	0.01
Other Asia	2.50	2.59	2.72	2.71	0.11	0.09	0.13	0.00
Latin America	3.90	3.94	3.98	4.26	0.09	0.04	0.04	0.29
Middle East	2.09	1.98	1.87	1.92	-0.07	-0.11	-0.10	0.04
Africa	2.99	3.04	3.41	3.78	0.22	0.06	0.36	0.37
Total Non-OECD	24.41	25.44	26.68	27.97	1.24	1.03	1.23	1.29
Processing Gains	1.76	1.80	1.83	1.86	0.02	0.04	0.03	0.03
Total Non-OPEC	48.05	48.91	50.11	51.32	1.32	0.86	1.20	1.22
OPEC Crude	25.08	26.78	na	na	-1.95	1.70	na	na
OPEC NGL & Non-Conv.	3.47	3.67	4.10	4.52	0.36	0.20	0.43	0.42
Total OPEC	28.55	30.46	na	na	-1.60	1.91	na	na
Total Supply	76.60	79.37	na	na	-0.28	2.77	na	na

It will also be recalled that OECD, rather than non-OECD production was behind the sharp dip in non-OPEC growth in second quarter 2003. Extended maintenance shut-downs in the North Sea and offshore Australia, a lull in new Gulf of Mexico start-ups and sharply curtailed supplies of North American NGL pushed down total non-OPEC supply growth to negligible levels in 2Q 2003 (second quarter growth in other areas still averaged close to 1.0 mb/d at this time).

In contrast, expectations from a year ago for 2004's growth in non-OECD supply now appear to have been slightly pessimistic. Higher than expected levels of output from the FSU, China, Latin America, and the Middle East have seen the forecast for non-OECD production growth raised from 1.14 mb/d to 1.29 mb/d for 2004.

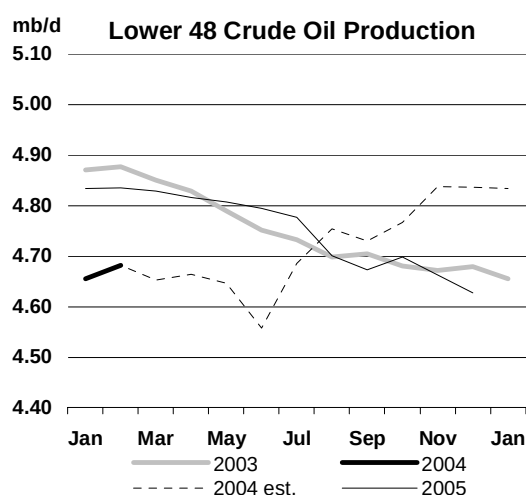
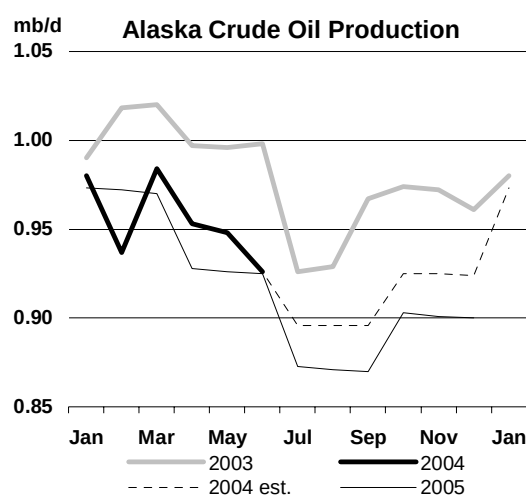
This shift in emphasis is carried forward into the projections for 2005. Coincidentally, non-OPEC supply is again expected to grow by 1.2 mb/d in 2005, to average 55.8 mb/d for the year. The OECD countries will see a net decline of 105 kb/d, with a combined 250 kb/d drop from OECD Europe and Asia Pacific, countered by a 150 kb/d increase in North America. In the latter region, new US Gulf of Mexico start-ups, plus US NGLs and Canadian oil sands combine to offset declining production elsewhere in the region. Non-OECD supply growth remains robust, at 1.3 mb/d. The Former Soviet Union (FSU) provides 585 kb/d, or 48%, of next year's expected growth. This compares to a contribution of 100% in 2003 and 66% in 2004, reflecting both a slow-down in the hitherto break-neck pace of Russian production growth but also a diversification of non-OPEC supply into a number of key growth centres, which could continue to drive non-OPEC developments for the next few years.

Africa, offshore west Africa in particular, is one such area. Developments in Angola, Equatorial Guinea, Chad, Sudan, Ivory Coast and Egypt will see total African liquids production increase by 375 kb/d in 2005. This represents 11% growth from 2004's production level of 3.4 mb/d and accounts for 31% of non-OPEC growth overall. Latin America lags not far behind Africa, generating 285 kb/d of growth, or 23% of the total non-OPEC increment. Here however, growth is more concentrated, with deepwater Brazil and to a lesser extent Ecuador and Trinidad offsetting declines from Argentina and other producers.

OECD

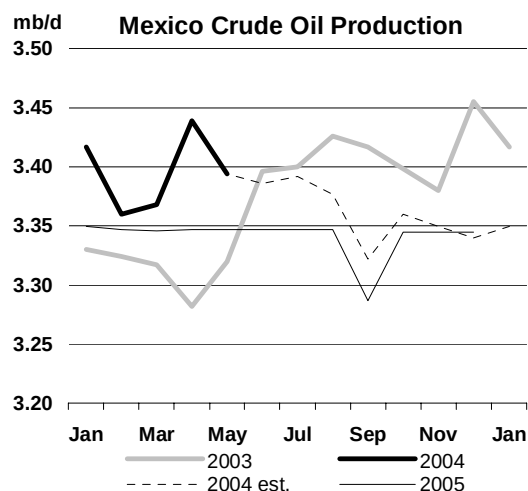
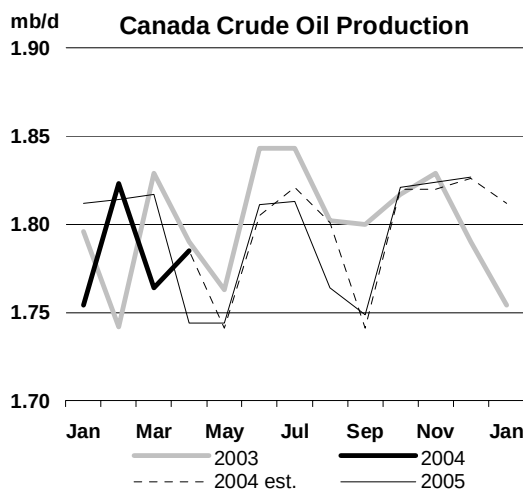
North America

Crude production in June in the **USA** declined by an estimated 110 kb/d and other liquids by 35 kb/d compared to May. An outage at the Mars field in the Gulf of Mexico (GOM) and the impact of warm temperatures on re-injection at Prudhoe Bay in Alaska underpinned this decline. Looking ahead to 2005, US liquids production is expected to grow by 80 kb/d, averaging just under 8.0 mb/d. After a near-200 kb/d decline in 2003, US production this year is now expected to remain broadly unchanged. The 2005 forecast assumes that NGL supply gradually regains 2002 production levels around 1.9 mb/d, the implication being that 2003's collapse in NGL supply due to high natural gas prices is not repeated. The other key element of the US forecast is growth from new field developments in the GOM. Seven new field start-ups in second-half 2004 contribute to higher supply overall both this year and next. These are Devil's Tower, Llano, Marco Polo, Front Runner, Magnolia, Mad Dog and the Ursa field pressure boost project. Collectively, these fields could contribute around 350 kb/d to GOM supply in 2005. Adding further to production in 2005 will be start-ups at Holstein and Thunder Horse, generating another 100 kb/d at peak. However, based upon total production levels in recent months in the area, assumed decline rates for mature fields have been accelerated. Overall, GOM production rises by 190 kb/d in 2005, compared to an expected 40 kb/d increase in 2004.



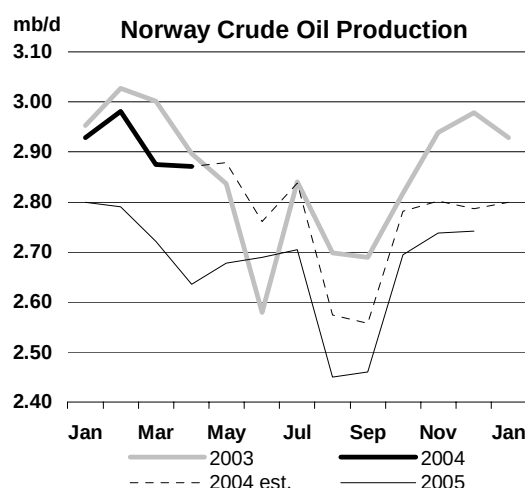
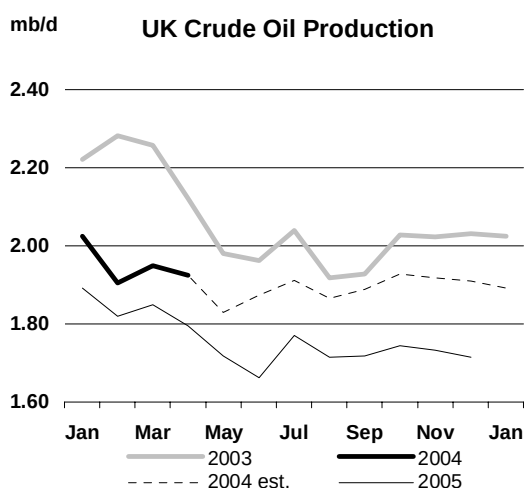
Data for **Canadian** supply in April suggest higher levels of NGL and western Canadian production than in earlier Reports, with the result that total Canadian supply is revised up by 20 kb/d for 2004. Bitumen and syncrude account for all of an expected 90 kb/d increment in liquids supply in 2005, close to the increase now expected for 2004. In terms of synthetic crude production, Syncrude's Aurora II project plus higher throughput at Suncor's existing facility, allied to its Firebag expansion, generate extra oil in 2005. However, higher supply from the oil sands will be partially counteracted by an expected decline of 40 kb/d in

conventional crude and NGL. In the case of **Mexico**, crude production is seen slipping by 35 kb/d in 2005 while NGL production rises by 10 kb/d. Mexico appears for the time being to be having more success in boosting gas production, through multiple service contracts, than in sustaining crude production, which fell back in May by 45 kb/d. Further expected gains in gas production underpin the rise in NGL supply in 2005. In contrast, crude production may only rise on a sustained basis again after mid-decade, when increments from the Sihil, Chicontepec, Ku-Maloob-Zap, the Tabasco littoral and others begin to offset Cantarell field decline.



North Sea

Total OECD Europe oil production is estimated at 6.15 mb/d for June, a decline of 40 kb/d from May levels. One reason for the decline was a week-long strike in the **Norwegian** sector of the North Sea involving the Snorre, Vigdis and Ekofisk fields. At its peak the strike cut production by over 350 kb/d but on a monthly average basis, only around 100 kb/d of production was lost. The strike was brought to a rapid conclusion when the government intervened, ordering an immediate end to industrial action after employers had threatened to shut out striking workers, and thereby risk a complete shut-down of Norwegian production. After a rebound in July, North Sea production is seen falling by 325 kb/d in August when summer maintenance gets underway.



The outlook for 2005 production from Norway is one of continued gradual decline. Total oil output could fall by 55 kb/d to 3.16 mb/d, the fourth consecutive year in which production will have dropped. The fall in crude oil output will be even steeper, at 125 kb/d. New field start-ups for crude number two in 2005 (Oseberg West and Staer) compared to four in 2004. However, incremental condensate supplies from the Kvitebjorn, Kristin and Mikkel fields help to offset the decline. More new oil could reverse the decline in 2006. However, a further tailing-off in production is likely thereafter unless an increased exploration effort and exploitation of environmentally sensitive northern areas materialises.

UK oil production in 2005 is forecast at just over 2.0 mb/d, a decline of 135 kb/d from 2004. New field starts are limited to the Chestnut, Fiddich, Howe and Magnus NW discoveries which together are unlikely to add more than 30 kb/d to 2005 production. UK production decline has been in place since 1999. New developments such as the 200 kb/d Buzzard field may help to mitigate decline during 2006-2008 but are unlikely to reverse the overall trend in this mature producing area.

Production for **Denmark** has been revised up by 20 kb/d for 2004 in this report, to 390 kb/d but is seen declining by 10 kb/d in 2005. Higher production now envisaged from the Halfdan and Sirri fields is unlikely to offset decline elsewhere in the Danish sector of the North Sea.

Other OECD

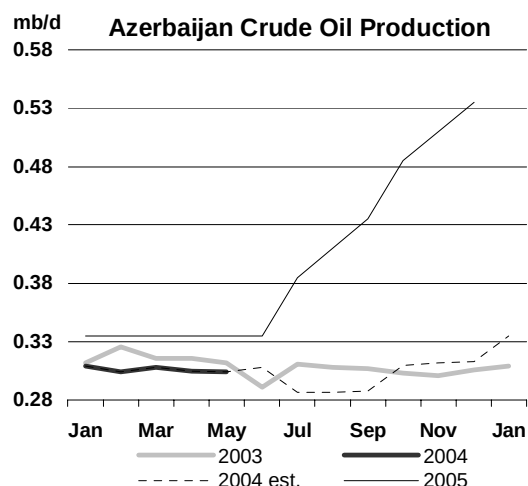
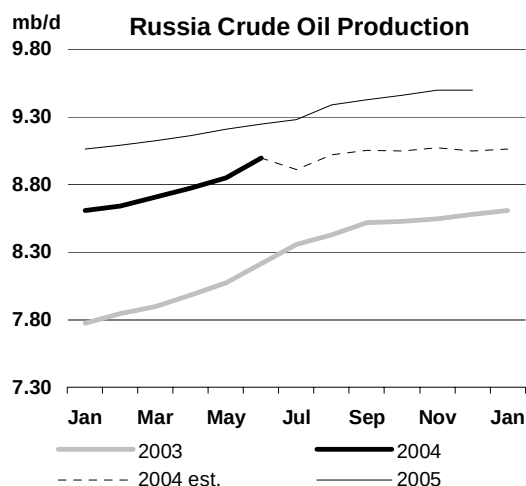
A steady build in crude supply is likely for **Italy**, where developments in the Val d'Agri region of the southern Apennines add around 10 kb/d each in 2004 and 2005. Italian production could therefore plateau at an average of 110 kb/d in 2005, up from 65 kb/d in 2001. Similarly, new production from the Mutineer complex in **Australia's** Carnarvon Basin, which will ultimately build to 100 kb/d, seems unlikely to reverse prevailing decline in total Australian production. It should however slow decline to 55 kb/d in 2005, after reductions of 105 kb/d and 65 kb/d in 2003 and 2004 respectively. Total Australian production including NGL is seen averaging 485 kb/d next year.

Former Soviet Union (FSU)

Russia

Strong growth in Russian production continued through June, with early indications pointing to year-on-year growth for the first half of the year in excess of 800 kb/d. However, the growth rate is easing on a rolling average basis, as discussed in last month's Report. With crude exports already levelling off in May and June, production and export schedules released by the Industry and Energy Ministry suggested a continuation of this trend for third quarter 2004. Crude oil export tariffs are also expected to rise from \$41.60/tonne to \$70 per tonne in August. This in turn could limit costlier, marginal exports currently moving by rail and river barge. Further question marks were raised over the sustainability of Russian supply growth as the issue of Yukos tax arrears came to a head. At the time of writing Russian authorities had refused an extension of the deadline for the company to pay \$3.4 billion in tax arrears for 2000. Yukos for its part has offered to relinquish its Sibneft shareholding, while the jailed former Yukos head Mikhail Khodorkovsky has offered to hand over Yukos shares to prevent company bankruptcy.

This Report was already assuming a flat production profile for Yukos through the remainder of 2004, which may itself turn out to be optimistic. However a major and sustained cut in Yukos' 1.7 mb/d of production in the short term is unlikely. It is not in the state's interest to curtail Russian production and export levels, given its reliance on energy export revenues. Nor are there likely to be a shortage of buyers for Yukos operational assets in the short term should they become available for sale. Yukos' export commitments are in any case paid up until August. With potential upside for other producers' output from our baseline forecast, any slack in exports due to a temporary disruption to part of Yukos' output could likely be taken up by other producers. The Report continues to assume a slow-down in production for Russia in second-half 2004, annual growth for the year slowing to 680 kb/d.



The case however may open up questions about longer-term growth and investment in the Russian upstream. Although export capacity constraints will likely limit production growth below 2003's exceptional 825 kb/d, there would appear to be room for annual increases close to 500 kb/d until around 2008. With this in mind, but at the same time exercising a degree of caution, Russian production growth has been capped at 400 kb/d for 2005. This looks conservative when measured against company growth plans and likely export capacity but reflects uncertainty as regards the political, fiscal and regulatory environment henceforward. This would nonetheless take Russian 2005 production to 9.6 mb/d, fully 3.5 mb/d above 1996's low point.

Other FSU

Supply developments in the rest of the FSU will continue to be driven by **Kazakhstan** and **Azerbaijan** in 2005. June marked the first exports via Novorossiysk of Karachaganak condensate from Kazakhstan, almost one year behind schedule. Total production from Kazakhstan is expected to reach 1.2 mb/d in 2005, from 1.15 mb/d in 2004 after Karachaganak builds up to full volumes in excess of 200 kb/d. However, further significant growth from Kazakhstan is unlikely until 2006 onwards, when expansion of the Tengiz field and activation of the offshore Kashagan project are due to take place. These could potentially push Kazakh production towards 2.5 mb/d by 2010. Doubts about the likely production profile over the longer term remain however, and revolve around the availability of export infrastructure, the lack of outlets for associated gas and government attempts to tighten upstream terms and conditions.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2002	2003	3Q03	4Q03	1Q04	2Q04	Revised Apr 04	Prelim. May 04	Latest month vs. Jun 04	May 04	Jun 03
Black Sea Exports	2.52	2.80	2.96	2.69	2.85	2.76	2.82	2.77	2.68	-0.08	-0.49
Baltic/Arctic Exports	2.02	2.46	2.57	2.61	3.02	3.12	3.16	3.13	3.07	-0.06	0.42
Total Seaborne	4.54	5.25	5.52	5.30	5.87	5.88	5.98	5.90	5.75	-0.14	-0.07
Druzhba Pipeline	1.04	1.05	1.02	1.08	1.09	1.04	1.01	1.05	1.05	0.00	0.00
Other	0.35	0.46	0.51	0.49	0.48	0.47	0.34	0.51	0.55	0.04	0.17
Total Exports	5.93	6.77	7.05	6.87	7.44	7.39	7.34	7.46	7.35	-0.10	0.09
Imports	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.01	-0.02
Total Net Exports	5.92	6.75	7.04	6.86	7.43	7.37	7.33	7.45	7.33	-0.11	0.11
Crude	4.04	4.68	4.85	4.82	5.14	5.14	5.08	5.20	5.14	-0.06	0.20
of which: Russian Crude	3.02	3.34	3.36	3.38	3.65	3.79	3.82	3.80	3.76	-0.04	0.41
Products	1.89	2.09	2.20	2.05	2.30	2.25	2.26	2.26	2.21	-0.05	-0.11

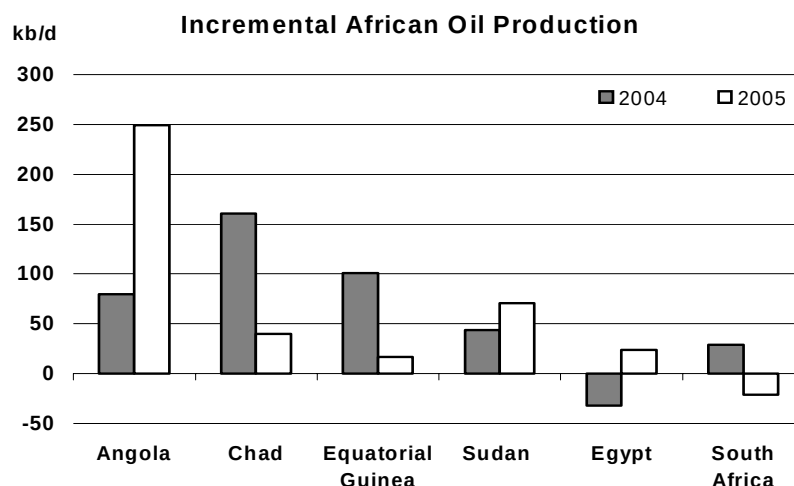
Sources: Petro-Logistics, IEA estimates

Growth in production from **Azerbaijan** could however begin in earnest in 2005, following four years in which production has stagnated around 300 kb/d. 2005 output is expected to hit 400 kb/d, with plans for output to break through the 1.0 mb/d mark late in the decade. First oil from the BP-led AIOC consortium's offshore Azeri field will occur in early-2005. This will progressively build up to around 200 kb/d by late-2005, being fed to Ceyhan in Turkey via the new 1.0 mb/d Baku-Tbilisi-Ceyhan (BTC) pipeline. An incremental 20 kb/d of AIOC crude will also move through the existing Baku-Supsa pipeline in 2005.

Other Non-OPEC

Africa

Oil production from non-OPEC Africa is likely to repeat 2004's growth of 370 kb/d in 2005. As can be seen below, new production from Chad, Equatorial Guinea, Angola and Sudan is driving this year's increase. Peak production attained in 2004 at **South Africa's** Sable field has also contributed, although this is likely to be short-lived and Sable is due to begin gradual decline from late-2004 onwards. The main contributor to 2005 growth will be **Angola**, where production is likely to rise by 35% from a current 925 kb/d, reaching 1.25 mb/d by late-2005. This derives from a build up at fields which are entering service in 2004. The deepwater Exxon-operated Kizomba A field will begin this summer and peak at 250 kb/d. Incremental volumes of condensates and LPG are also likely through 2005 from ChevronTexaco's Sanha prospect, which will commence operations this autumn. Further deepwater developments could push Angolan production above 2.0 mb/d by 2010.

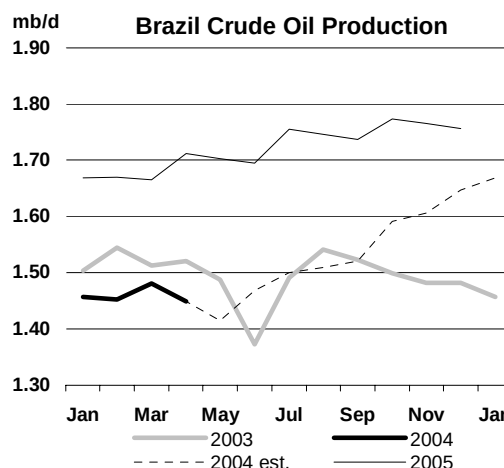


Production from **Chad**, began in July 2003, and last month reached a plateau level of 225 kb/d after a new heavier and more acidic stream from the Doba Basin began flowing in April. Continuation of production at these levels will result in production increments of 160 kb/d this year, slowing to 40 kb/d in 2005. Production is shipped for export from land-locked Chad via pipeline some 650 miles southwest to Kribi on Cameroon's Gulf of Guinea coast. Incremental oil from **Equatorial Guinea** in 2005 will slow to 15 kb/d after a 100 kb/d increase in 2004. However, extra volumes of LPG and condensate are expected from late-2004 onwards at Marathon's Alba field. **Sudan** is seeing a steady build in crude production, likely to average 310 kb/d in 2004 after 265 kb/d in 2003. Average 2005 production is likely to hit 380 kb/d (440 kb/d by end-year) as output from China National Petroleum Corporation (CNPC) fields in Blocks 3, 6 and 7 build to peak. Longer-term plans to attain 500 kb/d production will depend upon resolution of political instability affecting the west of the country. More limited production increments in 2005 will derive from NGL growth in **Egypt** (25 kb/d) and the start up of the West Espoir field in Ivory Coast in first half 2005 (adds 20 kb/d to annual production).

Latin America

Latin American supply growth is likely to accelerate to 285 kb/d in 2005, after a five year hiatus that has seen growth average barely 35 kb/d. The latter has been underpinned by declining supplies from **Argentina** and **Colombia**, a trend unlikely to reverse in 2005. For both these countries, investment incentives for foreign operators are seen as meagre and government moves to diminish the role of the state in the oil sector are either being reversed or face union opposition.

Key to 2005's regional increase is **Brazil**, where crude production is seen rising from 1.5 mb/d this year to over 1.7 mb/d next. New field start-ups in the deepwater Campos Basin continue to underpin Brazil's growth. State owned Petrobras began output in June at the 100 kb/d Marlim Sul field, produced from an FPSO and from water depth of nearly 1,200 metres. This is likely to be followed at the end of 2004 with start-up at a trio of deepwater FPSO-based production projects, the Albacore Leste, Barracuda and Caratinga fields. These are seen building to collective production above 250 kb/d in the second half of 2005.



Further incremental supply from the region in 2005 is expected to derive from **Ecuador**, despite recent pipeline problems and concerns over contract terms for foreign operators. It is assumed that rising output from producer companies with shares in the new, but currently under-utilised, OCP export pipeline will offset declining output from state PetroEcuador. However, the overall increment is a modest 50 kb/d in 2005, taking total output to 585 kb/d. Oil production from **Trinidad** could reach 240 kb/d by late-2005 from current levels around 170 kb/d. While decline rates from existing fields have been accelerated in light of recent reported production levels, the offshore Angostura field is seen beginning operations in November 2004, attaining production of 80 kb/d in late-2005.

Asia & Middle East

Stable oil supplies are expected from these two regions in 2005. In **China** healthy supply growth in the mid-1990s and again early this decade deriving from offshore expansion has slowed as decline at ageing onshore fields counteracts the offshore gains. Nonetheless, increased supply from the offshore Panyu and Caofidan fields (the latter beginning August 2004) does allow Chinese production to rise by 15-20 kb/d in both 2004 and 2005. Elsewhere in Asia, increased liquids supply from **East Timor** and **Thailand** for 2005 is counteracted by expected declines from **Vietnam**, **India** and **Malaysia**. This marks a reverse for the latter three producers, who are adding a combined 100 kb/d to production in 2004. Production from the Middle East could stem its prevailing recent decline in 2005, but this results from the allocation of rising Abu Safah crude volumes (physically produced by Saudi Arabia) to **Bahrain**. Otherwise, decline is expected to continue in **Oman** and **Syria**. However, **Yemen** could stabilise production after two years of decline, with new production from Blocks 51 and S-1, operated by Nexen and Vintage Petroleum respectively.

Revisions to Non-OPEC Oil Supply

	(million barrels per day)								
	Last month's OMR			This month's OMR			This month vs. last month		
	2003	2004	04 vs. 03	2003	2004	04 vs. 03	2003	2004	04 vs. 03
North America	14.66	14.76	0.09	14.66	14.80	0.14	0.00	0.05	0.05
Europe	6.35	6.21	-0.14	6.35	6.22	-0.13	0.00	0.01	0.01
Pacific	0.65	0.60	-0.05	0.65	0.58	-0.07	0.00	-0.02	-0.02
Total OECD	21.66	21.56	-0.10	21.66	21.60	-0.06	0.00	0.03	0.03
Former USSR	10.31	11.10	0.78	10.31	11.10	0.79	0.00	0.01	0.01
Europe	0.17	0.17	-0.01	0.17	0.17	-0.01	0.00	0.00	0.00
China	3.41	3.42	0.01	3.41	3.43	0.02	0.00	0.01	0.01
Other Asia	2.59	2.73	0.14	2.59	2.72	0.13	0.00	-0.02	-0.02
Latin America	3.94	3.99	0.05	3.94	3.98	0.04	0.00	-0.01	-0.01
Middle East	1.98	1.87	-0.11	1.98	1.87	-0.10	0.00	0.01	0.01
Africa	3.06	3.43	0.37	3.04	3.41	0.36	-0.02	-0.02	-0.01
Total Non-OECD	25.46	26.70	1.24	25.44	26.68	1.23	-0.02	-0.02	-0.01
Processing Gains	1.80	1.83	0.03	1.80	1.83	0.03	0.00	0.00	0.00
Total Non-OPEC	48.92	50.10	1.17	48.91	50.11	1.20	-0.02	0.01	0.02

OMR = Oil Market Report

OPEC

Total OPEC crude production in June reached 28.6 mb/d, its highest level since November 2000. May supply data for OPEC has been revised down by 275 kb/d, largely due to lower Iranian exports than estimated last month, but also due to downward revisions to both exports and internal consumption from Iraq. Modest downward adjustments have also been made to May UAE and Qatar production. While May supply was therefore up by less than 200 kb/d on the month before, June supplies increased by 635 kb/d. The increase from the OPEC-10 (excluding Iraq) was an even more impressive 960 kb/d. Iraq's production fell by 325 kb/d in June as pipeline supplies, both to the key export outlets and to domestic refineries, were disrupted. However, Saudi Arabia fulfilled its pledge to produce 9.1 mb/d in June, boosting production 500 kb/d, and gains of between 50-150 kb/d each were recorded by Iran, UAE, Kuwait and Nigeria. Libya, Algeria and Qatar also boosted supply modestly.

Just as was the case three and a half years ago, surging OPEC production came at the cost of low spare capacity and, coinciding with still comparatively low OECD inventories, accordingly high prices. Sustained prices at or in excess of \$35/bbl may well encourage the OPEC-10 to push through on an automatic basis the 500 kb/d production ceiling increase scheduled for August, although dissenting voices within OPEC still say this needs to be verified at the 21 July extraordinary meeting in Vienna. Crucially, Saudi Arabia at the time of writing appeared to be suggesting that the increase is automatic, and in reality, any move by the Organisation to curb production (actual or quota) could not be enacted before September, since August export schedules have already been, or are in the process of being, decided for several of the key producers. The proposed August target of 26.0 mb/d was itself exceeded by nearly 1.0 mb/d by the OPEC-10 during June. Changes in the target price range of \$22-\$28/bbl also seem to be off the agenda at least until OPEC's next ordinary meeting in September.

Early indications of supply for July and into August suggest OPEC production could be sustained close to, or marginally above, June levels. Arab Gulf and North African tanker loading schedules for the early part of July remain close to the high levels seen towards end-June. Higher export volumes in July are likely from the UAE, and Abu Dhabi has notified Asian term buyers that August volumes will be sustained close to those for July. Iran and Saudi Arabia also appear to be holding overall term exports for July lifting close to June levels and both are reportedly offering incremental spot volumes for sale. Algeria, Qatar and Libya are reportedly increasing July export volumes modestly.

While apparently ample crude supplies led to an easing in prices in June, that fall appears to have reversed in early July. Supply security has become a key issue, exacerbated by recent production outages from Iraq, Nigeria, the North Sea and US Gulf of Mexico, plus uncertainty in Russia. Earlier concerns over the resilience of Saudi crude supply infrastructure in the face of potential terrorist attack appear to have dissipated for now (Certainly, security measures surrounding production and export facilities appear to be more extensive than those for ancillary services and ex-patriate worker compounds. Furthermore, the high degree of built-in redundancy at production and export infrastructure has been cited as potentially limiting the impact of isolated strikes on operational facilities). However, the potential for regime change, insurgents' activity and industrial action which, in varying combinations, could have an impact upon crude supplies from Iraq, Nigeria, Venezuela and perhaps Indonesia over the summer are lending support once more to prices. In this context, high actual OPEC supplies shift the spotlight onto limited spare production capacity.

This Report assesses effective spare capacity within OPEC at only around 620 kb/d based on June production. This number excludes Iraq, Nigeria, Indonesia and Venezuela where either:

- a high degree of uncertainty surrounds true current capacity levels or;
- where technical or political factors make boosting production difficult in the short term.

This is an exceptionally slim margin for an 80 mb/d supply system to carry, particularly when key producers within the OPEC fold, each with between 1-3 mb/d of total production, are deemed to have at least some of that production at risk of disruption. However, it is worth cautioning against too alarmist a response to this. Firstly, Saudi Arabia can boost production by up to 1.0 mb/d over and above its perceived, immediately sustainable, capacity of 9.5 mb/d, reportedly at short notice. UAE, Iran, Kuwait, Libya and Qatar between them also possess 650-850 kb/d of surge capacity. For all these producers, surge capacity can be activated in response to a short duration supply disruption, but is not sustainable on a prolonged (90 day-plus) basis without incremental drilling and investment.

OPEC Crude Production

(million barrels per day)

	Apr 2004 Target	Jul 2004 Target	June 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs. June 2004 Production	Prod.vs. Apr Target	Prod. vs. July Target
Algeria	0.75	0.81	1.20	1.25	0.05	0.45	0.39
Indonesia	1.22	1.32	0.97	1.00	0.04	-0.25	-0.36
Iran	3.45	3.74	3.99	4.00	0.02	0.54	0.24
Kuwait ²	1.89	2.05	2.35	2.35	0.00	0.46	0.30
Libya	1.26	1.37	1.54	1.55	0.01	0.28	0.18
Nigeria	1.94	2.10	2.38	2.55	0.17	0.45	0.28
Qatar	0.61	0.66	0.79	0.80	0.01	0.18	0.13
Saudi Arabia ^{2,3}	7.64	8.29	9.15	9.50	0.35	1.51	0.86
UAE	2.05	2.23	2.36	2.55	0.19	0.31	0.14
Venezuela ⁴	2.70	2.93	2.17	2.35	0.18	-0.53	-0.76
Subtotal	23.50	25.50	26.89	27.90	1.01	3.39	1.39
<i>excl. Ven/Nig/Ind</i>					0.62		
Iraq ⁵			1.73	2.80	1.07		
Total			28.62	30.70	2.08		

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

2. Includes half of Neutral-Zone production

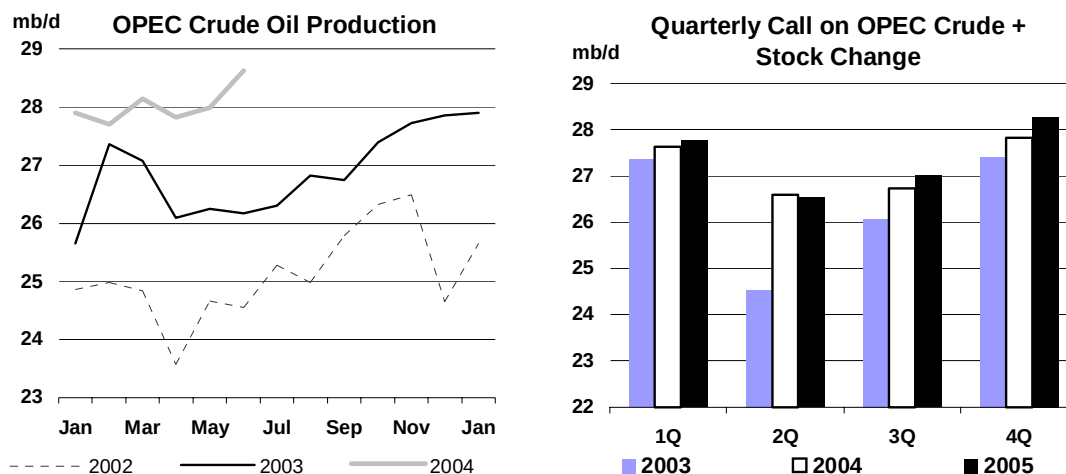
3. Saudi Arabia indicates it can surge to 10.5 mb/d at short notice, but requires incremental drilling to sustain this level over 90 days

4. Excludes upgraded Orinoco extra-heavy oil, which averaged 378 kb/d in June

5. Iraqi capacity represents pre-war estimate

Furthermore, certain key OPEC producers are expanding capacity through end-2004. Some industry estimates put the level of expansion at between 1.0 and 2.0 million b/d. These estimates appear to be based primarily on a belief that the Qatif and Abu Safah expansions due online in Saudi Arabia from late summer will be incremental in terms of total capacity. Aside from the fact that proceeds from

the sale of Abu Safah accrue to neighbouring Bahrain (and are counted in this report as Bahrain crude), recent indications from Saudi Aramco suggest that these two projects are aimed at sustaining overall capacity rather than expanding it. However, more limited, but widespread expansions amongst other OPEC members do seem likely to add around 600 kb/d to installed capacity by end-2004, excluding for now any potential expansion from Iraq. In the event that OPEC reins in production moderately after the summer, taking account of seasonal stock changes, the spare capacity cushion should become more comfortable later in the year.

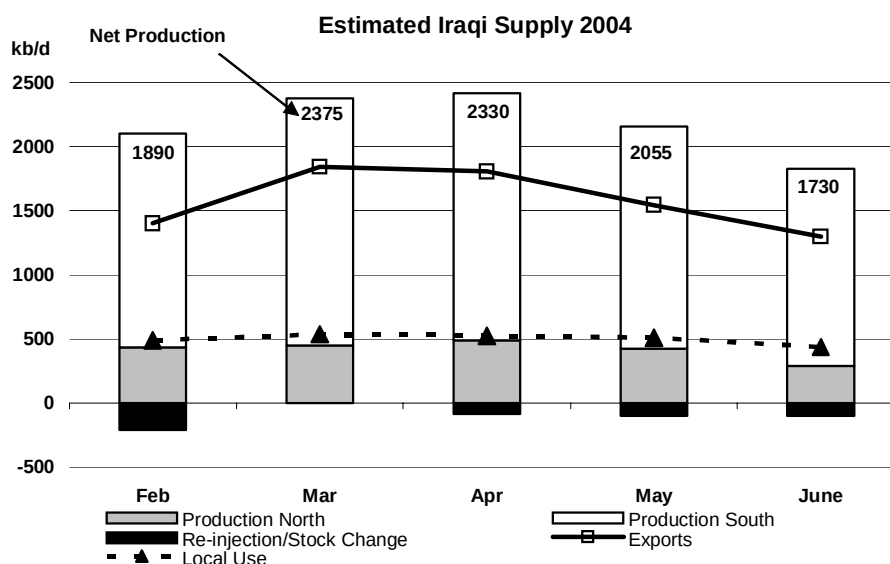


Further declines were evident for production and exports from **Iraq** in June. Production fell to 1.7 mb/d in June from 2.1 mb/d in May. Exports were 250 kb/d lower than in May and averaged 1.3 mb/d. Sabotage hit the two pipelines feeding the southern export terminals of Basrah and Khor al-Amaya, one line being taken out of service on 14 June, the other a day later. However, repairs on both pipelines were completed by 26 June, with southern exports once more averaging in excess of 1.8 mb/d by late-month. A further pipeline explosion slowed southern exports again between 3-7 July, although exports climbed back towards 1.8 mb/d thereafter.

This left Iraq in the third week of June unable to export crude from either these terminals or via Ceyhan in Turkey. Although one million out of the 4.5 million barrels of crude scheduled to be lifted from Ceyhan in late May was finally loaded in early June, that aside no further liftings were made from Ceyhan during June. Crude in storage at Ceyhan in late June was less than 4 mb, below the 6 mb threshold usually required before further tenders are announced. The northern pipeline feeding Ceyhan was inoperational from early in the month through until 23 June. Although this line was pumping crude on a test basis again late in the month, as of early July no crude had reached Ceyhan since the line's reactivation. It became evident in early July however, following the reported breach on the strategic north-south pipeline within Iraq, that for some time northern field production had been shipped south for export via Basrah and Khor al-Amaya as a way of getting around bottlenecks on the Kirkuk-Ceyhan pipeline.

Refinery operations were also adversely affected by pipeline explosions in June. Latest reports have caused a scaling back of assumed operating rates at the Daura (Bagdad) refinery for May and June. Furthermore, a combination of power and pipeline outages plus maintenance have restricted throughputs at the northern Baiji refinery to well below its 300 kb/d capacity. Total internal crude consumption for Iraq is now assessed at 435 kb/d for June compared to 510 kb/d in May.

For now, Iraqi supply looks to have plateaued in March, although one cannot overstate the industry's speed and ingenuity in re-instating production and pipeline flows in the aftermath of sabotage. Security remains the key issue and it is unlikely that June's handover of power to the new Iraqi interim government will signal an end to attacks on oil installations. Realistically, Iraq might do well to regain, and then maintain, production levels near March's 2.5 million b/d before it thinks of the end-year production target of 2.8 mb/d. Export levels seem unlikely to exceed 2.0 mb/d anytime soon unless northern and southern export routes combined can be sustained in an operational state for an extended period.



Saudi Arabian crude supply is estimated to have increased by 500 kb/d, to reach 9.15 mb/d in June. A surge in tanker loadings was particularly pronounced towards end-June and into early-July. Domestic refinery crude runs are also likely to have increased in June after spring maintenance, only partially offset by a June stoppage at the Ras Tanura condensate splitter. Saudi production may subsequently prove to have topped out at late-June levels, as provisional indications are for stable export volumes for July and August.

Saudi Oil Minister Ali al-Naimi said in late June that prices had now fallen to fair levels and that there was no reason to decrease or increase production. These comments were read bullishly by the market as signalling that the August increase in target production levels of 500 kb/d was not necessarily automatic and also that Saudi Arabia was now pushing for a higher OPEC price band. However, these perceptions were apparently undermined by subsequent statements from the Minister that the July and August quota increases were not for review at OPEC's extraordinary meeting in Vienna on 21 July. Furthermore, he was reported as seeing no need to change the existing \$22-\$28/bbl price band, despite calls for this from other OPEC members.

Contrary to expectations in last month's Report, **Iranian** exports fell back in May by over 200 kb/d from April's 2.7 mb/d. Despite a counteracting rise in apparent domestic refinery runs that month, total Iranian May supply is revised down by 175 kb/d from last month's estimate, to just over 3.8 mb/d. However, with Iran supplying full term export volumes to Asian buyers for both June and July, plus indications of rising spot tanker loadings from low early-June levels, we would expect June Iranian supply to have increased. Output is assessed at just under 4.0 mb/d in June (close to capacity), an increase of 160 kb/d compared to May.

Phase 1 of the South Pars gas and condensate project also entered service in May and should eventually build to capacity condensate volumes of 40 kb/d. This will be followed by start-up of Phases 4 & 5 from July, with capacity of 80 kb/d of condensate and 35 kb/d of LPG.

A modest downward adjustment is also made to May production for the **UAE**, now assessed at 2.23 mb/d compared to the 2.25 mb/d estimate last month. Once again, the rebound in production at the offshore Lower Zakum and Umm Shaif fields after spring maintenance at the Das Island gas processing facilities was less sharp than expected. However, higher scheduled production volumes from these fields in June and July, allied to indications of rising June tanker loadings point to a further increase in June production. This is estimated to have risen by 130 kb/d to 2.36 mb/d. A 100 kb/d upward adjustment has also been made to UAE production capacity, taking this to 2.55 mb/d. This follows re-evaluation of capacity at Abu Dhabi's Upper Zakum field, now assessed at 550 kb/d.

Production from **Kuwait** is assessed up by 50 kb/d in June to 2.35 mb/d. In addition to rising output from the Partitioned Zone (shared 50:50 with Saudi Arabia), Gathering Centre 25 in the north also re-entered service around 12 June, having gone offline for maintenance on 22 May. Tanker loadings also rose sharply in second-half June. Following three successive months with production close to 2.35 mb/d, Kuwaiti capacity has been revised up by 50 kb/d to that level, with further capacity

increment likely in the autumn when the long idled GC-15 serving the northern Raudhatain field will be fully restored. Countering these increases in capacity in UAE and Kuwait however, capacity for **Qatar** has been revised down by 50 kb/d to 800 kb/d following the release of data by Qatar Petroleum showing slightly lower than expected capacities for fields operated by foreign joint venture partners.

Nigerian production increased by 50 kb/d to average 2.38 mb/d in June as foreign operators were encouraged to maximise output in the aftermath of OPEC's early-June meeting, and export levels rose accordingly. The increase materialised despite restricted supplies from Shell's offshore EA field due to an electrical fault and recurring threats to supply from industrial action and ethnic unrest. Restructuring plans by Shell also saw a two day walkout by union members at the company's offices in Lagos, Warri and Port Harcourt, although this did not affect production. A national strike during 9-11 June over domestic fuel price rises also failed to have an impact upon production or export levels. However, Total was forced to shut in 225 kb/d of production from 2 July after workers threatened to strike over pay and conditions. A resolution was reached 7 July and production resumed on 8 July. Further industrial action is said to be threatened at ExxonMobil facilities, which could impact upon up to 600 kb/d of production. Also, a nationwide industrial strike potentially affecting Nigerian production could arise from 19 July over plans for the sale of Nigerian refineries.

OECD STOCKS

Summary

- **OECD industry total oil inventories** rose 33 mb in May to 2506 mb, closing 12 mb above last year. The inventory deficit in total oil stocks against their 5-year average held relatively stable from April at slightly over 75 mb. Although product stocks built 850 kb/d in May, mainly in “other products”, their position against the five-year average deteriorated. In contrast, OECD stocks of crude oil, which posted smaller gains are now back within their normal range. As a result, days of forward demand cover by industry stocks remained depressed at 51.7 days, broadly level from that in April and similar to the low cover level of 2003.

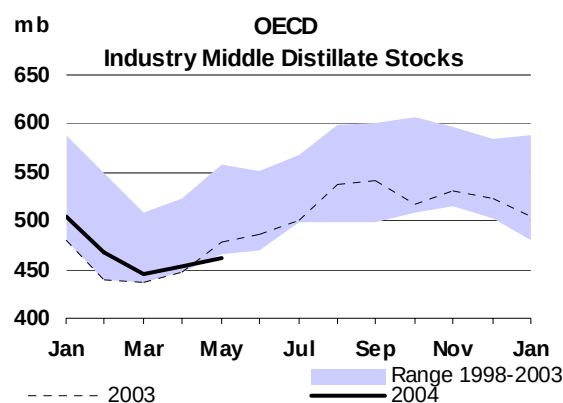
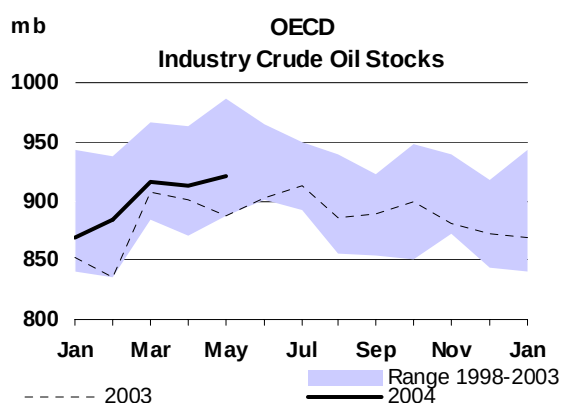
Preliminary Industry Stock Change in May 2004 and First Quarter 2004

(million barrels per day)

	May (preliminary)				First Quarter 2004			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	-0.01	0.00	0.26	0.26	0.27	0.27	-0.06	0.49
Gasoline	0.02	0.07	-0.08	0.01	0.00	0.01	0.03	0.04
Distillates	0.10	0.18	0.01	0.30	-0.42	-0.21	-0.21	-0.84
Residual Fuel Oil	0.00	0.09	0.03	0.12	0.02	-0.04	-0.03	-0.05
Other Products	0.36	-0.02	0.09	0.43	-0.07	-0.05	-0.07	-0.19
Total Products	0.48	0.31	0.05	0.85	-0.47	-0.29	-0.28	-1.05
Other Oils ¹	-0.04	-0.02	0.04	-0.03	0.01	0.04	-0.04	0.02
Total Oil	0.43	0.29	0.35	1.07	-0.19	0.03	-0.38	-0.54

1 Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** rose by 260 kb/d in May, or 8 mb, with inventories building mainly in Japan. Although refinery utilisation average around 95% in the US, stocks rose 3 mb in May on the strength of imports averaging 10.3 mb/d. North American inventories, however, held about level as stocks in Mexico, and most likely Canada, declined on crude exports to the US. Average US crude imports were sustained in June at 10.4 mb/d. This allowed a further 3 mb build in storage by the last week of June, putting US crude inventories at 305 mb, or over 20 mb higher year-on-year.
- **OECD industry distillate stocks** increased 300 kb/d in May, closing at the bottom of their five-year range. The normal seasonal build however lagged in the US where gasoline production was maximised, and in Japan. Europe's distillate stocks built in line with year-ago trends but stocks in independent storage in the Amsterdam-Rotterdam-Antwerp (ARA) were kept low from May to June due to the absence of strong buying interest. High outright spot gasoil prices dulled inland demand and prompted end-users to draw on tertiary stocks instead.
- **US stocks of finished gasoline** rose by 4 mb in May to 138 mb as gasoline demand growth eased and imports rebounded by end-month. Total US gasoline stocks (including blending components) held roughly level in June, closing the last week of the month a million barrels shy of last year's end-June level. In view of the strength of US gasoline prices, average gasoline imports turned out weaker than expected, contributing to a lack of a stock build in June. Additions to storage were further hampered by declining production as gasoline yields slipped compared to May with lower blending activity.



OECD Industry Stock Changes in May 2004

OECD industry total oil stocks increased by slightly over 1 mb/d in May, or 33 mb, closing at an estimated 2506 mb. The rise stemmed from an 850 kb/d gain in product stocks, mostly in “other product” stocks rather than in the main fuel categories. Looking at the second quarter so far, OECD distillate stocks, from April to May, grew at a rate of 270 kb/d, just below seasonal norms. The distribution of the build, however, was unevenly matched with regional distillate demand trends. As a result, days of forward demand cover by total oil stocks at end-May remained low at 51.7 days.

OECD industry crude oil stocks rose by 260 kb/d, or 8 mb, closing May comfortably in the middle of their five-year range at 921 mb. The build came in the Pacific on slowing refinery activity ahead of scheduled maintenance and high arrivals of term supplies. Japan, with an 11 mb build in onshore stocks, accounted for the bulk of the increase, but this estimate is likely to be revised down on the basis of reduced tanker volumes held at ports. Preliminary weekly data for Japan indicate lower onshore June crude stocks as increased maintenance reduced refinery requirements. The Atlantic Basin in June appeared well supplied as seen in prompt prices for benchmark crudes trading at a discount to forward months. The US saw about a 6 mb build from May to the last week of June as imports, which averaged about 10.3 mb/d, supported higher refinery utilisation rates. Crude stocks rose rapidly during May at Cushing, the delivery point for NYMEX’s WTI futures contract. This allowed a contango to develop in the near traded months, providing a financial incentive for storage. However, stocks at Cushing fell at the end of June and the forward WTI curve flattened as a result. At current crude runs, tighter time spreads, in conjunction with an expected decline in imports in the first half of July should favour a draw in US crude stocks. Europe saw little aggregate change in May as a 6 mb build in Norway was offset by a decline in Italy. Though European runs are expected to remain firm, ample availability of regionally confined sour crudes and increased OPEC supplies should mitigate any significant draw.

OECD industry distillates stocks rose 9 mb in May but ended 38 mb below their five-year average. The build lagged seasonal trends in the US and in the Pacific. Though forward hedging was supported by a contango in NYMEX heating oil futures, US distillate builds were limited. Maximisation of gasoline output and rising distillate demand growth, particularly diesel, capped US additions to storage. Japan and Korea saw distillate stocks move sideways. The focus on jet fuel production in Japan for domestic and export deliveries cut into supplies of kerosene used as heating fuel. In Europe, stocks tracked the modest pace of year-ago increases amid declining Russian gasoil supplies into the region. Interest in storing product was scant as IPE gasoil futures were in backwardation and inland demand slack. Given high outright prices, end-users chose to draw on their stocks instead.

OECD industry gasoline stocks were little changed in May, though stocks rebounded 2 mb in Europe. US stocks rose in May and held broadly level in June, falling short of last year’s 206 mb level. Strength in US prices surprisingly did not encourage more imports at the 1 mb/d mark, a level necessary to establish more comfortable stocks. In Europe, ARA independent storage fell through June as gasoline was shipped to the US and Nigeria. Though swap prices encouraged sales from storage, a reported slow down in cargoes moving to the US in early July is likely to dampen the rate of draw.

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

Revisions to preliminary OECD oil stocks netted out at 0.4 mb as higher crude & feedstocks inventories were balanced by reduced products stocks. The latter came in lower following a 10 mb downward revision in North America which outweighed a 5 mb upward revision in Europe. Canada and the US shared revisions in North American gasoline, while the adjustment in distillates was centred in US diesel and heating oil. Europe’s revisions in crude and product were outside of the major EU economies.

Revisions Versus 10 June 2004 Oil Market Report
(million barrels)

	North America		Europe		Pacific		OECD	
	Mar 04	Apr 04	Mar 04	Apr 04	Mar 04	Apr 04	Mar 04	Apr 04
Crude Oil	0.2	-0.7	-0.1	3.2	-0.9	0.5	-0.8	2.9
Gasoline	-1.0	-5.1	2.6	4.4	0.0	0.7	1.6	0.0
Distillates	-2.1	-4.4	2.0	4.2	0.2	-1.2	0.2	-1.4
Residual Fuel Oil	-0.3	-0.3	0.6	-1.4	0.1	0.3	0.4	-1.3
Other Products	-1.2	0.0	-1.2	-2.7	-0.2	0.3	-2.6	-2.5
Total Products	-4.6	-9.8	4.1	4.5	0.1	0.2	-0.3	-5.1
Other Oils ¹	1.3	3.3	-0.2	-0.4	0.0	-0.3	1.1	2.6
Total Oil	-3.1	-7.2	3.8	7.3	-0.8	0.3	-0.1	0.4

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

The position of OECD industry oil stocks in relation to their recent five-year average was relatively unchanged against April. Total oil stocks continued to post a deficit of just over 75 mb. However the composition of the shortfall has been changing. Crude inventories trended to the middle of their normal range, closing 34 mb above last year. In contrast, OECD product stocks deteriorated further against their five-year average. In the absence of a more typical seasonal build in middle distillates, Atlantic Basin product stocks stayed at the tight levels of 2003 while distillate fuels in the Pacific have atypically trended sideways since the end of the first quarter. With strong forward demand prospects still in place, days cover by OECD industry oil stocks remained depressed at 51.7 days. Forward demand cover in the Pacific was 52.5 days while that in North America and Europe was 46.5 and 59.9 days respectively.

Year-on-Year Industry Stock Comparisons for May 2004

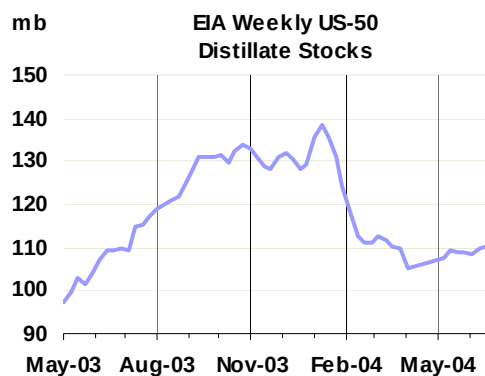
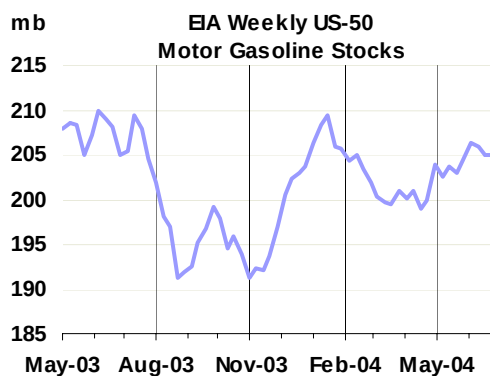
	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	19.8	6.1	7.8	33.6	Total Oil	-0.3	-0.4	-1.0	-0.5
Total Products	0.5	-4.1	-17.7	-21.3	<i>Versus 2002</i>	-5.1	-2.2	-1.5	-3.6
Other Oils ¹	-3.1	4.9	-2.3	-0.6	<i>Versus 2001</i>	-3.9	0.2	-3.6	-2.7
Total Oil	17.1	6.8	-12.2	11.7	Total Products	-0.5	-0.8	-2.0	-0.8
<i>Versus 2002</i>	-84.0	-28.2	-11.3	-123.5	<i>Versus 2002</i>	-2.8	-2.8	-3.1	-2.9
<i>Versus 2001</i>	-52.2	4.6	-36.5	-84.1	<i>Versus 2001</i>	-1.9	-1.2	-2.7	-1.8

1 other oils includes NGLs, feedstocks and other hydrocarbons

OECD Regional Stock Developments

North America

US-50 crude stocks rose 3 mb in May to 302 mb despite higher refinery utilisation rates. Average imports climbed to 10.3 mb/d, allowing refiners to increase crude runs without drawing on inventories. Crude supplies were sustained in May by high Canadian flows and firm Mexican exports to the US. Stocks in the mid-continent recovered to comfortable levels with inventories at Cushing, the delivery point for NYMEX's WTI futures contract, posting strong gains. The May rise in stocks at Cushing allowed the nearby traded months of the futures contract to shift into contango in June, supporting additions to storage. By the last week of June, US stocks had built to 305 mb or 23 mb above last year. However, crude inventories at Cushing fell back, prompting a narrowing of the nearby time spreads in WTI's forward curve. This mitigated incentives for further builds to storage. And, with average imports likely to weaken slightly in the first half of July before more supplies land in August, crude stocks can be expected to decline in July as refiners continue to run at high rates to meet gasoline demand.

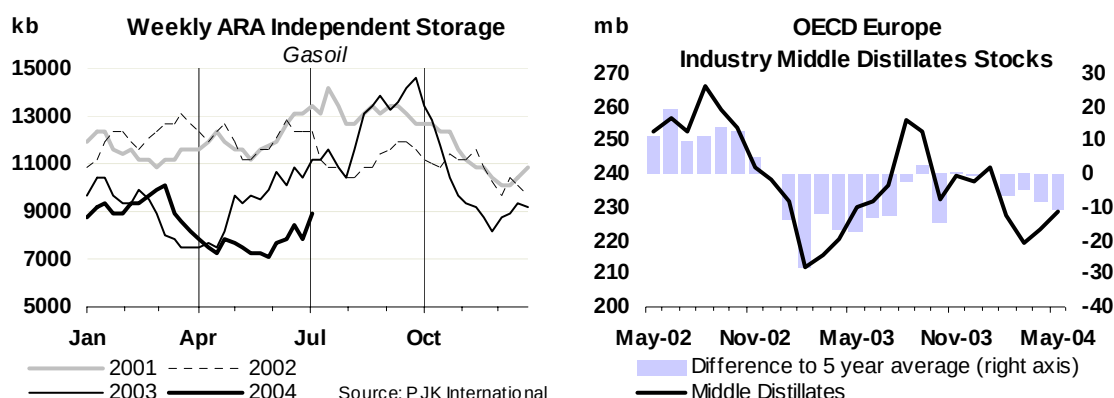


US gasoline stocks built in May and held about level in June despite an easing in demand growth from the highs seen in April. In the last week of June, stocks closed at 205 mb, or slightly under last year. With gasoline demand showing about 100 kb/d growth in June and gasoline cracks still firm, average June imports failed to maintain the 1 mb/d level necessary to lift stocks to more comfortable levels. In addition, gasoline yields slipped from May in June to average 54%, causing a reduction in domestic production with a proportionately greater decline in reformulated rather than conventional material.

US distillates stocks posted modest gains due to strong demand and maximisation of gasoline output. The seasonal rise has come at a slow pace despite incentives offered by a contango in heating oil futures. Stocks rose 9.5 mb by the last week of June against a downward revised April base. In the meantime, distillate demand growth implied by weekly data in June rose to 5%, buttressed by diesel deliveries on strong economic fundamentals. **US jet fuel stocks** recovered in May before pulling back slightly in June. Tightness on the West Coast eased a little in June on increased arrivals of Asian product but Gulf Coast stocks fell back as output remained constrained by refiners' still focusing on gasoline production.

Europe

European industry crude stocks held broadly level in May at 328 mb, comfortably in the middle of their five-year range. Refinery runs fell back and crude supplies were ample with reduced arbitrage trade of regional crudes. May saw a 6 mb rise in Norway offset by a surprising preliminary draw in Italy. Whilst Italian refiners raised crude runs in May and medium sour Urals in the Mediterranean appeared to tighten mid-month on sales to the US and Asia, differentials of the grade against Brent levelled late in the month and weakened in June, suggesting only a temporary tightening of sour supplies. Crude availability in June remained high. Though more North Sea cargoes moved to the US in June, offers of Urals and comparable OPEC grades provided ample sour supplies. As such, with more refiners emerging from turnarounds in June, stocks are likely to be flat to down.



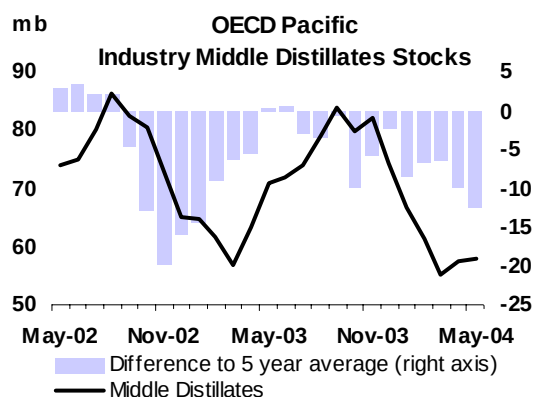
European industry gasoline stocks rose in May, adding 2 mb to close at 114 mb. Northwest Europe saw little change amid unplanned outages at gasoline producing units. Product arbitrage to the US was open in May while low-octane shipments to Nigeria continued apace. But a further contraction in demand in the region and more supplies from the Mediterranean helped to nudge stocks higher. Gasoline in independent ARA storage temporarily rebounded in early June as overhang in prompt gasoline supplies developed. Barges were delivered into the area with refineries returning from maintenance and product was also shipped in from the UK. However stocks quickly fell back as sales from storage continued to be supported by backwardated swap prices and exports to the US. The decline was moderated by further arrivals from the UK and the inflow of product from the FSU.

European industry distillates stocks rose 6 mb in May to 229 mb, tracking year-ago levels. Gains in storage were capped by reduced Russian gasoil supplies, refinery maintenance and backwardation in IPE gasoil futures. A greater focus on jet fuel production tightened diesel supplies, particularly in the Mediterranean where spot prices saw high premiums to futures. In ARA, independent storage of gasoil in May was kept low given weak inland demand. Consumers facing high prices, preferred to postpone purchases, as in Germany, and draw on their stocks. ARA gasoil stocks rose in June with higher Baltic exports and incoming product from Scandinavia. Yet, demand in Northwest Europe was slack and some of the build-up was in preparation for shipment into the higher priced Mediterranean market.

Pacific

Pacific industry distillate stocks did not follow seasonal patterns in May. Inventories moved sideways as modest gains in Korea were offset by a fall in Japan. Though overall product demand was down on the year in Japan and held even in Korea, distillates sales domestically or through exports into a strong Asian market were firm. Pacific distillate stocks ended May at 58 mb, 13 mb below their recent five-year average.

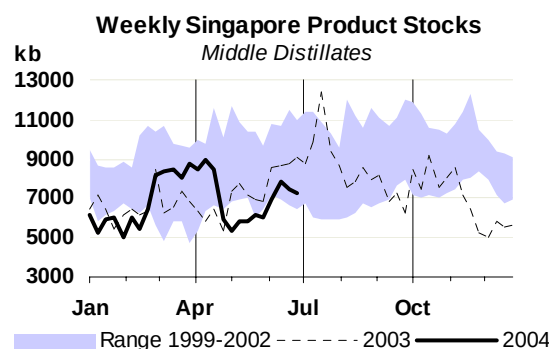
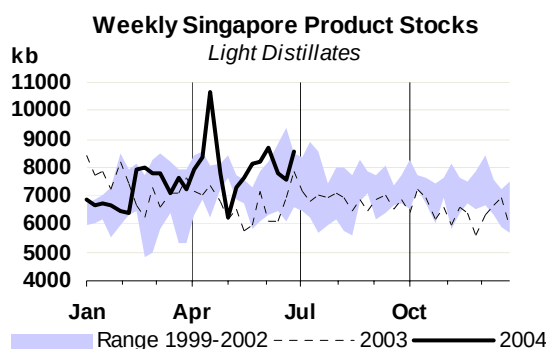
Strong demand and the start of seasonal refinery maintenance postponed normal stock builds, notably for kerosene used as a heating fuel. This trend was more pronounced in Japan where refiners maximised jet fuel output, cutting equally into supplies of naphtha, gasoline and gasoil. Japanese gasoil stocks were 18% below May last year and those of gasoline were off by 11%. Weekly data for Japan in June showed this trend continuing, despite a recovery in refinery runs. In contrast, **Pacific fuel stocks** built 0.9 mb in May, driven by a 1.2 mb gain in Korea where surplus product arose as a result of weak demand and refining of more medium/sour crude grades.



Singapore Stock Developments in June

Product stocks in Singapore, surveyed by International Enterprise, rose in June mainly on the recovery of middle distillates and to some extent light products. Regional supplies improved over the period as refiners emerged from maintenance. Residual fuel oil stocks fell back by end-month but builds in the first half of the month were sufficient for inventories to close at the top of their five-year range.

Middle distillate stocks showed large gains in June as supplies rose on the gradual return of regional refiners from maintenance in the second half of the month. Earlier high cracks for jet fuel in May motivated an increase in yield of the product. Despite high second quarter demand from China, jet supplies in June were seen as ample and jet's traditional premium over gasoil weakened. Product availability also improved with the closure of arbitrage opportunities to the US West Coast. Demand is expected to remain supported by China Aviation Oil's record tender for the third quarter and higher Indonesia demand. Yet, more supplies out of Korea, Taiwan and the Middle East in July suggest that stocks could maintain their upward trend. However, the export of some 1.2 mb to the US by Korea is likely to moderate the pace of the build. Gasoil faced similar factors to those of jet. Chinese imports fell from May peaks and are expected to decline further in July. Despite increased July requirements by Indonesia and an apparent opening of arbitrage towards the Mediterranean, reduced Chinese demand for marine diesel and rising supplies from Korea are likely to keep gasoil availability high. Storage in jet as well as gasoil will be supported by the shift in near month prices into a contango structure during June.



Light product stocks after declining through part of June, managed to close higher by end-month. Weakness in spot naphtha demand continued to be a factor despite apparently firm petrochemical margins. Spot naphtha offers, however, were on the rise from India and Kuwait but also Saudi Arabia, which saw reduced demand for terms supplies. This supply availability likely depressed prompt prices and supported the development of a contango between July and August, allowing surplus product to move into storage. Low-octane gasoline demand was also slack with Indonesia reportedly keeping July purchases level with June at 2.5 to 3 mb. Gasoline stocks likely rose on higher regional output, closure of arbitrage to the US and increased Chinese exports.

Residual fuel stocks closed June at high levels, with inventories building strongly early in the month. China saw importers scale back purchases as they faced losses on their domestic market. Huangpu, China's main fuel oil terminal which sources barrels from Singapore, saw imports fall again in June after declining in May. Meanwhile, western arbitrated supplies continued to arrive in the region. Trader estimates pointed to some 1.3 million tonnes arriving in July. However, the fall during June in the price of front month Singapore 180cst fuel oil by over \$10 a tonne likely triggered a rebound in Chinese demand. Fuel oil stocks fell over a million barrels by end-month, partly reflecting renewed sales into China, and suggesting that stocks will remain below the May and early June peaks.

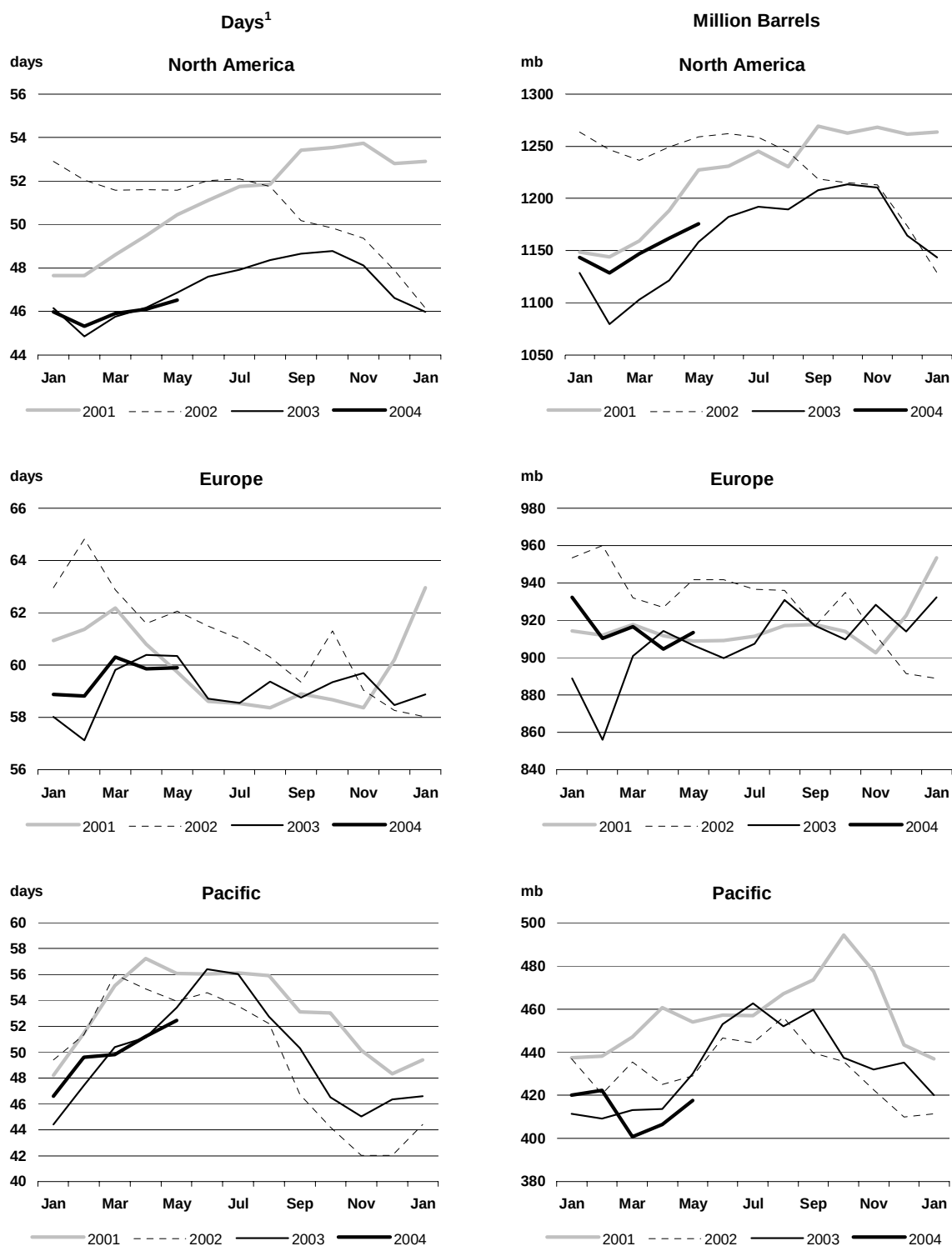
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	2Q03	3Q03	4Q03	1Q04	Mar 04	Apr 04	May 04	Latest month vs. Apr 04 May 03	
Crude Oil	819	755	892	593	654	777	933	585	802	217	342
Products & Feedstocks	-35	-96	-119	-93	-18	-64	2	-144	-60	84	50
Gasoil/Diesel	-154	-170	-171	-174	-161	-133	-85	-253	-177	76	-43
Gasoline	-81	-83	-95	-67	-96	-88	-90	-87	-117	-30	-11
Heavy Fuel Oil	334	320	304	323	341	304	335	365	287	-78	-11
LPG	-19	-22	-26	-19	-19	-24	-24	-29	-10	19	10
Naphtha	6	13	18	5	49	38	6	32	21	-12	26
Jet & Kerosene	-65	-99	-93	-103	-77	-99	-75	-103	-10	93	69
Other	-57	-55	-56	-58	-54	-62	-64	-69	-54	15	10
Total	784	659	774	501	636	713	935	441	742	301	392

Source: International Enterprise, IEA estimates

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

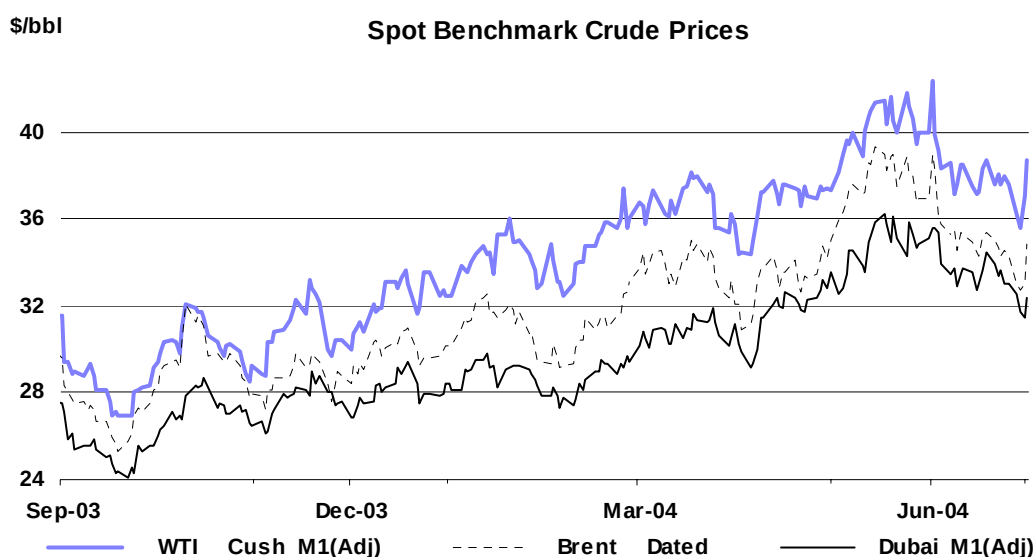


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **Benchmark WTI Cushing** rallied sharply in early July to over \$40.00, erasing most of the losses seen in early June. Increased OPEC output pushed prices lower in the first half of June and helped to lower average prices to \$38.00 for the month, 5.6% below May levels. However, uncertainty over OPEC supply levels, tighter product markets, supply disruptions in Iraq and Nigeria and events surrounding Russian producer YUKOS contributed to a swift price rebound in early July.
- **The spot gasoline price** decline that had started in mid-May stalled in the Atlantic Basin in early June, but held at lower levels for most of the month. This left average spot prices more than 13% lower than May levels in the US and Europe. Singapore gasoline prices lagged May's decline in the US and Europe, but trended lower until the end of June. Tightness in the transportation fuel markets reasserted itself at the end of June following strong demand and refinery maintenance in Europe. There was also concern over the low build in distillate stocks ahead of the winter.
- **Refinery margins** remained at attractive levels and moved in favour of sour heavy crudes in the first half of June as OPEC output increased. Refining margins in the Atlantic Basin remained at attractive levels, as initial crude weakness was followed by a resumption of product tightness. However, the weaker product markets in Asia resulted in a marked deterioration in margins that region in June, despite a continuation of seasonal maintenance in OECD Pacific countries.
- **IPE Brent and NYMEX WTI** prices flipped from a backwardation into a contango as the availability of sweet crudes increased, improving the financial incentive to build stocks. As futures prices declined, speculators reduced their net-long holdings in NYMEX WTI and gasoline to negligible levels by the end of June.
- **Dirty freight rates** stagnated in June as continued Asian maintenance and less attractive sweet refining margins reduced the demand for West African and North Sea crudes. **Clean freight** rates also remained flat, with increased US throughput and weak Asian product markets limiting arbitrage trade.
- **OECD refinery throughputs** fell in May due to heavy seasonal maintenance in the OECD Pacific region, offset partly by strong runs in Europe. Overall OECD throughput and capacity utilisation remains broadly in line with year-ago levels and is at the top end of the ranges for the past four years. Asian refiners are expected to move out of seasonal maintenance in July, while US and European refiners are expected to maximise throughput to take advantage of attractive margins. Some unexpected refinery problems in Europe have exacerbated regional product tightness.



June Overview

Crude oil prices eased in June, with Brent and WTI futures at one point falling close to 16% from the spike that followed attacks on oil workers in Saudi Arabia at the beginning of the month (peak-to-trough losses of \$6.74 and \$6.20 respectively). The decline in transportation fuel prices, since mid-May, stalled in early June, but with prices stabilising at the lower levels for most of the month, gasoline saw an average fall of over 13% in the Atlantic Basin in June and jet/kerosene prices a 5-10% decline.

Saudi Arabia, and other OPEC producers' commitments to increase production, weighed on market sentiment. As the fall gathered momentum, both refiners and consumers held back from spot purchases, wary of further downward adjustments in prices and speculative players closed a significant portion of their net-long positions.

Traders reported more ample term and spot crude supplies and anticipation of additional Middle East supplies depressed both spot prices and widened sour crude differentials against sweets. Tanker watchers reported increased volumes from the Middle East, and July nominations indicated that the supplies from OPEC 10 would remain high.

Increased availability of sour crude supplies made sour crudes proportionately cheaper to sweet crudes, thus increasing their attractiveness from a refining perspective. This in turn helped to create a temporary overhang of sweet crude in the North Sea and West Africa as the market adjusted to the supply shift and price structures changed. As a result, the improved availability of light sweet crude pushed WTI and Brent futures and forward markets into a "normal" contango (forward premium) market that can encourage stock building. The resulting change in sentiment was dramatic. Although the 14 and 15 June sabotage of the two key pipelines feeding the Basrah Oil Terminal in Iraq and the Norwegian oil worker's strike arrested the downward trend in the oil market, but failed to generate a significant rally in benchmark crude prices.

Comments from key OPEC officials that oil prices were currently "fair" helped to trigger a reversal in the price decline. Traders speculated that the producer group regarded the recent decline as sufficient and were concerned over the implications for future output policies.

WTI Cushing prices rallied by just over \$4/bbl between 29 June and 6 July, as traders covered positions ahead of the 4 July holiday in the US and further supply issues emerged. Further disruptions to Iraqi exports and industrial action in Nigeria were seen (but have now been resolved) and there was concern that a tax dispute between Yukos and the Russian government might affect the company's crude supplies.

Purchasers may have amplified price actions by holding back from marginal crude purchases in early June and then covering commitments later in the month. However, the re-emergence of tightness in the transport fuel market at the end of June highlights the fact that demand remains strong and supply conditions are finely balanced. Refiners in the Atlantic Basin are running flat-out to meet summer gasoline demand and concerns are emerging about the impact this will have on the ability to build heating oil stocks ahead of the winter months.

Crude Oil Prices

Spot Crude Prices and Differentials

WTI Cushing prices declined by 5.6% on average in June, falling for the first 10 days and remaining range-bound for all but the last few days of the month. Iraqi pipeline sabotage and the Norwegian oil worker's strike offset the modest build in crude stocks over the period. US crude imports averaged nearly 10.4 mb/d over the month, 6.5% higher than a year ago, as refiners continued to maintain throughput at near capacity, and the contango structure of the forward market encouraged stock building.

Although the arbitrage for Brent and West African crudes remained open throughout June, higher Middle Eastern and Russian crude supplies and weaker gasoline cracks detracted from sweet crude demand. The trend of weaker sour differentials was interrupted in mid-month by the Basrah pipeline disruption resulting in a rally in the differential between WTI and WTS of nearly 90 cents. Although the sweet-sour spreads widened slightly after the mid-month contraction, the WTI-Brent spread remained at a level that encouraged the movement of North Sea and West African crudes to the US.

The damage to the Iraqi pipeline was repaired faster than expected and OPEC term nominations indicated incremental supplies would be maintained in July. Similarly the early July pipeline damage in Iraq was repaired swiftly, but there are concerns that attacks on oil infrastructure in the south will be more frequent, which together with uncertainty over OPEC supplies are likely to prevent sweet-sour spreads from deteriorating too rapidly. The return of the 150 kb/d Mars field in the Gulf of Mexico for July provided a further cushion of sour crude.

The sharp decline in gasoline cracks along with weaker crude prices helped improve heavy sour crude refining margins relative to light sweet crudes. This reduced the demand for European and West African light sweet crudes, leading to a build-up of material in both regions and the development of contango in WTI. There were reports of speculative cargoes of Nigerian crude unsold on the US Gulf Coast and being placed into storage on the Louisiana Offshore Oil Port.

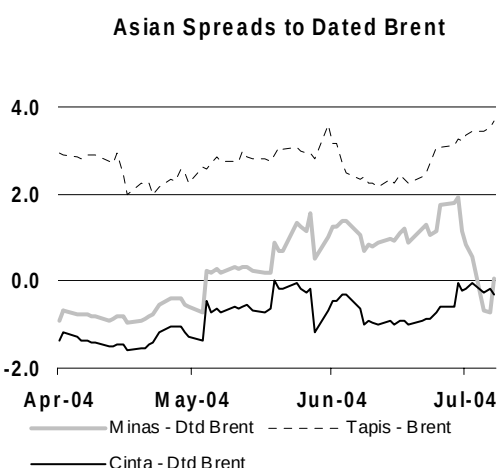
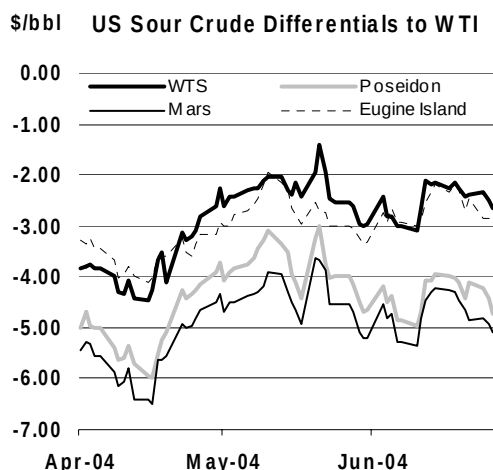
Brent was similarly difficult to sell in Europe as refiners held back from the market, creating a temporary surplus of sweet crude. An increase in sweet/sour crude differentials and weakening gasoline cracks further depressed demand for sweet North Sea crudes. The widening of the Brent premium to Urals in NWE to over \$4 at one point during the month highlighted the extremity of the sour crude competition.

The Norwegian strike had little impact on the depressed Brent market, with traders confident that the dispute would prove short-lived. But the sweet crude overhang cleared in early July as tightening distillate and gasoline prices helped bolster refinery buying interest, and the glut of Russian crude in the region was reduced by exports to Asia.

West African crudes were similarly depressed by sour crude competition for the US and Asian markets, although a late surge in demand from China helped to lift anticipated July loadings to around 1.3 mb/d from earlier indications of around 1.1 mb/d. Shipments to Asia were roughly in line with June levels, but still well below the March peaks of 1.7 mb/d. Trader reports however suggested that Chinese loadings were around 200 kb/d below June levels. West African crudes have also seen their competitive position in the US Atlantic Coast market relative to North Sea crudes deteriorate over the past few months, making it harder to place cargoes. This contributed to regional overhang that was noted in the West African market in July.

The increasing loadings of Russian crude from the Baltic region has left Urals in NWE relatively weak compared with valuations in the Mediterranean. However, this regional price pressure is likely to be tempered in July. Preliminary schedules show a sharp increase in loadings from the Mediterranean ports of Odessa and Novorossiysk in July as pipelines serving northern routes undergo maintenance. Further pressure is seen in the Mediterranean following a reduction in official selling prices (OSPs) of some Middle Eastern crudes.

In Asia, Tapis differentials improved steadily against both Dubai and Minas crudes, but the decline in the Tapis-Brent differential earlier in the month highlighted the competition from North Sea and West African crudes. Oman and Dubai were reportedly in strong demand from Taiwanese and Thai refiners, but came under some pressure after 5 mb of Urals was reportedly sold to Chinese refiners. Regional demand for Middle Eastern crudes has started to pick up as traders look to fix supplies to meet Japanese and South Korean needs once refiners come out of seasonal turnarounds in mid July.



Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

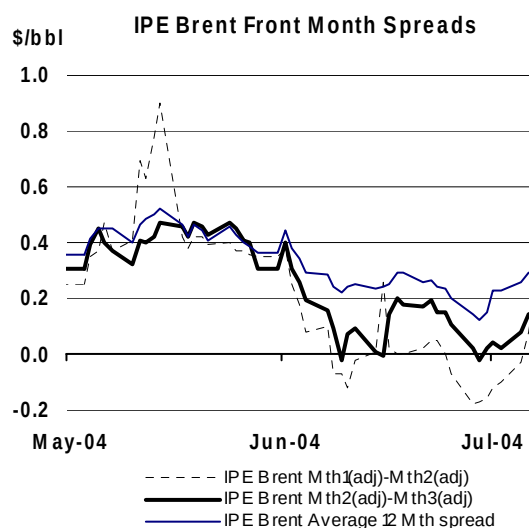
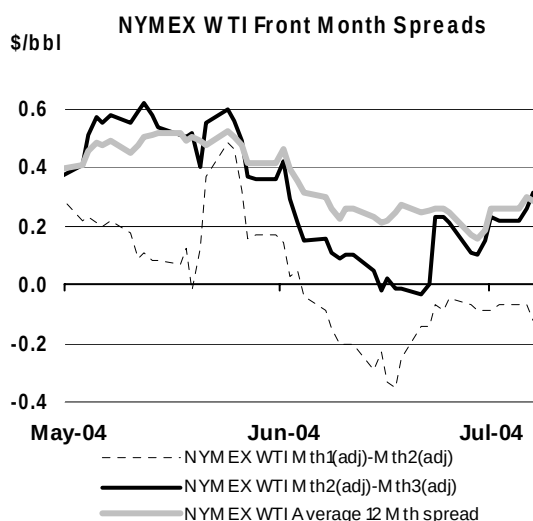
	Apr 04	May 04	Jun 04	Jun-Mayr		Week Commencing:				
				Change	%	07 Jun	14 Jun	21 Jun	28 Jun	05 Jul
Crudes										
Brent Dated	33.25	37.80	35.04	-2.76	-7.3	35.20	34.83	34.58	33.76	36.19
WTI Cushing 1 month (adjusted)	36.69	40.24	38.00	-2.24	-5.6	37.95	37.77	37.75	37.19	39.65
Urals (Mediterranean)	30.13	35.07	32.43	-2.64	-7.5	32.46	32.38	31.84	31.10	33.59
Dubai 1 month (adjusted)	31.68	34.74	33.43	-1.31	-3.8	33.47	33.47	33.37	32.41	34.44
Tapis	35.45	39.69	38.13	-1.56	-3.9	37.76	38.03	38.31	37.68	40.25
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	3.44	2.44	2.95	0.51		2.75	2.94	3.17	3.44	3.46
Urals (Mediterranean)	-3.11	-2.73	-2.62	0.11		-2.74	-2.45	-2.74	-2.66	-2.60
Dubai	-1.56	-3.07	-1.62	1.45		-1.73	-1.36	-1.21	-1.35	-1.75
Tapis	2.20	1.88	3.08	1.20		2.56	3.20	3.73	3.92	4.05
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.21	0.43	0.07	-0.35		0.04	0.02	-0.08	0.12	0.12
WTI Cushing 1mth-2mth (adjusted)	0.56	0.13	-0.12	-0.07		-0.27	-0.13	-0.07	-0.07	-0.07

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

Crude Futures

Both IPE Brent and WTI futures prices moved into contango in the nearby trading months as sweet crude availability improved. This, combined with additional supplies from the OPEC 10 and reduced Asian buying (due to seasonal maintenance and destocking in China), helped to encourage a greater confidence in the supply of crude. Contango structures help refiners and traders to finance stockholdings and are an indication that the crude market has moved into a more comfortable supply situation.

Speculators have moved in unison with the crude price. By the end of June, the net non-commercial position on NYMEX WTI had been reduced to 14,646 lots from a recent peak of over 80,000 lots.

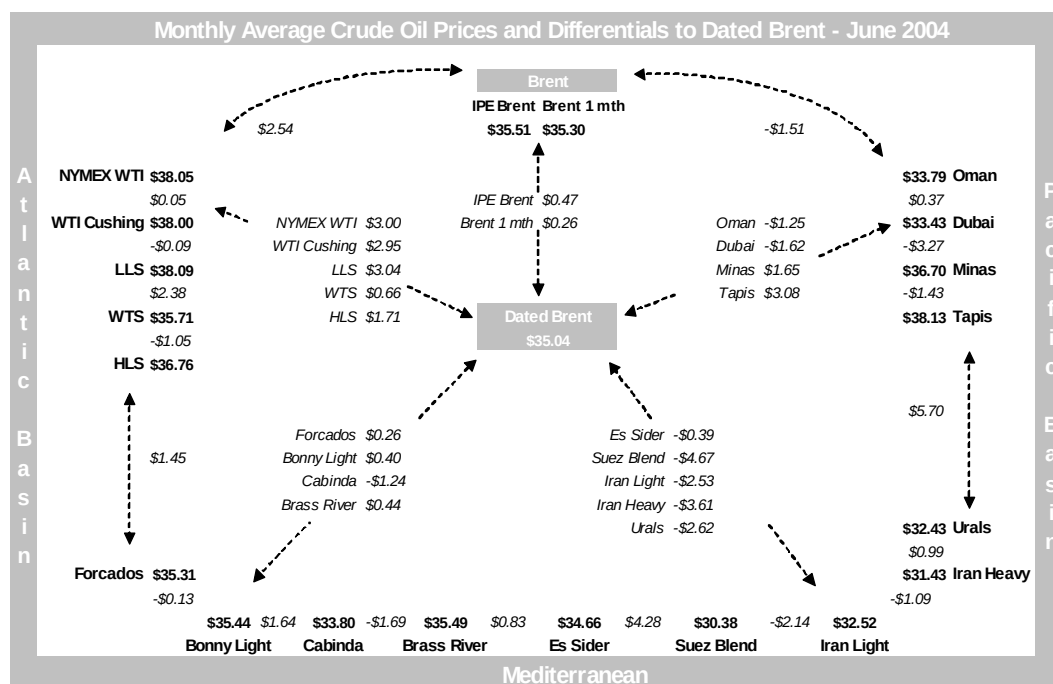


The end-June/early-July clear-out of North Sea crudes and the sharp rise in price has pushed Brent into backwardation. However, WTI has not yet seen such a structural shift, but it would be unusual in the oil market for a contango to persist into the winter months as demand increases to build distillate stocks for seasonal heating needs.

Delivered Crude Prices in April

Delivered prices for crude oil imported into IEA countries rose by \$0.37 cents in April from March to \$32.64. Only modest price movements were seen in IEA Europe and IEA North America, down 16 cents to \$32.13 and up 15 cents to \$32.43 respectively. This reflected the broadly flat pattern in spot

prices that was seen over the two months. In IEA Pacific, the usual one-month lagged response of prices meant that April gains were much more significant, rising \$1.68 on the month to \$33.92.



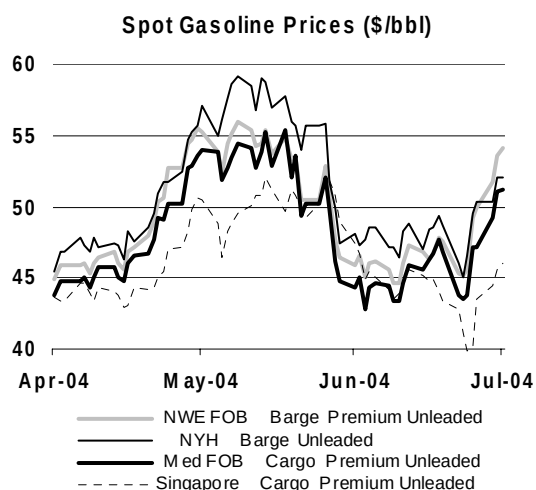
Product Prices

Spot Product Prices

Average **gasoline** prices fell sharply across the spot markets in June, with percentage losses ranging from 9.1% to 14.6%. Nominal losses were the highest in the US market, where New York Harbour prices for super unleaded fell by almost 9 cents over May values. Despite the large drop in average prices, the downward trend in Europe and the US was effectively over by 3 June. Gasoline prices generally held flat after that point until strong demand, higher crude prices and refinery issues helped to lift prices in early July.

Although gasoline arbitrage opportunities between North West Europe (NWE)/ Mediterranean and the US East Coast moved to more marginal levels compared with mid-May, shipments were still possible from both areas until the middle of June. However, movement from the Mediterranean became less economic for spot cargoes between mid-June until the beginning of July, and there were only sporadic opportunities from NWE. Term shipments will have continued over this period, but there is likely to have been a slowdown in spot shipments, which should be reflected by lower levels of US gasoline imports in the first half of July.

Supply tightness in the Mediterranean is largely to blame for the strength of gasoline, with maintenance issues affecting refineries in Algeria, France, Germany, Israel, Italy and UK. While some of the refiner downtime will have been offset by the return of other refineries from maintenance, there were several unanticipated problems that generated demand for additional fuel to cover commitments. Barge loading restrictions affected a large refinery in the Rotterdam area in mid June leading to the re-direction of material to the US from the European inland market. Refinery problems have also been rumoured in the UK and Sweden.



Spot Product Prices

(monthly and weekly averages, \$/bbl)

	Apr	May	Jun	Jun-May		Week Commencing:					Apr	May	Jun
				Change	%	07 Jun	14 Jun	21 Jun	28 Jun	05 Jul			
Rotterdam, Barges FOB											Differential to Brent		
Premium Unleaded (Cargo)	46.40	54.07	46.67	-7.40	-13.7	45.92	45.62	47.02	47.05	52.65	13.15	16.27	11.63
Regular Unleaded	45.72	53.32	45.99	-7.32	-13.7	45.25	44.96	46.34	46.37	51.89	12.47	15.52	10.95
Naphtha	36.60	41.22	38.46	-2.77	-6.7	38.29	38.42	38.19	37.87	40.43	3.35	3.42	3.41
Jet/Kerosene	43.81	47.94	45.38	-2.56	-5.3	45.31	45.00	45.54	46.26	49.07	10.56	10.14	10.34
Gasoil	39.35	43.51	42.34	-1.17	-2.7	41.95	42.24	42.40	43.30	46.56	6.10	5.71	7.30
Fuel Oil 1.0%S	23.94	26.72	25.18	-1.54	-5.8	25.71	24.22	24.51	24.67	25.56	-9.31	-11.08	-9.87
Fuel Oil 3.5%	23.74	26.17	24.39	-1.79	-6.8	24.68	23.90	23.93	23.48	25.12	-9.51	-11.63	-10.66
Mediterranean – Basis Italy, Cargoes FOB											Differential to Urals		
Premium Leaded (0.15 g/l)	46.07	53.82	46.16	-7.65	-14.2	44.94	45.04	47.38	45.78	50.82	15.94	18.75	13.74
Premium Unleaded	45.35	53.10	45.44	-7.65	-14.4	44.22	44.32	46.66	45.06	50.10	15.22	18.03	13.02
Naphtha	35.53	40.24	37.23	-3.01	-7.5	37.00	37.16	36.98	36.69	39.28	5.40	5.17	4.80
Jet/Kerosene	42.28	46.97	43.70	-3.28	-7.0	43.57	43.05	43.72	44.49	47.32	12.15	11.91	11.27
Gasoil	38.92	44.09	42.59	-1.51	-3.4	42.59	42.60	41.99	43.36	45.98	8.78	9.03	10.16
Fuel Oil 1.0%S	25.28	28.76	27.60	-1.16	-4.0	27.86	27.37	27.25	27.03	30.94	-4.85	-6.31	-4.83
Fuel Oil 3.5%S	21.90	24.70	21.97	-2.73	-11.0	21.91	21.06	21.46	21.97	23.62	-8.23	-10.37	-10.46
NY Harbour, Barges											Differential to WTI		
Super Unleaded *	52.60	64.40	55.60	-8.80	-13.7	54.53	53.89	54.90	53.93	57.99	15.91	24.16	17.60
Regular Unleaded *	47.15	56.52	48.27	-8.26	-14.6	47.87	47.56	48.35	47.50	52.09	10.46	16.29	10.27
Jet/Kerosene	42.31	49.26	44.07	-5.19	-10.5	43.34	43.47	44.35	46.17	48.88	5.62	9.02	6.07
No.2 Heating Oil	38.65	42.76	41.72	-1.05	-2.4	41.00	41.75	42.02	42.61	45.42	1.96	2.52	3.72
Fuel Oil 1.0%S (Cargo)	25.65	30.33	29.76	-0.56	-1.9	30.38	29.80	28.81	27.78	29.13	-11.04	-9.91	-8.23
Fuel Oil 3.0%S (Cargo)	24.55	27.78	25.42	-2.36	-8.5	26.73	24.91	23.98	23.66	24.13	-12.14	-12.46	-12.58
Singapore, Cargoes											Differential to Dubai		
Premium Unleaded 95	44.09	49.71	45.19	-4.53	-9.1	45.95	44.35	44.44	41.49	45.03	12.40	14.98	11.76
Naphtha	36.48	39.69	37.18	-2.51	-6.3	37.61	36.92	36.82	34.61	37.58	4.80	4.96	3.76
Jet/Kerosene	40.92	45.71	43.17	-2.54	-5.6	42.98	42.87	43.47	43.77	47.13	9.23	10.97	9.74
Gasoil	38.93	42.80	41.21	-1.59	-3.7	41.13	41.20	41.34	40.59	43.86	7.25	8.06	7.78
LSWR (0.3%S)	28.75	31.98	30.25	-1.73	-5.4	30.00	30.22	30.27	29.62	31.70	-2.94	-2.75	-3.18
HSFO (3.5%S 180cst)	26.90	29.32	28.31	-1.01	-3.4	28.36	28.03	28.22	27.88	28.80	-4.79	-5.42	-5.12
HSFO 4%S	26.76	29.17	28.17	-1.00	-3.4	28.20	27.70	28.18	27.75	28.54	-4.92	-5.56	-5.26

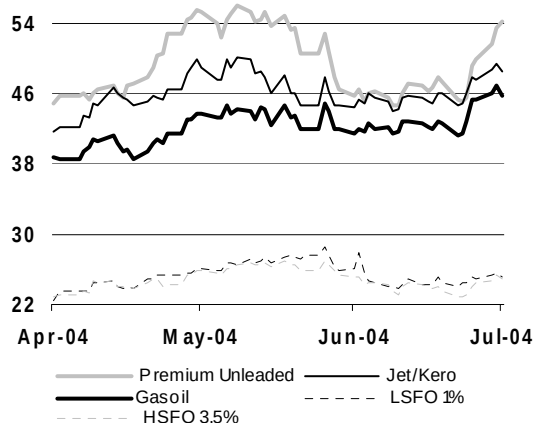
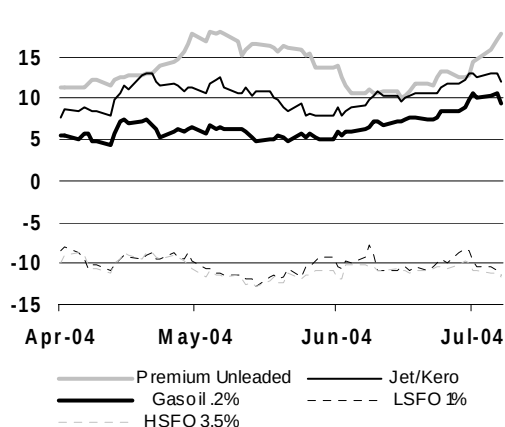
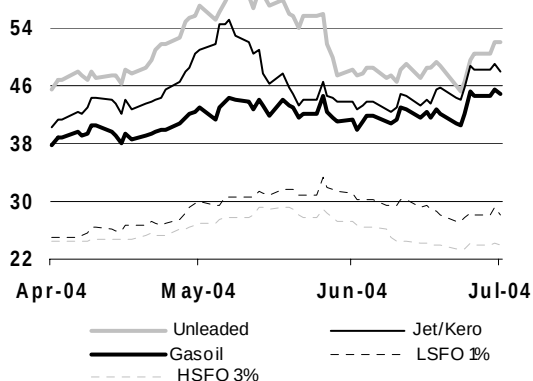
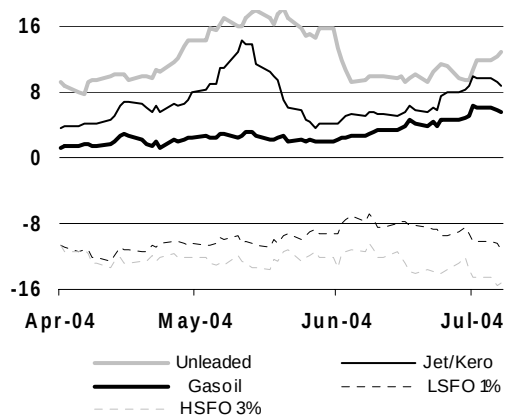
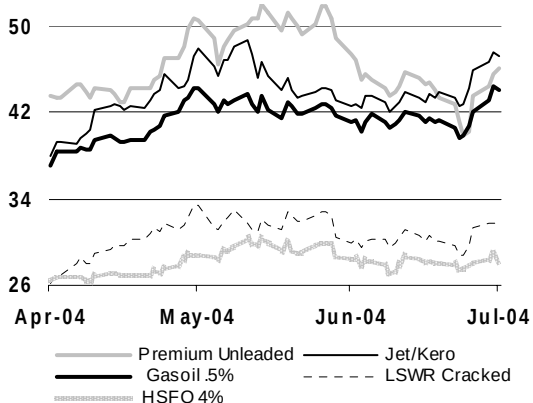
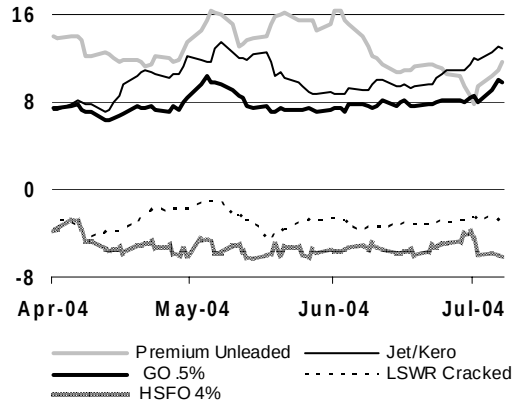
* From 1 November 2003 assessments for NYH are for Max 0.3% MTBE

Weak regional demand, a glut of naphtha and steady exports from China caused Singapore gasoline prices to underperform US and European grades towards the end of June. Supply pressures could increase in the coming weeks as regional refiners increase throughput to build gasoil and jet/kerosene stocks ahead of the winter months. The Singapore gasoline differential to European and US markets should have opened the opportunity for arbitrage out of the region, however tighter product specifications on the US West Coast limit export opportunities.

The **naphtha** markets followed a similar pattern to gasoline, with Asia again the weakest market. Regional naphtha cracker maintenance, combined with anecdotal reports of increased Indian exports have combined to keep the market weak. The relative weakness of the Asian market has also prompted Middle Eastern exporters to seek alternative buyers in Europe. This has in turn offset an anticipated tightening of the Mediterranean market due to maintenance at the Skikda refinery in Algeria.

The premium of gasoline over **gasoil** narrowed sharply in June as regional markets remained relatively tight. Reduced Russian gasoil exports in the second quarter and strong diesel consumption has helped to keep European markets relatively tight. Increased demand for distillates has also been seen from the Middle East, feeding flows from the Eastern Mediterranean region. Although stronger economic growth and agricultural use has helped to improve diesel demand in NWE in the second quarter, off-season consumer heating oil restocking has yet to be seen in any volume. This is in sharp contrast to 2003 when the sharp fall in prices that followed the start of the Iraqi war prompted end-user bargain hunting. This year, European mainland consumers are holding off, waiting for lower prices.

Some concern is now being raised about the low build in heating oil stocks in the US, ahead of the winter months. Strong diesel demand combined with the focus on gasoline supplies has helped to

\$/bbl Rotterdam Spot Product Prices**\$/bbl Rotterdam Spreads to Dated Brent****\$/bbl New York Harbour Spot Product Prices****\$/bbl New York Harbour Spreads to WTI****\$/bbl Singapore Spot Product Prices****\$/bbl Singapore Spreads to Dubai**

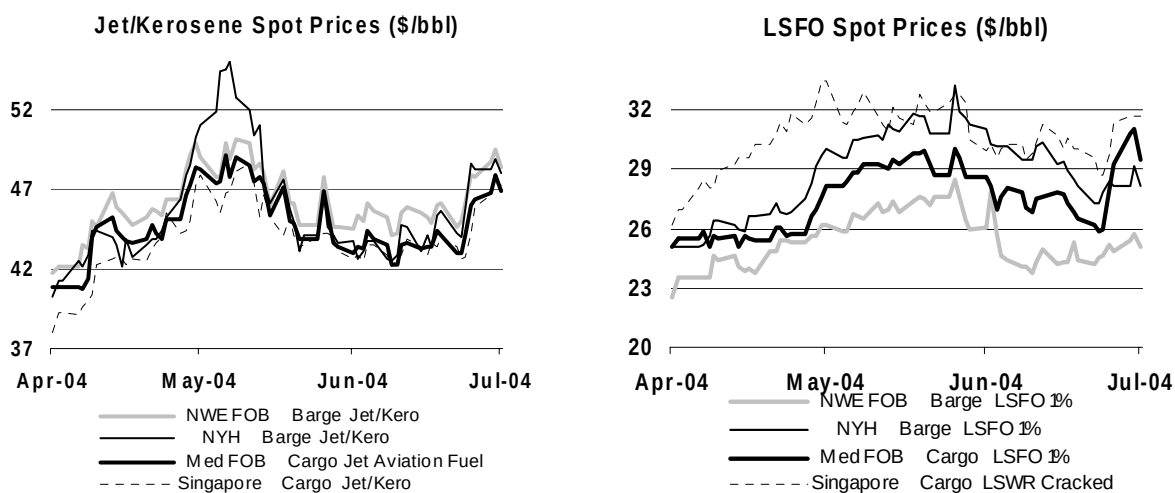
tighten the US distillate market, with stocks barely building since early May. Given the seasonal tendency for stocks to improve through to the autumn, the stagnation in stock levels has pushed inventories from the middle to the bottom end of the normal seasonal range. Although US diesel demand has been growing, there has been talk of several cargoes of diesel moving from North America to Europe.

In Asia, Chinese gasoil import demand has been lower than normal, with a three-month fishing ban through to the beginning of August cutting domestic demand. A good rainy season has also helped to improve hydroelectric supplies, which in turn reduces diesel demand for power generation. Some of this has been offset by increased imports from Indonesia ahead of local elections and strong jet fuel demand.

Jet fuel has been particularly tight in the Atlantic Basin in June. A sharp increase in air travel demand has been an obvious source of the tightness, but supplies continue to be constrained by refiners maximising diesel and gasoline yields. Some material continues to be taken off the market to blend with low sulphur Russian material to produce diesel, but this depends on blending economics.

The US market has been further squeezed by refinery glitches on the US West and East Coast, with the former continuing to attract material from Asia. Trade sources indicate that shipments of up to 1.2 mb will be made in July. The European market is also strong relative to Asia, and has attracted material from the Middle East. This, combined with strong airline demand, has helped to keep the regrade (the spread between jet/kerosene and gasoil) in Asia close to \$4/bbl in recent weeks.

Demand has been a little erratic as airlines switched to hand-to-mouth purchases as prices rose earlier this year. Recent tightness, particularly in Europe, is partly explained by a surge in bargain hunting as the surge in spot market prices appears to go against a recent ARA stock report showing inventories at well above year-ago levels. Russian gas oil supplies also appeared to increase in June, increasing blending opportunities.



High refinery runs continue to result in burgeoning **fuel oil** supplies around the world, while relatively mild weather conditions in Europe and the US East Coast and the return of Japanese nuclear facilities have reduced utility demand in the early stages of the summer. At this time last year, Europe was relatively warm even though the record temperatures and dry conditions in July and August had not yet been seen. Utility demand was therefore at reasonable levels, bolstered by low reservoir levels which reduced the availability of hydroelectric power in some regions. This year normal to below normal temperatures have been seen. In the US, temperatures on the US East Coast have predominantly been close to normal.

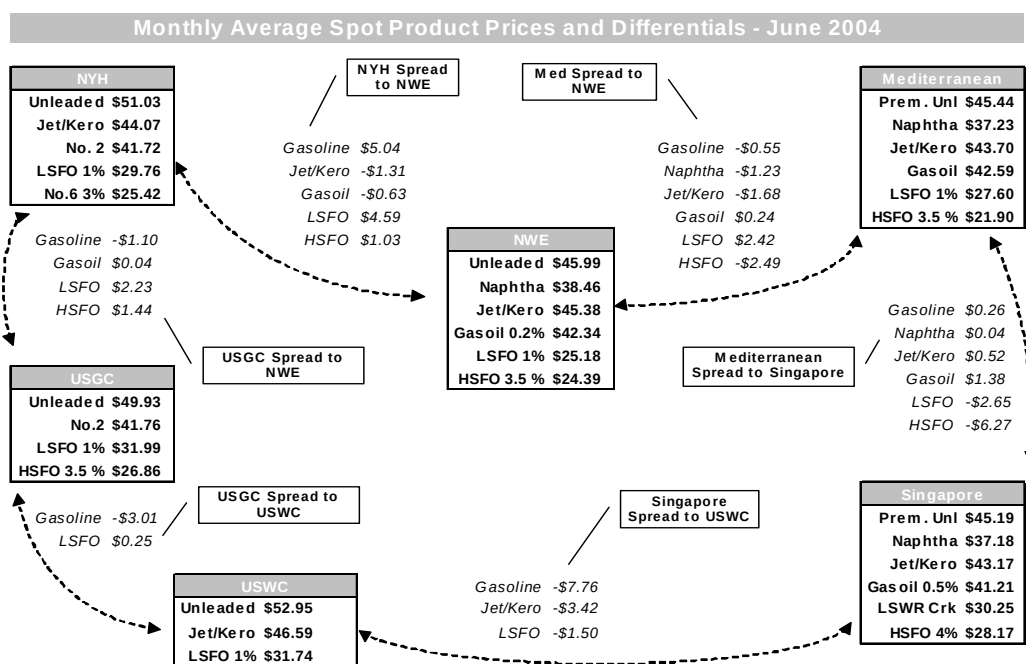
In early July, however, hot weather in the Mediterranean region, coupled with a slowdown in Russian exports and the clearing of some high sulphur material to Asia helped to cause a sharp rally in fuel oil prices. While this helped HSFO prices move in line with the sharply higher crude prices, low sulphur cracks improved.

Straight-run fuel oil throughput in US refineries has declined as sour crude costs and crack spreads have fallen. Utility demand has been poor, allowing US fuel oil stocks to rise to 37.3 mb, up 1.6 mb

from a year ago. Only sporadic demand for arbitrage shipments in Asia is helping to clear the European markets. However, a slow-down in the frenetic first quarter import pace by China has tempered the voracity of flows to Asia in the second quarter.

Chinese fuel oil imports into the key port of Huangpu in June were estimated at around 1.0-1.1 million tonnes, well below the 1.5 million tonnes imported in May and 2 million tonnes imported in April. As a result of the strong imports earlier in the year China is believed to have built up large stocks of fuel oil. Recent reports suggest that Chinese buying has improved modestly, but not at a pace that will return import demand to first quarter levels.

Nevertheless, Asia remains a premium market for both low sulphur and high sulphur fuel oil, with the differential between Mediterranean and Singapore quotes for HSFO reaching \$8 at one point in July. While the arbitrage activity waned towards the end of July, tanker and product sources suggest that two VLCCs are being readied for early July sailing.



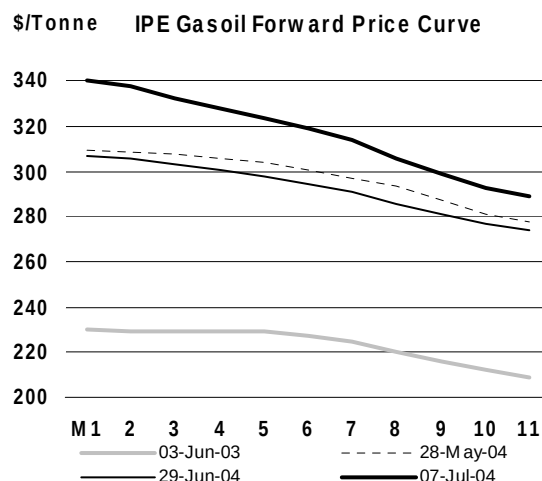
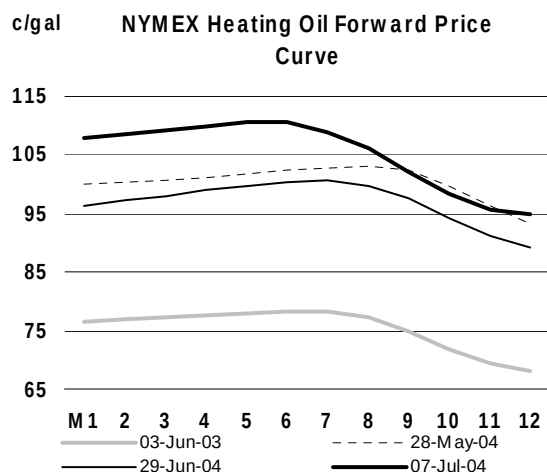
Japanese and South Korean utilities have returned to the market in recent weeks as power demand increases to meet seasonal cooling demand. Although 13 nuclear reactors have restarted in Japan, in comparison to two at this point last year, it should be noted that 2003 was an extremely mild summer in Japan.

Product Futures

NYMEX heating oil temporarily took over the baton from gasoline as the market's focus for concern in June as the emphasis on gasoline production over the summer could potentially lead to a lower-than-normal build in heating fuel stocks. However, European distillate tightness is more severe than in the US market, with strong jet fuel and diesel premiums supporting the IPE's gas oil contract.

While NYMEX heating oil remains in a modest, but normal, seasonal contango through to the middle of winter, the IPE contract is in backwardation throughout the curve.

Anecdotal reports would suggest there has been strong fund buying of IPE gas oil contracts since the end of June, however in the absence of a public reporting system akin to the US market, this is impossible to verify. However, on the NYMEX contract the latest Commitment of Trader's Report shows the net non-commercial (funds and large speculators) long position at the end of June at 14,871 lots, down from an end-May peak of 18,094 lots. The net-non commercial long position on gasoline has also fallen sharply, along with the spot price, falling to just over 10,000 lots from nearly 50,000 lots at the speculative peak in mid-March and the net 25,802 lot long position at the end of May.



End-User Product Prices in June

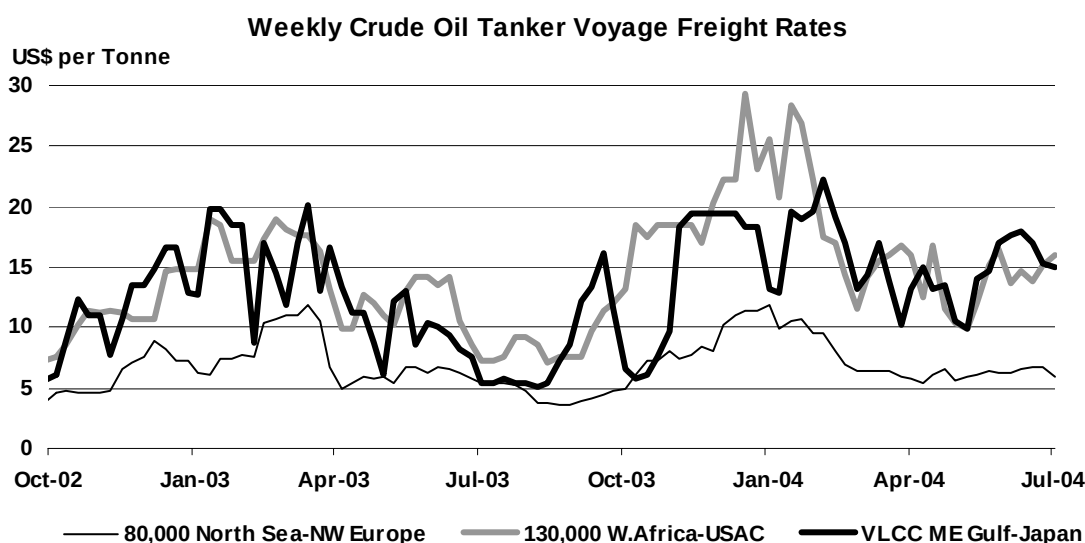
Gasoline prices rose on average during June in all countries covered bar France, Germany and Canada, which saw falls of between 1.8 and 2.6%. Japan saw the highest price rise of 4.7%, while others saw gains of between 0.5% and 1.7%. However, it is important to note that the general trend in prices over the month was down and end-June prices were generally much lower than end-May levels. European prices however were between 7.4 and 12.5% higher than a year ago, while US prices were 33.9% above the same period in 2003.

Diesel and heating oil prices followed a similar trend pattern, mirroring wholesale prices, but with Spain and the US seeing a net fall in diesel values of 0.2% and 1.5% respectively and Canadian diesel prices gaining 1.2%. Japan, again saw large increases in retail prices, reflecting the need for refiners to cover high procurement costs of crude oil and having lagged other countries in raising retail prices earlier in the year.

Fuel oil prices for industry rose across Europe, with Germany and Spain seeing increases of over 5%, while gains in France and Italy were less than 1.5%.

Freight

The rise in freight prices that started in May stalled and turned downward towards the end of June on expectations of lower OPEC throughput, and reduced refiner demand due to seasonal maintenance in Asia. Maintenance schedules should ease in July and this should attract further Asian demand for West African crude, an influential factor for freight rates in recent months.



Higher temperatures are likely to increase Asian fuel oil demand over the coming months, particularly from China, where utilities have been drawing on stocks built up through high import levels earlier in the year. Dirty freight rates typically hit a trough in mid-summer and rise through to the end of the fourth quarter as refiners gear up to meet summer driving demand, and build heating fuel stocks ahead of the winter. Additional factors, such as seasonal peak oil demand, shipping restrictions on the Turkish Straits and ice-bound Russian ports in the Baltic, tend to push freight rates higher in the winter months.

Clean product rates remained relatively flat in the Atlantic Basin as increased US refinery throughput and fewer clear arbitrage opportunities between Europe and the US constrained transatlantic flows. However, in early July tightness re-emerged in transportation fuels, prompting talk of distillate movement from Asia to Europe and the US, and even for diesel from North America and the Caribbean to Europe, which is likely to put mild upward pressure on rates.

Refining Margins

Sweet crude refining margins declined along with product cracks, but remained at high levels on average in June in most regions. Net product worth fell commensurately, but the weakness of sour crudes helped to mitigate the losses in cracking and hydroskimming operations.

NWE cracking margins remained strong, trending higher from an early month low as weaker crude prices helped to offset lower product prices and transportation fuel strength reappeared in the second half of the month. A recovery in fuel oil cracks helped hydroskimming margins to outperform cracking operations. It was a similar picture in the **Mediterranean**, although the supply problems in Iraq had a more direct impact on margins in mid-month than in NWE. Hydroskimming margins moved positive after a dip to negative values at the start of the month, with refinery maintenance issues helping the region to outperform northern Europe in sour cracking values.

US Gulf Coast cracking and coking margins have recovered sharply from mid-June lows, but even when prices dipped they never really got to a level which was uneconomic. Consequently, refinery throughput has continued at close-to-maximum levels (although a reduction in gasoline blending activity has reduced gasoline yields). Coking margins gained over cracking with the higher distillate yield content compensating for lower gasoline and fuel oil returns. Falling medium/sour crude prices also reduced the cost of coking feedstocks, thereby helping to boost margins. Although the intra-month direction of **West Coast** cracking margins was broadly similar to those in the Gulf, cracking margins remained extremely strong and coking margins have again moved above \$15/bbl.

In Asia, the margin trend showed a marked divergence from the Atlantic Basin as regional gasoline prices trended lower for most of June. In **Singapore** the divergence between Dubai and Tapis margins from mid-month reflects the improvement in distillate (particularly jet/kerosene) and fuel oil prices from mid-month and the continued deterioration in the gasoline market. Tapis has a high gasoline and distillate content, while Dubai yields high quantities of distillate and fuel oil. A weaker trend in crude freight and higher clean freight rates helped **Chinese** margins close the gap with Singapore. However, the poor trend in sweet crude margins for both refining centres helps to explain why China has been importing less West African crude in recent months. The low outright level of most margins also reflects the relatively weak conditions of the regional product markets in comparison with the Atlantic Basin, encouraging exports out of the region. The return of Japanese and Korean refiners from maintenance in July could therefore help to ease Atlantic Basin product tightness if refiners are willing or able to export surplus material to the West while rebuilding kerosene stocks ahead of the winter.

Note: An adjustment has been made to one of the cost factors of our Singapore refining margin, which has altered the time series slightly. An updated version will be made available on the website.

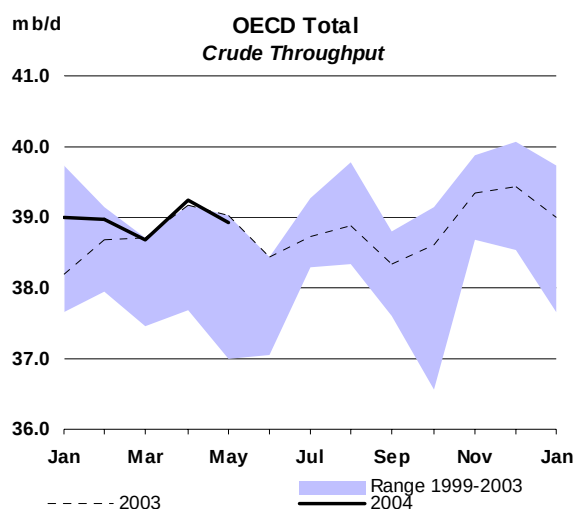
Refinery Throughput in May

OECD Refinery throughput fell in May due to heavy seasonal maintenance in OECD Pacific, but was offset by strong runs in Europe. Overall OECD capacity and throughput remain broadly in line with year-ago levels and are at the top end of the ranges for the past four years.

OECD North American throughput rose by 379 kb/d in May off an upwardly revised April base as US refiners raised throughput aggressively, to near-maximum levels of 15.89 mb/d, supplemented by small increases in Mexican throughput. Provisional data shows only a modest incremental increase in US June throughput to just over 16 mb/d. One conundrum has been resolved through a 408 kb/d

upward revision to US April throughput levels. Early submissions had indicated crude processing at refineries of 15.1 mb/d: a remarkably slow return from first quarter maintenance. However, this revision suggests that throughput was actually at a much higher level, consistent with industry maintenance surveys and prevailing refinery margins.

Throughput in **Europe** remained above the four-year average in May, but at 13.52 mb/d was nearly 200 kb/d below May throughput in 1998 and was 80 kb/d below April levels. Most of the dip in throughput can be attributed to maintenance issues. Maintenance continued in June, which together with a deterioration of refining margins, is likely to have kept throughput during the month relatively flat. In early July, ongoing maintenance has been affecting refineries in Algeria, France, Israel, Italy and UK. While most of the downtime will have been offset by the return of other refineries from maintenance in June, there have been several delays that have prompted refineries to turn to the spot market to cover commitments.



Throughput fell in OECD Pacific in line with seasonal trends. However, despite industry surveys indicating slightly heavier maintenance in June rather than May, provisional weekly data suggests that throughput was rising throughout June. Maintenance in Korea is expected to be broadly flat in May and June, with a slight rise in July, which would suggest that although the trough in OECD Pacific throughput is expected to have been seen in May, crude processing will not ramp up in earnest until July. Work in non-OECD regions is estimated to have peaked in June and should return at a steady rate through July.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day						Change from Apr 03		Utilisation rate ²	
	Nov 03	Dec 03	Jan 03	Feb 04	Mar 04	Apr 04	mb/d	%	Apr 04	Apr 03
OECD North America										
US ³	15.34	14.82	14.71	14.80	15.55	15.89	-0.03	-0.2	94.9	95.0
Canada	1.77	1.83	1.82	1.89	1.81	1.80	-0.06	-3.2	90.7	93.8
Mexico	1.21	1.29	1.31	1.25	1.26	1.30	0.02	1.5	77.3	72.0
Total	18.33	17.94	17.84	17.94	18.61	18.99	-0.07	-0.4	93.0	93.3
OECD Europe										
France	1.88	1.80	1.86	1.72	1.87	1.63	-0.03	-1.7	83.6	87.2
Germany	2.29	2.28	2.30	2.07	2.24	2.28	0.13	6.2	97.2	91.6
Italy	1.85	1.81	1.88	1.85	1.77	1.88	0.11	6.4	81.1	76.6
Netherlands	1.05	1.15	1.15	1.10	1.12	1.13	0.06	5.6	92.4	88.6
Spain	1.13	1.16	1.09	1.19	1.16	1.13	-0.08	-6.5	88.7	91.3
UK	1.65	1.62	1.65	1.70	1.73	1.63	-0.05	-3.1	89.9	94.2
Other OECD Europe	3.98	3.85	3.75	3.82	3.70	3.84	0.10	2.8	84.9	82.4
Total	13.81	13.66	13.67	13.44	13.60	13.52	0.25	1.9	87.5	86.2
OECD Pacific										
Japan	4.25	4.28	4.40	4.26	4.01	3.51	-0.33	-8.7	74.6	80.6
Korea	2.31	2.38	2.37	2.32	2.29	2.18	0.16	7.9	85.8	79.0
Other OECD Pacific	0.73	0.73	0.70	0.73	0.74	0.72	-0.11	-12.9	84.3	87.2
Total	7.30	7.39	7.47	7.31	7.04	6.42	-0.28	-4.2	79.2	80.9
OECD Total	39.44	38.99	38.98	38.68	39.25	38.93	-0.10	-0.3	88.5	88.5

¹ Estimate

² Based on crude throughput and current operable refining capacity

³ US\$0

Refining Margins in Major Refining Centers

	(\$/bbl)									
	Monthly Average			Jun 04 - May 04		Week Ending:				
	Apr 04	May 04	Jun 04	Change	%	04 Jun	11 Jun	18 Jun	25 Jun	02 Jul
Refining Margins										
NW Europe										
Brent (Cracking)	5.01	5.60	4.54	-1.06		3.57	4.13	4.65	5.36	6.77
Urals (Cracking)	7.66	7.30	6.90	-0.41		5.96	7.37	6.69	7.67	8.22
Brent (Hydroskimming)	0.80	0.63	0.86	0.23		0.14	0.56	0.90	1.42	2.83
Urals (Hydroskimming)	2.15	0.75	1.43	0.68		0.82	1.98	1.10	1.92	2.13
Mediterranean										
Es Sider (Cracking)	5.56	5.68	4.35	-1.33		3.60	4.43	3.98	5.43	6.30
Urals (Cracking)	6.58	6.94	5.71	-1.23		4.82	5.47	5.26	7.05	7.44
Es Sider (Hydroskimming)	1.14	0.32	0.50	0.18		-0.01	0.88	0.18	1.12	2.39
Urals (Hydroskimming)	1.00	0.24	0.12	-0.12		-0.33	-0.14	-0.61	1.15	1.57
US Gulf Coast										
Brent (Cracking)	3.97	5.04	3.42	-1.62		2.50	3.56	3.17	4.38	5.07
LLS (Cracking)	3.91	5.78	3.78	-2.00		3.47	3.73	2.76	4.73	5.54
Mars (Cracking)	4.08	4.25	2.83	-1.42		2.92	3.20	1.75	3.47	3.98
Mars (Coking)	7.41	8.05	6.55	-1.49		6.06	6.84	5.60	7.61	8.30
Maya (Coking)	9.12	10.71	8.40	-2.31		7.33	8.36	7.80	9.42	10.17
US West Coast										
ANS (Cracking)	9.87	10.34	7.98	-2.36		7.98	6.37	5.47	10.87	9.47
Kern (Cracking)	7.63	6.45	6.37	-0.08		5.48	6.15	4.48	8.85	7.87
Oman (Cracking)	9.99	10.65	6.62	-4.03		6.58	5.14	3.80	9.59	8.07
Kern (Coking)	17.31	18.70	13.61	-5.09		12.66	12.71	10.68	17.11	16.48
Singapore										
Dubai (Hydroskimming)	-0.76	-0.52	-1.14	-0.62		-0.94	-1.26	-1.67	-0.76	-1.40
Tapis (Hydroskimming)	-0.74	-0.97	-1.76	-0.79		-0.93	-1.41	-1.91	-2.19	-2.73
Dubai (Hydrocracking)	1.65	2.43	1.42	-1.01		1.91	1.34	0.95	1.60	1.08
Tapis (Hydrocracking)	0.73	0.76	-0.14	-0.91		0.89	0.28	-0.34	-0.68	-1.32
China										
Cabinda (Hydroskimming)	-1.37	-1.85	-1.79	0.06		-1.90	-2.06	-1.34	-1.29	-1.10
Daqing (Hydroskimming)	-1.72	-3.09	-3.92	-0.83		-4.18	-3.85	-4.00	-4.03	-3.46
Dubai (Hydroskimming)	-0.95	-0.75	-1.49	-0.75		-1.33	-1.64	-2.04	-1.02	-1.67
Daqing (Hydrocracking)	1.82	1.04	-0.32	-1.36		0.04	-0.23	-0.58	-0.73	-0.41
Dubai (Hydrocracking)	1.56	2.32	1.14	-1.17		1.61	1.03	0.62	1.41	0.87
Net Product Worth										
NW Europe										
Brent (Cracking)	39.16	44.28	40.56	-3.72	-8.4	40.30	40.40	41.02	40.65	42.89
Urals (Cracking)	37.47	42.16	38.67	-3.50	-8.3	38.47	38.54	39.11	38.69	40.75
Brent (Hydroskimming)	34.96	39.31	36.88	-2.43	-6.2	36.87	36.83	37.27	36.72	38.96
Urals (Hydroskimming)	31.96	35.61	33.19	-2.41	-6.8	33.33	33.16	33.52	32.94	34.66
Mediterranean										
Es Sider (Cracking)	38.41	43.91	40.21	-3.70	-8.4	39.96	40.14	40.46	40.43	42.42
Urals (Cracking)	36.95	42.22	38.40	-3.83	-9.1	38.32	38.13	38.38	38.66	40.42
Es Sider (Hydroskimming)	33.98	38.55	36.36	-2.18	-5.7	36.35	36.58	36.66	36.12	38.51
Urals (Hydroskimming)	31.37	35.52	32.81	-2.72	-7.6	33.18	32.51	32.50	32.75	34.55
US Gulf Coast										
Brent (Cracking)	39.39	45.00	40.98	-4.01	-8.9	40.70	41.38	41.06	41.27	42.94
LLS (Cracking)	40.22	45.79	41.62	-4.17	-9.1	41.18	41.92	41.79	42.04	43.80
Mars (Cracking)	35.31	40.21	36.13	-4.08	-10.1	36.09	36.49	36.27	36.24	37.74
Mars (Coking)	38.64	44.01	39.85	-4.16	-9.4	39.23	40.13	40.12	40.38	42.06
Maya (Coking)	37.53	43.30	38.53	-4.76	-11.0	37.97	38.83	38.58	39.00	40.62
US West Coast										
ANS (Cracking)	45.76	49.77	45.18	-4.60	-9.2	45.40	43.97	43.25	47.53	47.00
Kern (Cracking)	38.65	41.29	39.32	-1.98	-4.8	39.65	38.57	37.90	41.28	40.64
Oman (Cracking)	45.23	49.09	44.58	-4.51	-9.2	44.79	43.36	42.75	47.01	46.49
Kern (Coking)	48.33	53.55	46.56	-6.99	-13.1	46.83	45.14	44.10	49.53	49.24
Singapore										
Dubai (Hydroskimming)	31.89	35.26	33.66	-1.60	-4.5	34.30	33.79	34.13	33.42	33.90
Tapis (Hydroskimming)	35.07	39.06	36.89	-2.17	-5.5	37.86	36.97	37.51	36.33	37.10
Dubai (Hydrocracking)	34.30	38.21	36.23	-1.98	-5.2	37.15	36.39	36.75	35.78	36.39
Tapis (Hydrocracking)	36.54	40.79	38.50	-2.28	-5.6	39.69	38.66	39.09	37.84	38.50
China*										
Cabinda (Hydroskimming)	32.75	36.43	34.62	-1.81	-5.0	35.10	34.67	35.37	34.26	35.36
Daqing (Hydroskimming)	31.19	34.71	33.02	-1.70	-4.9	33.36	33.02	33.83	32.67	33.87
Dubai (Hydroskimming)	32.30	35.67	34.09	-1.58	-4.4	34.72	34.23	34.56	33.87	34.37
Daqing (Hydrocracking)	34.73	38.85	36.62	-2.23	-5.7	37.57	36.64	37.25	35.96	36.91
Dubai (Hydrocracking)	34.82	38.74	36.73	-2.00	-5.2	37.66	36.90	37.21	36.31	36.91

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.

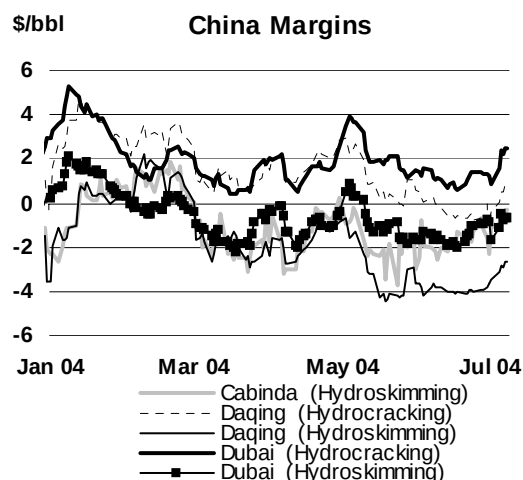
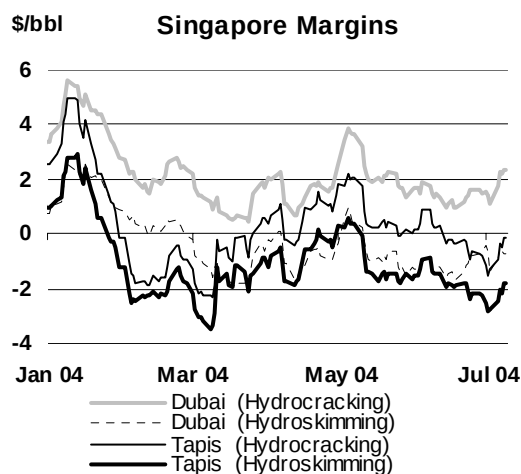
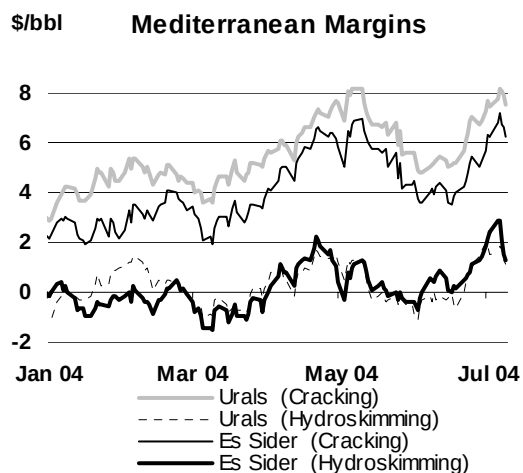
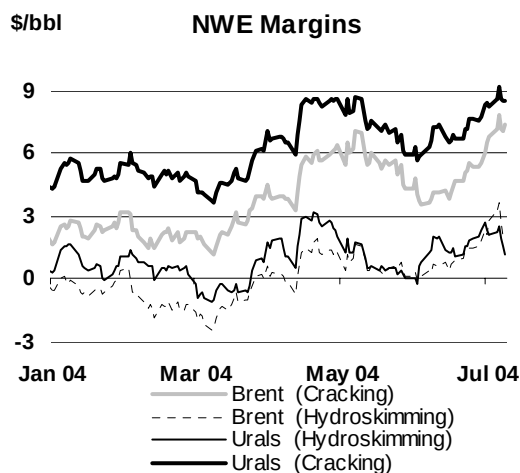
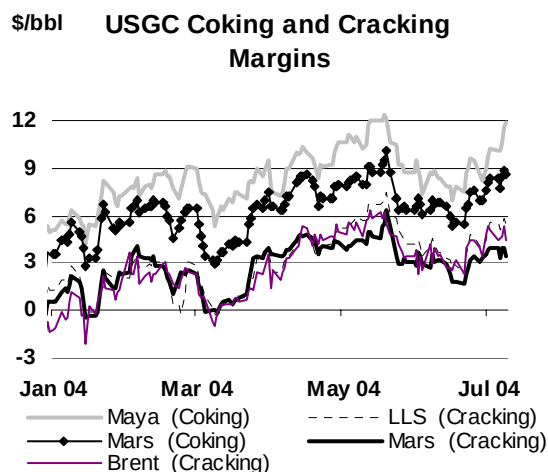
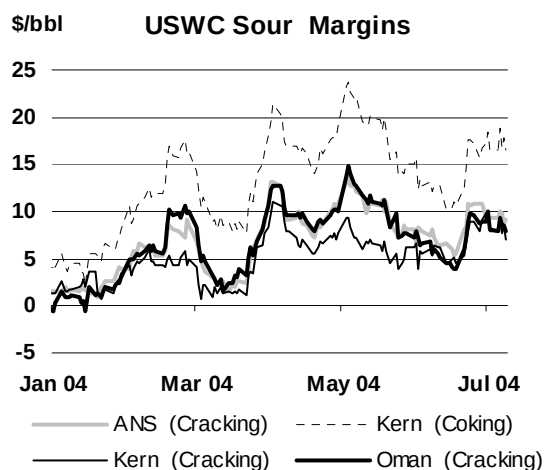


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	24.0	24.1	24.5	24.1	24.8	24.8	24.6	25.0	25.0	25.2	25.2	25.1	25.3	25.2	25.5	25.5	25.4
Europe	15.3	15.2	15.3	15.1	15.3	15.6	15.3	15.6	15.2	15.5	15.9	15.5	15.8	15.4	15.6	16.0	15.7
Pacific	8.7	8.6	9.8	8.2	8.0	9.1	8.8	9.4	8.0	8.1	9.0	8.6	9.4	8.0	8.1	9.1	8.6
Total OECD	47.9	48.0	49.6	47.4	48.2	49.6	48.7	50.0	48.2	48.8	50.1	49.3	50.5	48.6	49.2	50.6	49.7
NON-OECD DEMAND																	
FSU	3.7	3.5	3.8	3.1	3.4	3.9	3.6	3.5	3.7	3.7	3.8	3.7	3.8	3.7	3.8	3.9	3.8
Europe	0.7	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.9	0.8	0.8	0.8	0.8
China	4.7	4.9	5.2	5.2	5.7	5.8	5.5	6.2	6.4	6.2	6.3	6.3	6.6	6.9	6.8	6.9	6.8
Other Asia	7.6	7.7	7.7	7.7	7.8	8.3	7.9	8.2	8.2	8.2	8.6	8.3	8.5	8.5	8.4	8.8	8.6
Latin America	4.9	4.8	4.5	4.7	4.8	4.8	4.7	4.6	4.9	4.9	4.9	4.8	4.8	5.0	5.0	5.0	4.9
Middle East	4.9	5.1	5.2	5.0	5.4	5.4	5.2	5.5	5.5	5.7	5.6	5.6	5.8	5.7	5.9	5.9	5.8
Africa	2.5	2.6	2.6	2.6	2.5	2.7	2.6	2.7	2.7	2.6	2.7	2.7	2.8	2.8	2.7	2.8	2.8
Total Non-OECD	29.0	29.3	29.9	29.1	30.4	31.6	30.2	31.5	32.1	32.1	32.8	32.1	33.0	33.4	33.5	34.1	33.5
Total Demand¹	76.9	77.2	79.5	76.4	78.6	81.2	78.9	81.5	80.4	80.8	82.9	81.4	83.5	82.0	82.7	84.7	83.2
OECD SUPPLY																	
North America	14.4	14.5	14.7	14.5	14.7	14.8	14.7	14.8	14.6	14.8	15.0	14.8	15.1	14.9	14.8	14.9	14.9
Europe	6.7	6.6	6.7	6.2	6.0	6.5	6.3	6.4	6.2	6.0	6.3	6.2	6.2	6.0	5.8	6.1	6.0
Pacific	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Total OECD	21.8	21.9	22.1	21.3	21.4	21.8	21.7	21.8	21.4	21.4	21.8	21.6	21.9	21.4	21.2	21.5	21.5
NON-OECD SUPPLY																	
FSU	8.6	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.1	11.2	11.3	11.1	11.4	11.5	11.8	12.0	11.7
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.4	3.4	3.4	3.4
Other Asia	2.4	2.5	2.6	2.6	2.5	2.7	2.6	2.7	2.7	2.7	2.8	2.7	2.8	2.7	2.7	2.7	2.7
Latin America	3.8	3.9	3.9	3.8	4.0	4.0	3.9	3.9	3.9	4.0	4.1	4.0	4.2	4.2	4.3	4.3	4.3
Middle East	2.2	2.1	2.0	2.0	2.0	1.9	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Africa	2.8	3.0	2.9	3.0	3.1	3.2	3.0	3.3	3.4	3.4	3.5	3.4	3.7	3.8	3.8	3.9	3.8
Total Non-OECD	23.2	24.4	24.9	25.1	25.6	26.1	25.4	26.2	26.5	26.8	27.2	26.7	27.5	27.8	28.1	28.4	28.0
Processing Gains ²	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.9
Total Non-OPEC	46.7	48.1	48.9	48.2	48.7	49.8	48.9	49.9	49.8	50.0	50.8	50.1	51.3	51.0	51.1	51.9	51.3
OPEC																	
Crude ³	27.0	25.1	26.7	26.2	26.6	27.7	26.8	27.9	28.1								
NGLs	3.1	3.5	3.3	3.7	3.8	4.0	3.7	4.0	4.0	4.1	4.3	4.1	4.5	4.5	4.6	4.6	4.5
Total OPEC	30.2	28.6	29.9	29.8	30.4	31.6	30.5	31.9	32.2								
Total Supply⁴	76.9	76.6	78.8	78.1	79.1	81.4	79.4	81.8	81.9								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.4	-0.6	1.3	0.5	-0.8	0.1	-0.5									
Government	0.0	0.2	0.2	0.0	0.2	0.3	0.2	0.1									
Total	0.3	-0.3	-0.5	1.3	0.7	-0.5	0.3	-0.4									
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.1	0.0	0.3	0.2	-0.2									
Miscellaneous to balance ⁵	-0.3	-0.3	-0.5	0.2	-0.2	0.4	0.0	1.0									
Total Stock Ch. & Misc	-0.1	-0.6	-0.7	1.6	0.6	0.3	0.4	0.3	1.5								
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.1	25.7	27.3	24.5	26.1	27.4	26.3	27.6	26.6	26.7	27.8	27.2	27.8	26.5	27.0	28.3	27.4
Total Demand ex. FSU	73.3	73.8	75.7	73.3	75.1	77.3	75.4	78.0	76.6	77.1	79.1	77.7	79.7	78.3	78.9	80.8	79.4
Total demand exc. FSU (% ch) ⁷	0.9	0.7	2.7	1.2	2.2	2.4	2.1	3.1	4.6	2.6	2.3	3.1	2.2	2.2	2.3	2.1	2.2

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

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

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

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

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

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

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

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

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	-	-	-	-0.1	-0.3	-0.1	-0.1	-0.1	0.1	-0.3	-0.2	-0.1					
Europe	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-	0.1	0.1					
Pacific	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1					
Total OECD	0.1	0.2	0.3	0.1	-0.1	0.1	0.1	0.2	0.3	-0.2	0.1	0.1					
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	0.2	0.3	-	0.1					
Europe	-	-	-	-	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	-	-	-	-	-	-	-					
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-					
Latin America	-	-	-	-	-	-	-	-	-	-	-	-					
Middle East	-	-	0.1	0.1	-	0.1	-	0.1	0.1	0.1	0.2	0.1					
Africa	-	-	-	-	-	-	-	-	-	-	-	-					
Total Non-OECD	-	-	0.1	0.1	-	0.1	-	0.1	0.3	0.4	0.2	0.3					
Total Demand	0.1	0.2	0.3	0.1	-	0.2	0.1	0.2	0.6	0.2	0.3	0.3					
OECD SUPPLY																	
North America	-	-	-	-	-	-	-	-	-	0.1	0.1	-					
Europe	-	-	-	-	-	-	-	-	-	-	-	-					
Pacific	-	-	-	-	-	-	-	-	-	-	-	-					
Total OECD	-	-	-	-	-	-	-	-	-	0.1	0.1	-					
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	-	-	-					
Europe	-	-	-	-	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	-	-	-	-	-	-	-					
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-					
Latin America	-	-	-	-	-	-	-	-	-	-	-	-					
Middle East	-	-	-	-	-	-	-	-	-	-	-	-					
Africa	-	-	-	-	-	-	-	-	-	-	-	-					
Total Non-OECD	-	-	-	-	-	-	-	-	-0.1	-	-	-					
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-					
Total Non-OPEC	-	-	-	-	-	-	-	-	-	0.1	-	-					
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-					
NGLs	-	-	-	-	-	-	-	-	-	-	-	-					
Total OPEC	-	-	-	-	-	-	-	-	-	-	-	-					
Total Supply	-	-	-	-	-	-	-	-	-	-	-	-					
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	-	-	-	-0.2									
Government	-	-	-	-	-	-	-	-									
Total	-	-	-	-	-	-	-	-0.2									
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-									
Miscellaneous to balance	-0.1	-0.2	-0.3	-0.1	-	-0.3	-0.2	-									
Total Stock Ch. & Misc	-0.1	-0.2	-0.3	-0.2	-	-0.2	-0.2	-0.2									
Memo items:																	
Call on OPEC crude + Stock ch.	0.1	0.2	0.3	0.2	-	0.2	0.2	0.2	0.7	0.2	0.2	0.3					
Total Demand ex. FSU	0.1	0.2	0.3	0.1	-	0.2	0.1	0.2	0.4	-0.1	0.3	0.2					

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

Table 2

Summary of Global Oil Demand

	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
Demand (mb/d)																
North America	24.11	24.52	24.11	24.84	24.83	24.58	24.98	24.98	25.24	25.22	25.11	25.29	25.21	25.49	25.48	25.37
Europe	15.23	15.30	15.06	15.33	15.61	15.32	15.63	15.20	15.47	15.88	15.54	15.81	15.43	15.63	16.03	15.72
Pacific	8.63	9.76	8.20	8.03	9.14	8.78	9.39	8.04	8.06	9.04	8.63	9.37	8.00	8.12	9.05	8.63
Total OECD	47.97	49.58	47.37	48.20	49.58	48.68	50.00	48.22	48.77	50.15	49.29	50.46	48.65	49.25	50.56	49.73
FSU	3.45	3.81	3.14	3.45	3.87	3.57	3.49	3.74	3.73	3.82	3.69	3.76	3.73	3.84	3.93	3.82
Europe	0.75	0.82	0.76	0.71	0.77	0.77	0.84	0.78	0.73	0.80	0.78	0.86	0.80	0.75	0.82	0.81
China	4.95	5.21	5.18	5.73	5.85	5.49	6.21	6.38	6.23	6.35	6.29	6.62	6.85	6.78	6.94	6.80
Other Asia	7.69	7.73	7.67	7.80	8.29	7.87	8.19	8.24	8.18	8.58	8.30	8.47	8.52	8.44	8.84	8.57
Latin America	4.79	4.50	4.65	4.80	4.76	4.68	4.63	4.85	4.93	4.87	4.82	4.76	4.95	5.05	4.95	4.93
Middle East	5.06	5.23	5.01	5.36	5.38	5.25	5.48	5.46	5.66	5.64	5.56	5.77	5.74	5.92	5.86	5.82
Africa	2.57	2.63	2.63	2.54	2.66	2.61	2.68	2.70	2.60	2.73	2.68	2.78	2.80	2.69	2.81	2.77
Total Non-OECD	29.27	29.92	29.05	30.39	31.58	30.24	31.52	32.15	32.06	32.77	32.13	33.02	33.40	33.46	34.15	33.51
World	77.24	79.50	76.42	78.59	81.16	78.92	81.52	80.37	80.83	82.92	81.41	83.48	82.05	82.70	84.70	83.23
of which:																
US	19.76	20.01	19.67	20.33	20.22	20.06	20.36	20.48	20.71	20.59	20.54	20.62	20.73	20.91	20.81	20.77
Euro4	8.34	8.27	8.22	8.29	8.40	8.29	8.51	8.16	8.34	8.55	8.39	8.59	8.30	8.37	8.56	8.45
Japan	5.46	6.37	5.17	5.04	5.74	5.57	6.06	4.97	4.98	5.65	5.41	6.00	4.89	5.00	5.63	5.38
Korea	2.15	2.38	2.00	1.95	2.34	2.17	2.29	2.01	2.01	2.28	2.15	2.29	2.02	2.02	2.28	2.15
Mexico	1.94	1.98	2.03	2.02	2.03	2.02	2.02	2.01	2.00	2.04	2.02	2.05	2.00	2.02	2.05	2.03
Canada	2.08	2.17	2.09	2.16	2.24	2.17	2.23	2.17	2.20	2.24	2.21	2.25	2.16	2.22	2.27	2.22
Brazil	2.17	2.18	2.21	2.22	2.14	2.19	2.19	2.19	2.18	2.14	2.21	2.21	2.23	2.20	2.16	2.17
India	2.62	2.19	2.13	2.20	2.32	2.27	2.27	2.22	2.20	2.35	2.28	2.28	2.18	2.25	2.31	2.31
Annual Change (% per annum)																
North America	0.4	2.6	0.6	2.4	2.2	1.9	1.9	3.6	1.6	1.6	2.2	1.2	0.9	1.0	1.0	1.0
Europe	-0.2	-0.2	1.6	0.1	1.0	0.6	2.1	0.9	0.9	1.8	1.4	1.1	1.5	1.1	0.9	1.2
Pacific	-0.4	6.4	5.4	-1.8	-2.9	1.7	-3.8	-1.9	0.3	-1.0	-1.7	-0.3	-0.4	0.8	0.1	0.0
Total OECD	0.1	2.4	1.7	0.9	0.9	1.5	0.9	1.8	1.2	1.2	1.2	0.9	0.9	1.0	0.8	0.9
FSU	-5.5	9.3	1.2	2.1	0.6	3.3	-8.4	19.0	8.2	-1.3	3.6	7.9	-0.3	2.9	2.9	3.3
Europe	1.2	1.8	1.5	1.6	1.7	1.6	1.8	2.0	2.6	3.0	2.3	2.8	2.8	3.1	3.3	3.0
China	5.9	12.3	3.3	16.1	12.5	11.1	19.3	23.0	8.6	8.5	14.5	6.6	7.5	9.0	9.3	8.1
Other Asia	1.6	2.2	-0.4	2.4	5.3	2.4	6.1	7.4	4.9	3.4	5.4	3.3	3.4	3.1	3.0	3.2
Latin America	-1.9	-4.9	-3.5	-1.5	0.3	-2.4	3.0	4.3	2.8	2.2	3.0	2.8	2.1	2.3	1.8	2.2
Middle East	2.6	4.3	1.3	4.1	4.8	3.6	4.8	9.0	5.6	4.7	6.0	5.2	5.2	4.5	4.0	4.7
Africa	0.9	2.1	1.7	1.0	2.2	1.7	1.8	2.6	2.7	2.7	2.4	3.8	3.7	3.2	2.8	3.3
Total Non-OECD	0.9	3.9	0.4	4.2	4.7	3.3	5.4	10.6	5.5	3.8	6.2	4.7	3.9	4.3	4.2	4.3
World	0.4	3.0	1.2	2.2	2.3	2.2	2.5	5.2	2.8	2.2	3.2	2.4	2.1	2.3	2.2	2.2
Annual Change (mb/d)																
North America	0.10	0.62	0.13	0.58	0.54	0.47	0.47	0.88	0.40	0.39	0.53	0.31	0.23	0.25	0.26	0.26
Europe	-0.04	-0.02	0.24	0.01	0.16	0.10	0.33	0.14	0.14	0.28	0.22	0.18	0.23	0.17	0.14	0.18
Pacific	-0.04	0.59	0.42	-0.15	-0.27	0.14	-0.37	-0.16	0.02	-0.10	-0.15	-0.03	-0.04	0.07	0.01	0.00
Total OECD	0.03	1.18	0.79	0.45	0.43	0.71	0.42	0.86	0.56	0.57	0.61	0.46	0.42	0.48	0.41	0.44
FSU	-0.20	0.33	0.04	0.07	0.02	0.11	-0.32	0.60	0.28	-0.05	0.13	0.28	-0.01	0.11	0.11	0.12
Europe	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.02
China	0.27	0.57	0.17	0.79	0.65	0.55	1.01	1.19	0.50	0.50	0.80	0.41	0.48	0.56	0.59	0.51
Other Asia	0.12	0.16	-0.03	0.18	0.42	0.18	0.47	0.57	0.38	0.28	0.42	0.27	0.28	0.25	0.26	0.27
Latin America	-0.09	-0.23	-0.17	-0.07	0.01	-0.11	0.14	0.20	0.13	0.10	0.14	0.13	0.10	0.12	0.09	0.11
Middle East	0.13	0.21	0.07	0.21	0.25	0.18	0.25	0.45	0.30	0.25	0.31	0.29	0.28	0.25	0.23	0.26
Africa	0.02	0.06	0.04	0.03	0.06	0.04	0.05	0.07	0.07	0.07	0.06	0.10	0.10	0.08	0.08	0.09
Total Non-OECD	0.26	1.11	0.13	1.22	1.42	0.97	1.60	3.09	1.67	1.19	1.89	1.50	1.25	1.39	1.37	1.38
World	0.30	2.30	0.92	1.67	1.85	1.68	2.03	3.95	2.24	1.76	2.49	1.96	1.68	1.87	1.79	1.82
Changes from Last Month's Report																
North America	-0.05	-0.02	-0.14	-0.29	-0.08	-0.13	-0.11	0.10	-0.32	-0.15	-0.12					
Europe	0.12	0.11	0.08	0.07	0.07	0.08	0.11	0.04	0.02	0.13	0.07					
Pacific	0.14	0.15	0.15	0.15	0.15	0.15	0.15	0.13	0.11	0.12	0.13					
Total OECD	0.21	0.25	0.09	-0.06	0.14	0.10	0.16	0.27	-0.19	0.10	0.08					
FSU	-	-	-	-	-	-	-	0.19	0.32	-0.03	0.12					
Europe	-	-	-	-	-	-	-	-	-	0.01	-					
China	-	-	-	-	-	-	-	-0.01	0.03	0.01	0.01					
Other Asia	-	-	-	-	-	-	-0.03	0.03	-	-	-					
Latin America	-	-	-	-	-	-	-0.02	0.01	-	-	-					
Middle East	-	0.05	0.05	0.02	0.05	0.05	0.10	0.10	0.05	0.16	0.10					
Africa	-	-	-	-	-	-	-	0.02	0.02	0.02	0.02					
Total Non-OECD	-	0.05	0.05	0.02	0.05	0.05	0.05	0.35	0.43	0.18	0.25					
World	0.21	0.31	0.14	-0.04	0.20	0.15	0.21	0.62	0.24	0.27	0.33					

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2003	2004	2005	1Q04	2Q04	3Q04	4Q04	1Q05	Apr 04	May 04	Jun 04
OPEC											
Crude Oil											
Saudi Arabia	8.48			8.21	8.41				8.00	8.37	8.86
Iran	3.78			3.92	3.95				4.03	3.83	3.99
Iraq	1.33			2.11	2.04				2.34	2.06	1.73
UAE	2.29			2.28	2.22				2.08	2.23	2.36
Kuwait	1.87			1.95	2.02				1.99	2.02	2.06
Neutral Zone	0.61			0.60	0.58				0.58	0.56	0.59
Qatar	0.74			0.75	0.78				0.77	0.78	0.79
Nigeria	2.15			2.33	2.33				2.28	2.33	2.38
Libya	1.42			1.47	1.52				1.49	1.51	1.55
Algeria	1.11			1.14	1.17				1.12	1.18	1.20
Venezuela	2.01			2.17	2.17				2.18	2.17	2.17
Indonesia	1.01			0.98	0.97				0.97	0.97	0.97
Total Crude Oil	26.78			27.92	28.14				27.82	27.99	28.63
Total NGLs ¹	3.67	4.10	4.52	4.01	4.02	4.11	4.27	4.46	4.02	4.01	4.03
Total OPEC	30.46			31.93	32.16				31.84	32.00	32.65
NON-OPEC²											
OECD											
North America	14.66	14.80	14.95	14.81	14.65	14.77	14.97	15.13	14.78	14.63	14.54
United States	7.88	7.88	7.96	7.86	7.75	7.87	8.03	8.09	7.82	7.80	7.65
Mexico	3.79	3.82	3.80	3.82	3.86	3.81	3.80	3.81	3.90	3.85	3.84
Canada	3.00	3.10	3.19	3.13	3.03	3.08	3.15	3.22	3.06	2.99	3.05
Europe	6.35	6.22	6.02	6.38	6.20	6.03	6.26	6.20	6.28	6.19	6.15
UK	2.29	2.16	2.02	2.21	2.13	2.11	2.18	2.12	2.19	2.08	2.12
Norway	3.26	3.22	3.16	3.34	3.22	3.07	3.23	3.24	3.23	3.27	3.17
Others	0.79	0.84	0.83	0.82	0.85	0.85	0.85	0.84	0.85	0.85	0.86
Pacific	0.65	0.58	0.53	0.59	0.58	0.58	0.57	0.55	0.56	0.58	0.59
Australia	0.60	0.54	0.48	0.55	0.53	0.54	0.53	0.51	0.52	0.53	0.55
Others	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total OECD	21.66	21.60	21.49	21.78	21.43	21.38	21.80	21.88	21.61	21.39	21.27
NON-OECD											
Former USSR	10.31	11.10	11.69	10.84	11.07	11.20	11.30	11.40	10.97	11.04	11.21
Russia	8.49	9.17	9.57	8.93	9.15	9.26	9.33	9.37	9.05	9.12	9.27
Others	1.82	1.93	2.12	1.90	1.92	1.93	1.97	2.03	1.92	1.92	1.93
Asia	6.00	6.15	6.16	6.13	6.13	6.16	6.20	6.21	6.10	6.16	6.13
China	3.41	3.44	3.45	3.43	3.44	3.44	3.44	3.45	3.44	3.47	3.42
Malaysia	0.83	0.85	0.82	0.87	0.85	0.85	0.84	0.84	0.85	0.85	0.85
India	0.79	0.80	0.77	0.81	0.80	0.81	0.80	0.79	0.78	0.81	0.81
Others	0.97	1.06	1.12	1.02	1.03	1.07	1.12	1.12	1.03	1.03	1.04
Europe	0.17	0.17	0.16	0.17	0.17	0.17	0.17	0.16	0.17	0.17	0.17
Latin America	3.94	3.98	4.26	3.92	3.90	3.97	4.10	4.17	3.92	3.87	3.93
Brazil	1.77	1.79	2.00	1.74	1.72	1.79	1.90	1.95	1.73	1.70	1.75
Argentina	0.78	0.73	0.71	0.74	0.73	0.72	0.72	0.72	0.72	0.73	0.72
Colombia	0.55	0.53	0.51	0.53	0.54	0.53	0.53	0.52	0.55	0.53	0.53
Ecuador	0.43	0.53	0.58	0.51	0.52	0.53	0.55	0.56	0.52	0.52	0.53
Others	0.40	0.40	0.45	0.40	0.39	0.40	0.41	0.42	0.39	0.39	0.39
Middle East³	1.98	1.88	1.92	1.89	1.88	1.87	1.87	1.90	1.89	1.87	1.87
Oman	0.82	0.75	0.74	0.76	0.76	0.75	0.73	0.73	0.77	0.76	0.75
Syria	0.53	0.50	0.47	0.51	0.50	0.49	0.49	0.48	0.50	0.50	0.50
Yemen	0.44	0.42	0.42	0.43	0.42	0.42	0.41	0.41	0.43	0.42	0.42
Africa	3.04	3.41	3.78	3.30	3.36	3.43	3.54	3.67	3.32	3.35	3.42
Egypt	0.75	0.72	0.74	0.73	0.71	0.71	0.73	0.75	0.70	0.71	0.71
Angola	0.88	0.96	1.21	0.93	0.93	0.95	1.03	1.14	0.93	0.93	0.93
Gabon	0.24	0.24	0.24	0.24	0.24	0.23	0.23	0.23	0.24	0.24	0.24
Others	1.17	1.50	1.60	1.40	1.49	1.54	1.55	1.55	1.46	1.48	1.54
Total Non-OECD	25.44	26.68	27.96	26.25	26.51	26.79	27.17	27.50	26.37	26.46	26.71
Processing Gains ⁴	1.80	1.83	1.86	1.85	1.81	1.81	1.85	1.88	1.81	1.81	1.81
TOTAL NON-OPEC	48.91	50.11	51.32	49.88	49.75	49.99	50.82	51.26	49.79	49.67	49.80
TOTAL SUPPLY	79.37			81.81	81.91				81.63	81.67	82.45

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

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

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

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

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Jan2004	Feb2004	Mar2004	Apr2004	May2004*	May2001	May2002	May2003	2Q2003	3Q2003	4Q2003	1Q2004
North America												
Crude	380.1	387.5	405.6	413.4	413.2	434.4	435.1	393.4	-0.02	-0.01	-0.15	0.27
Motor Gasoline	236.3	233.2	233.4	235.8	236.5	243.7	249.9	239.6	0.05	-0.11	0.08	0.00
Middle Distillate	195.4	179.1	171.8	171.9	175.1	181.4	199.4	177.4	0.19	0.25	0.05	-0.42
Residual Fuel Oil	46.5	49.1	47.9	45.9	45.8	49.6	42.7	45.2	0.03	-0.03	0.05	0.02
Total Products ³	625.3	603.6	602.0	610.8	625.6	647.9	673.7	625.2	0.66	0.16	-0.08	-0.47
Total ⁴	1143.4	1128.5	1146.8	1162.0	1175.4	1227.5	1259.3	1158.2	0.87	0.28	-0.48	-0.19
Europe												
Crude	316.3	314.7	336.4	327.8	327.7	319.4	323.8	321.7	-0.10	-0.08	0.01	0.27
Motor Gasoline	122.7	121.5	115.2	111.8	113.8	115.6	117.7	113.7	-0.09	-0.02	0.08	0.01
Middle Distillate	242.1	227.5	218.9	223.4	229.0	222.3	252.9	230.1	0.18	0.22	-0.16	-0.21
Residual Fuel Oil	77.7	73.6	74.3	71.6	74.3	84.9	75.3	68.7	-0.03	0.05	0.08	-0.04
Total Products ³	544.5	522.7	506.0	503.5	513.2	530.8	553.9	517.4	0.11	0.23	-0.02	-0.29
Total ⁴	932.4	910.3	916.5	904.5	913.5	908.9	941.7	906.7	-0.01	0.19	-0.03	0.03
Pacific												
Crude	172.9	181.9	174.5	171.8	180.0	178.2	156.4	172.3	0.07	-0.05	-0.04	-0.06
Motor Gasoline	24.9	26.3	25.4	27.1	24.6	26.6	27.5	25.9	0.00	-0.02	-0.02	0.03
Middle Distillate	66.6	61.3	55.0	57.5	57.9	70.7	74.1	70.8	0.17	0.13	-0.10	-0.21
Residual Fuel Oil	23.1	21.9	20.0	22.5	23.5	23.4	23.9	24.8	0.03	-0.02	0.00	-0.03
Total Products ³	176.6	171.6	158.2	165.7	167.4	192.1	192.0	185.0	0.29	0.15	-0.22	-0.28
Total ⁴	420.0	422.4	400.7	406.6	417.5	454.1	428.9	429.8	0.44	0.07	-0.26	-0.38
Total OECD												
Crude	869.2	884.1	916.5	913.0	920.9	932.0	915.3	887.3	-0.05	-0.14	-0.19	0.49
Motor Gasoline	384.0	381.0	374.0	374.7	375.0	385.9	395.1	379.2	-0.05	-0.15	0.14	0.04
Middle Distillate	504.1	467.9	445.6	452.8	461.9	474.5	526.5	478.2	0.54	0.60	-0.21	-0.84
Residual Fuel Oil	147.4	144.5	142.1	140.0	143.6	157.8	141.9	138.7	0.02	0.00	0.13	-0.05
Total Products ³	1346.4	1297.8	1266.2	1280.0	1306.2	1370.8	1419.5	1327.6	1.06	0.54	-0.32	-1.05
Total ⁴	2495.7	2461.1	2464.0	2473.1	2506.4	2590.5	2629.9	2494.7	1.30	0.54	-0.77	-0.54

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Jan2004	Feb2004	Mar2004	Apr2004	May2004*	May2001	May2002	May2003	2Q2003	3Q2003	4Q2003	1Q2004
North America												
Crude	641.2	646.9	652.1	658.2	661.3	543.3	571.3	603.1	0.10	0.17	0.15	0.15
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	156.6	156.0	157.2	156.6	156.6	141.4	144.2	153.1	-0.05	-0.03	0.06	0.01
Products	211.3	209.7	207.2	204.7	204.7	208.8	203.8	200.2	-0.01	0.06	0.04	-0.05
Pacific												
Crude	384.8	384.7	386.8	386.8	386.8	366.9	380.1	383.0	0.00	0.00	0.02	0.02
Products	11.0	11.0	11.0	11.0	11.0	7.0	7.3	9.6	0.00	0.01	0.01	0.00
Total OECD												
Crude	1182.5	1187.6	1196.1	1201.5	1204.6	1051.7	1095.6	1139.2	0.05	0.14	0.24	0.18
Products	224.3	222.7	220.2	217.7	217.7	217.8	213.1	211.8	-0.01	0.06	0.05	-0.05
Total ⁴	1407.8	1411.3	1417.3	1420.2	1423.3	1270.4	1309.7	1351.9	0.04	0.20	0.29	0.13

* estimated

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

2 Closing stock levels.

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

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

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

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

	End March 2003		End June 2003		End September 2003		End December 2003		End March 2004 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	153.9	73	165.7	77	176.6	79	174.6	78	171.7	-
Mexico	51.5	25	44.2	22	41.4	20	39.0	19	38.9	-
United States ⁴	1476.8	75	1561.0	77	1594.3	79	1568.9	77	1568.2	-
Total ⁵	1704.3	71	1793.0	72	1834.4	74	1804.7	72	1800.9	72
Pacific										
Australia	39.8	46	38.1	43	36.0	39	32.4	37	33.8	-
Japan	619.0	120	646.7	128	653.6	114	636.3	105	614.4	-
Korea	137.0	68	152.1	78	154.5	66	154.5	67	142.9	-
New Zealand	9.8	61	8.5	55	8.5	58	7.9	49	7.5	-
Total	805.6	98	845.4	105	852.6	93	831.1	88	798.5	99
Europe⁶										
Austria	17.6	60	18.5	62	20.3	69	20.9	80	23.2	-
Belgium	29.1	48	27.5	47	29.1	45	27.7	44	28.4	-
Czech Republic	15.3	82	13.5	72	13.4	69	16.4	95	15.6	-
Denmark	15.4	85	15.5	85	16.3	86	16.8	87	15.9	-
Finland	24.7	118	23.9	110	23.2	101	26.5	120	27.8	-
France	175.0	89	173.3	84	179.2	85	185.3	87	175.4	-
Germany	258.6	95	260.7	98	258.6	98	264.9	100	262.4	-
Greece	29.3	75	32.3	85	30.9	66	27.5	57	28.7	-
Hungary	17.9	139	17.6	133	18.3	122	16.8	143	19.5	-
Ireland	10.9	66	11.0	67	11.9	66	12.0	63	11.5	-
Italy	136.3	74	134.6	72	140.7	74	135.2	72	135.6	-
Luxembourg	0.9	17	0.8	14	0.8	16	1.0	17	0.8	-
Netherlands	95.4	103	106.5	115	111.1	116	100.1	105	108.2	-
Norway	33.2	135	21.1	79	23.1	93	27.2	99	28.5	-
Poland	27.2	62	27.9	58	26.9	56	28.7	64	29.7	-
Portugal	24.0	74	24.7	72	25.6	79	25.3	81	24.4	-
Spain	122.8	81	121.1	79	121.4	77	122.4	78	123.5	-
Sweden	34.3	117	34.0	116	36.1	120	35.8	117	31.8	-
Switzerland	36.1	144	37.2	142	37.4	141	36.1	138	35.4	-
Turkey	54.5	88	54.5	78	54.3	83	54.9	84	54.9	-
United Kingdom	105.5	62	101.1	60	98.0	56	101.9	55	100.7	-
Total	1263.9	84	1257.4	82	1276.7	82	1283.4	82	1281.9	84
Total OECD	3773.9	80	3895.9	81	3963.8	80	3919.2	78	3881.3	80
DAYS OF IEA Net Imports⁷	-	110	-	114	-	115	-	111	-	111

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

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

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

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled	Industry	Total	Government ¹ controlled	Industry
	Millions of Barrels			Days of Fwd. Demand ²		
1Q2001	3794	1270	2524	81	27	54
2Q2001	3864	1268	2597	81	27	54
3Q2001	3925	1265	2660	81	26	55
4Q2001	3912	1284	2628	81	27	54
1Q2002	3906	1302	2604	84	28	56
2Q2002	3964	1314	2650	83	28	55
3Q2002	3895	1319	2575	79	27	52
4Q2002	3818	1343	2475	77	27	50
1Q2003	3774	1357	2417	80	29	51
2Q2003	3896	1361	2535	81	28	53
3Q2003	3964	1379	2585	80	28	52
4Q2003	3919	1406	2514	78	28	50
1Q2004	3881	1417	2464	80	29	51

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 1Q2004 (when latest forecasts are used).

Table 6
IEA Member Country Destinations of Selected Crude Streams¹

(million barrels per day)

	2001	2002	2003	2Q03	3Q03	4Q03	1Q04	Feb 04	Mar 04	Apr 04	Year Earlier	
											Apr 03	change
Saudi Light & Extra Light												
North America	0.69	0.70	0.64	0.75	0.63	0.66	0.55	0.59	0.51	0.54	0.70	-0.16
Europe	0.92	0.92	1.00	1.14	0.99	0.95	0.85	0.82	0.69	1.11	1.15	-0.04
Pacific	1.22	1.22	1.18	1.16	1.04	1.12	1.14	1.08	1.22	1.23	1.30	-0.06
Saudi Medium												
North America	0.73	0.86	0.83	0.94	0.79	0.71	0.72	0.75	0.61	0.59	0.95	-0.36
Europe	0.15	0.11	0.11	0.13	0.14	0.07	0.07	0.11	0.05	0.08	0.16	-0.08
Pacific	0.17	0.16	0.24	0.26	0.20	0.30	0.31	0.35	0.28	0.14	0.25	-0.11
Saudi Heavy												
North America	0.21	0.20	0.30	0.48	0.25	0.19	0.19	0.13	0.23	0.17	0.36	-0.19
Europe	0.14	0.09	0.19	0.26	0.21	0.16	0.16	0.18	0.16	0.22	0.24	-0.01
Pacific	0.15	0.12	0.16	0.21	0.15	0.15	0.13	0.14	0.12	0.22	0.22	0.00
Iraqi Basrah Light²												
North America	0.65	0.35	0.44	0.24	0.20	0.82	0.75	0.86	0.76	0.84	0.67	0.17
Europe	0.15	0.08	0.09	0.05	0.04	0.15	0.22	0.17	0.28	0.22	0.06	0.16
Pacific	0.01	0.02	0.03	..	..	0.11	0.14	0.16	0.12	0.13	..	..
Iraqi Kirkuk												
North America	0.09	0.14	0.06	0.02	..	..	..	..	..	0.05	0.05	0.00
Europe	0.31	0.32	0.12	0.04	0.04	..	0.03	..	0.07	0.06	0.09	-0.03
Pacific	0.01	0.00	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.16	0.17	0.19	0.24	0.17	0.18	0.14	0.08	0.14	0.21	0.23	-0.02
Pacific	0.13	0.12	0.17	0.16	0.16	0.17	0.18	0.17	0.18	0.16	0.22	-0.05
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.53	0.44	0.59	0.57	0.74	0.55	0.42	0.52	0.38	0.52	0.46	0.06
Pacific	0.63	0.54	0.69	0.67	0.58	0.74	0.73	0.85	0.71	0.66	0.74	-0.08
Venezuelan Light & Medium												
North America	0.61	0.68	0.69	0.83	0.75	0.84	0.63	0.62	0.57	0.75	0.87	-0.12
Europe	0.07	0.08	0.02	0.04	0.01	0.01	..	..	..	0.02	0.06	-0.05
Pacific	0.00	0.00	0.00	..	0.00	0.00	..	..	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.65	0.55	0.60	0.66	0.83	0.73	0.81	0.92	0.75	0.83	0.59	0.24
Europe	0.07	0.05	0.06	0.05	0.07	0.09	0.05	0.05	0.05	0.05	0.07	-0.01
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92	1.32	1.31	1.46	1.37	1.31	1.36	1.29	1.33	1.34	-0.01
Europe	0.14	0.17	0.16	0.17	0.21	0.13	0.14	0.14	0.16	0.20	0.19	0.01
Pacific	0.01	0.00	0.00	..	0.01	..	0.01	..	..	..	..	..
Mexican Isthmus												
North America	0.04	0.01	0.00	0.00	..	..	..	..	..	..	0.01	..
Europe	0.03	0.01	0.00	0.00	..	0.00	..	..	..	..	0.00	..
Pacific	0.01	0.01	0.00	..	0.01	..	0.01	..	..	..	..	..
Russian Urals												
North America	..	0.03	0.14	0.23	0.33	..	0.01	0.03	..	0.10	..	..
Europe	1.10	1.32	1.62	1.50	1.70	1.75	2.04	2.20	2.14	2.08	1.60	0.48
Pacific	0.01	0.01	0.00	..	..	0.01	0.00	..	..	..	..	..
Nigerian Light⁴												
North America	0.50	0.39	0.63	0.59	0.78	0.67	0.80	0.92	0.71	0.84	0.42	0.42
Europe	0.38	0.32	0.41	0.38	0.44	0.38	0.31	0.29	0.28	0.19	0.42	-0.23
Pacific	0.02	0.06	0.08	0.03	0.05	0.09	0.12	0.07	0.10	0.14	0.05	0.09
Nigerian Medium												
North America	0.31	0.16	0.17	0.21	0.10	0.21	0.26	0.17	0.39	0.27	0.24	0.03
Europe	0.10	0.06	0.06	0.04	0.04	0.09	0.03	0.01	0.06	0.08	0.08	0.00
Pacific	0.00	0.01	0.01	..	..	..	0.02	0.03	..	..	..	..

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

IEA North America includes United States and Canada.

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

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

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
Regional OECD Imports^{1,2}
(thousand barrels per day)

	2001	2002	2003	2Q03	3Q03	4Q03	1Q04	Feb 04	Mar 04	Apr 04	Year Earlier	
											Apr 03	% change
Crude Oil												
North America	8020	7584	8027	8441	8475	8013	8005	7830	8531	8459	8255	2%
Europe	8592	8622	8983	8972	9228	9048	9343	9569	9043	10501	8943	15%
Pacific	6895	6422	6711	6720	6098	6680	7015	7481	6773	6543	7056	-8%
Total OECD	23506	22628	23722	24133	23801	23741	24363	24879	24346	25503	24255	5%
LPG												
North America	28	39	27	15	16	33	29	5	34	3	14	-289%
Europe	251	224	196	148	177	226	252	243	262	257	162	37%
Pacific	546	553	541	525	553	523	550	548	572	510	491	4%
Total OECD	825	816	764	688	745	781	831	796	868	770	667	13%
Naphtha												
North America	59	42	68	90	90	64	53	79	22	16	43	-159%
Europe	298	298	311	308	273	323	310	304	328	348	334	4%
Pacific	647	705	770	711	839	761	782	891	712	663	863	-30%
Total OECD	1005	1045	1150	1109	1202	1148	1145	1274	1062	1027	1240	-21%
Gasoline ³												
North America	673	680	694	889	695	569	674	603	963	877	966	-10%
Europe	148	176	170	168	147	182	245	254	270	220	89	60%
Pacific	36	58	70	70	79	76	106	120	102	128	35	72%
Total OECD	857	914	934	1126	921	828	1025	977	1335	1226	1090	11%
Jet & Kerosene												
North America	139	97	97	108	114	67	47	65	39	61	105	-74%
Europe	247	219	211	202	248	228	176	115	215	280	210	25%
Pacific	73	97	103	49	48	133	92	87	92	59	59	0%
Total OECD	459	413	411	359	410	428	316	267	347	399	374	6%
Gasoil/Diesel												
North America	186	102	128	88	126	87	201	234	213	65	61	7%
Europe	601	686	685	780	637	662	718	728	805	821	808	2%
Pacific	31	53	74	78	66	77	59	57	58	78	45	42%
Total OECD	817	841	887	947	829	826	978	1018	1076	963	913	5%
Heavy Fuel Oil												
North America	314	237	325	316	306	323	368	407	361	250	331	-32%
Europe	403	473	399	378	457	448	370	377	357	392	394	-1%
Pacific	81	89	89	105	72	81	76	70	94	88	133	-52%
Total OECD	799	799	812	799	835	853	814	854	811	730	858	-18%
Other Products												
North America	703	689	701	791	759	618	871	970	898	636	635	0%
Europe	737	733	684	600	715	702	656	585	698	688	558	19%
Pacific	218	256	231	234	225	199	249	244	247	234	199	15%
Total OECD	1658	1678	1615	1625	1699	1519	1776	1799	1843	1558	1393	11%
Total Products												
North America	2103	1887	2041	2298	2106	1762	2244	2362	2532	1909	2154	-13%
Europe	2686	2809	2655	2584	2653	2771	2728	2605	2934	3006	2556	15%
Pacific	1631	1811	1877	1770	1882	1851	1913	2017	1877	1759	1826	-4%
Total OECD	6420	6507	6573	6653	6642	6383	6886	6984	7343	6674	6535	2%
Total Oil												
North America	10122	9471	10068	10739	10581	9775	10250	10192	11063	10368	10409	0%
Europe	11277	11432	11638	11556	11881	11819	12071	12173	11976	13506	11500	15%
Pacific	8526	8233	8589	8491	7980	8531	8928	9498	8650	8302	8881	-7%
Total OECD	29925	29136	30295	30786	30443	30124	31249	31863	31689	32176	30790	4%

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

© OECD/IEA. All Rights Reserved

The International Energy Agency's ('IEA') makes every attempt to ensure, but does not guarantee, the accuracy and completeness of the information or the clarity of content of the Oil Market Report (hereafter the 'OMR'). The IEA shall not be liable to any party for any inaccuracy, error or omission contained or provided in this OMR or for any loss, or damage, whether or not due to reliance placed by that party on information in this OMR.

The Executive Director and Secretariat of the IEA are responsible for the publication of the OMR. Although some of the data are supplied by IEA Member-country governments, largely on the basis of information they in turn receive from oil companies, neither these governments nor these oil companies necessarily share the Secretariat's views or conclusions as expressed in the OMR. The OMR is prepared for general circulation and is distributed for general information only. Neither the information nor any opinion expressed in the OMR constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities.

The OMR is copyrighted by the IEA. The user may reference or copy this OMR for personal, non-commercial use provided that there be a specific written reference to the IEA as the source of the material. No part of the OMR may be copied, reproduced, republished, displayed, distributed or posted on servers in any manner for commercial purposes or for compensation of any kind without the prior written permission of the IEA (rights@iea.org).

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halff (+33) 0*1 40 57 65 93 e-mail: antoine.halff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org
	Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France
Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 69
E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

Readers are referred to the Users' Guide, published in conjunction with the Annual Statistical Supplement (current issue dated 11 August 2003), for information on the data sources, definitions, technical terms and general approach used in preparing the Report. It should be noted that the spot crude and product price assessments are based on daily Platt's prices, converted when appropriate to US\$ per barrel according to the Platt's specification of products (©2004 Platt's - a division of McGraw-Hill Inc.).

The monthly Oil Market Report is published on the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member Governments, largely on the basis of information received from oil companies, neither governments nor companies necessarily share the Secretariat's views or conclusions as expressed therein. ©OECD/IEA2004

11 August 2004

HIGHLIGHTS

- WTI crude futures brushed \$45 in early August, up almost \$8 from the end of June. As US gasoline demand growth slowed, crude took over from product markets as the driver of rising prices, even as stocks were building.
- Demand growth is forecast at 2.5 mb/d for 2004 and 1.8 mb/d for 2005, about unchanged from last month. Revisions to historical demand lift the non-OECD baseline by 650 kb/d for 2002, including 300 kb/d in the Middle East. Due almost entirely to the higher non-OECD baseline, the 2004 demand estimate has been raised by 750 kb/d.
- World oil supply rose by 550 kb/d in July, to 83.5 mb/d. OPEC crude gained 450 kb/d, mostly from Iraq. Non-OECD revisions boost baseline world supply by 200-300 kb/d over the 1994-2002 period, mainly in OPEC NGL. The net effect of baseline revisions is that the Call on OPEC plus stock change in 2004 is adjusted up by 410 kb/d. Non OPEC supply growth remains at 1.2 mb/d for 2004 and 2005.
- OPEC crude supply averaged 29.1 mb/d in July, including 2 mb/d in Iraq. OPEC-10 supply was 27.1 mb/d, versus a 25.5 mb/d target. OPEC spare capacity is 1.2 mb/d, though effective levels are lower at around 500 kb/d. An extra 1.5-2 mb/d of surge capacity may be available. OPEC capacity is set to gain 400 kb/d by the end of the year and a further 700 kb/d in 2005.
- OECD industry oil stocks rose 16 mb in June to 2534 mb. Crude stocks improved within their normal range and product stocks gained, mostly in 'other products'. The seasonal second-quarter build in total oil inventories came to 810 kb/d, on par with the five year average. Days of forward demand cover remained low at 52 days, unchanged from May.

Next Issue: 9 September 2004

CONTENTS

HIGHLIGHTS.....	1
IRRATIONAL EXUBERANCE.....	3
DEMAND	4
Summary	4
Non-OECD.....	5
Revisions to Baseline Demand	5
Middle East.....	7
Asia	8
China	9
Africa	9
FSU	10
OECD.....	10
Early Indications of Current Demand	10
Pacific.....	12
Europe	13
North America	13
SUPPLY.....	14
Summary	14
OPEC	15
Incremental OPEC Capacity on the Way	17
OECD.....	18
North America	18
North Sea.....	20
Former Soviet Union (FSU)	20
Yukos in the Firing Line	21
Other Non-OPEC.....	22
Revisions to Non-OECD Supply Data.....	23
OECD STOCKS.....	25
Summary	25
OECD Industry Stock Changes in June 2004.....	26
Revisions to Preliminary OECD Stocks and Inventory Position at End-June.....	26
OECD Regional Stock Developments	27
North America	27
Europe	28
Pacific.....	29
Singapore Stock Developments in July.....	30
PRICES AND REFINERY ACTIVITY	32
Summary	32
Crude Oil Prices.....	33
Spot Crude Prices and Differentials.....	33
Crude Futures	34
Delivered Crude Prices in May.....	34
Product Prices.....	35
Spot Product Prices	35
Product Futures.....	38
End-User Product Prices in July	39
Freight.....	39
On the Scrap Heap	39
Refining Margins	40
Heavy European Maintenance in September.....	42
Refinery Throughput.....	42
TABLES	44
OIL MARKET REPORT CONTACTS	

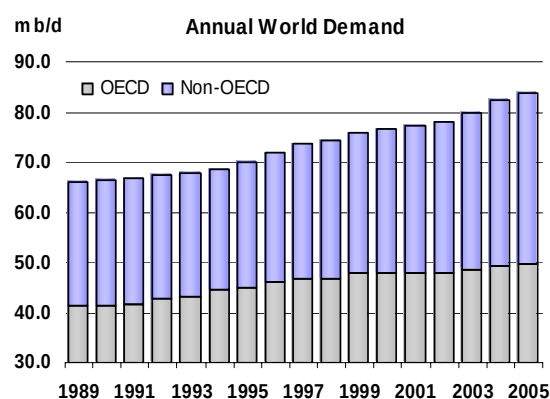
IRRATIONAL EXUBERANCE

Non-OECD demand has been adjusted upwards by approximately 750 kb/d in this Report. This adjustment reflects a restatement of under-reported demand and is not a call for more oil. Un-reported demand is captured in Miscellaneous-to-Balance. The latter comprises unobserved demand and supply, non-OECD stock changes, and statistical error. The net effect is an upward adjustment in 'observed' demand offset by a downward adjustment in 'unobserved' demand (or Miscellaneous-to-Balance). Non-OECD supply has been similarly raised by around 300 kb/d. Combined, these adjustments raise the 2004 Call on OPEC plus stock change by a net of approximately 400 kb/d.

The focus of last month's Report was on the OECD and our projections for 2005. With the publication of the IEA's *Energy Statistics of Non-OECD Countries*, most commonly referred to as the Green Book, attention shifts to non-OECD. This year's Green Book, which includes data through 2002, is the result of the extensive collaboration between the Agency's Energy Statistics Division and governments of over 90 non-OECD countries and international organisations.

For OECD countries, the OMR relies on preliminary data for the month under review drawn from governments, industry and industry associations. These estimates are revised the following month based on data obtained through official Monthly Oil Statistics (MOS) submitted by Member countries. This data is progressively adjusted to reflect re-submissions from Member countries and is further modified in conjunction with the publication of OECD Member country annual statistics, which contain greater detail and are generally more reliable than the monthly estimates.

For non-OECD estimates, the OMR relies on a variety of information sources, including publicly available government data. Revisions to past assessments follow the release of new information or corrections to previously published data. Final data for over 40% of non-OECD statistics are only made available about two years after the end of the fiscal year. For these countries, the OMR projects country-by-country demand estimates based on historical trends, growth rates and the performance of comparable economies until such time as the official data becomes available. Apparent demand – based on domestic production plus or minus net trade – is estimated for countries with uncertain data.



The bulk of this year's non-OECD baseline adjustments are in the non-core product areas. The largest revision relates to ethane from Saudi Arabia which was not previously captured in our statistics. Saudi demand has been revised up by around 300 kb/d with a corresponding upward revision to supply. The remaining 400 kb/d of demand adjustments are an aggregation of small revisions for many countries.

Crude oil prices breached record highs this month. Limited spare production capacity combined with security warnings and headline news about Russia, Iraq, Venezuela, China and monthly employment, industry activity and confidence statistics are propelling the market. The market is tight. But the market has been living with greater uncertainties for quite some time now. It has a buffer to cope with potential supply disruptions.

Yukos is exporting more than it did this time last year and earlier this year. Supply is running ahead of demand. Saudi Arabia has the ability to raise production in the short term. Crude is on offer. OECD crude stocks are mid-range and seasonal product stocks in key markets, particularly gasoline in the US, are in the middle of their five-year average. Refiners are well positioned to build distillate stocks ahead of the winter. Non-OPEC production is expanding by over 1.2 mb/d by year's end. OPEC crude capacity is slated to expand by nearly 400 kb/d. North Sea fields will return from peak August maintenance. And over 1.4 billion barrels of IEA strategic stocks stand at the ready, should they be needed.

The market is tight, production and infrastructure capacity is less than desired and uncertainties continue to weigh on the market. But, does this justify \$45 oil? Current oil prices are a concern and are causing economic damage.

DEMAND

Summary

- **The global demand growth forecast** is roughly unchanged from last month's Report, at 2.53 mb/d for 2004 and 1.8 mb/d for 2005.
- **Historical baseline demand** has been revised upwards, reflecting the findings of the latest IEA annual review of non-OECD petroleum data, known as the 'Green Book'. This year's Green Book, which offers the first comprehensive statistical survey of non-OECD oil trends for 2002, has hiked the demand assessment for that year by 650 kb/d. Those revisions have been carried forward as adjustment factors.

Global Oil Demand from 2003 to 2005

	Demand (mb/d)	Annual Change* (%)	(mb/d)	Changes from last month's Report (mb/d)
1Q03	80.2	3.1	2.4	0.7
2Q03	77.1	1.2	0.9	0.6
3Q03	79.2	2.2	1.7	0.6
4Q03	82.0	2.5	2.0	0.8
1Q04	82.3	2.6	2.1	0.8
2Q04	81.1	5.2	4.0	0.7
3Q04	81.4	2.7	2.1	0.5
4Q04	83.9	2.3	1.8	0.9
1Q05	84.3	2.4	2.0	0.8
2Q05	82.6	1.8	1.5	0.5
3Q05	83.2	2.3	1.9	0.5
4Q05	85.7	2.2	1.8	1.0
2003	79.6	2.2	1.7	0.7
2004	82.2	3.2	2.5	0.7
2005	84.0	2.2	1.8	0.7

* year-on-year change

- **The global demand assessment** has been raised by 750 kb/d for 2004 and 730 kb/d for 2005, an adjustment due almost entirely to the higher non-OECD baseline. Baseline revisions also have raised the 2003 demand estimate by 710 kb/d.
- **Middle East baseline demand** has been revised upwards by 300 kb/d for 2002. Most of the changes are in Saudi Arabia ethane consumption, and are offset by a corresponding increase in Saudi ethane supply estimates. Demand estimates for **non-OECD Asia** have been raised by 180 kb/d and by 130 kb/d for **Africa**.

Estimated Annual World Oil Demand Growth 2000-2005

(million barrels per day)

	00-99	01-00	02-01	03-02	04-03	05-04
North America	0.26	-0.06	0.10	0.46	0.48	0.25
Latin America	0.00	0.00	-0.04	-0.10	0.15	0.11
FSU	0.08	0.00	-0.20	0.11	0.11	0.12
Europe	-0.12	0.21	-0.02	0.11	0.25	0.19
OECD Pacific	-0.04	-0.07	-0.04	0.15	-0.12	-0.02
China	0.26	0.12	0.30	0.55	0.83	0.50
Other Asia	0.07	0.20	0.21	0.22	0.43	0.27
Subtotal, Asia	0.30	0.25	0.47	0.91	1.14	0.76
Middle East	0.12	0.17	0.17	0.20	0.34	0.28
Africa	0.00	0.13	0.08	0.04	0.06	0.09
World	0.64	0.70	0.56	1.74	2.53	1.80

- **Upward revisions to non-OECD demand estimates stretch all the way back to the early 1990s.** While some adjustments to 2002 demand are specific to that year and reflect a revision to forecasts in light of fresh ‘hard’ data submissions from non-OECD countries, most revisions represent a longer-range reassessment, spanning years of both fast and slow demand growth.
- **OECD short-term demand growth** appears set to moderate in the second half after surging in the second quarter. North American demand, which had been leading OECD growth, is expected to show much slower gains. Preliminary US data for July show demand growth of less than 1%, down from a second quarter average of 3.5%. But slower US growth was partly offset in recent weeks by a weather-driven pick-up in Japanese demand for power generation, due to warmer-than-expected summer temperatures.

Global Oil Demand by Region
(million barrels per day)

	Demand	Annual Change			Annual Change (%)		
	2004	2003	2004	2005	2003	2004	2005
North America	25.05	0.46	0.48	0.25	1.9	2.0	1.0
Europe	16.35	0.11	0.25	0.19	0.7	1.5	1.2
OECD Pacific	8.66	0.15	-0.12	-0.02	1.7	-1.4	-0.2
China	6.34	0.55	0.83	0.50	11.0	15.0	7.8
Other Asia	8.50	0.22	0.43	0.27	2.7	5.4	3.2
Subtotal Asia	23.51	0.91	1.14	0.76	4.2	5.1	3.2
FSU	3.67	0.11	0.11	0.12	3.3	3.0	3.1
Middle East	5.90	0.20	0.34	0.28	3.8	6.1	4.8
Africa	2.80	0.04	0.06	0.09	1.7	2.2	3.3
Latin America	4.87	-0.10	0.15	0.11	-2.1	3.2	2.2
World	82.16	1.74	2.53	1.80	2.2	3.2	2.2

- **Non-OECD demand growth** is also expected to ease somewhat in the second half in comparison with the sizzling rates of the second quarter, due largely to an expected slowdown in Chinese apparent demand growth. While Chinese residual fuel oil imports remained robust in June, that was partly offset by stronger FSU export data than previously assessed, which caused FSU apparent demand to be adjusted marginally downwards.

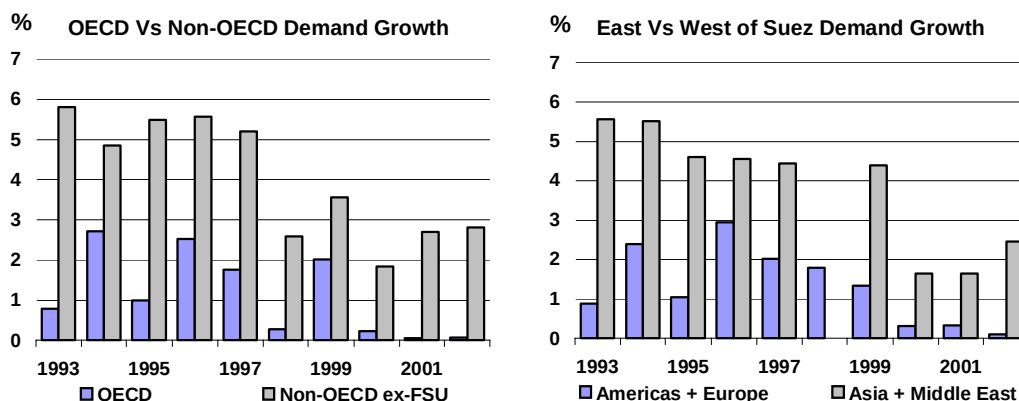
Non-OECD

Revisions to Baseline Demand

Following up on last month's reassessment of OECD historical oil trends, this Report incorporates the findings of the IEA's latest annual survey of non-OECD demand, known as the Green Book. In last month's Report, OECD demand for 2002 had been raised by roughly 210 kb/d, a revision which had been carried forward as an adjustment factor. Likewise, in light of the Green Book's statistical survey of 2002 non-OECD oil trends, an upward revision of 650 kb/d has been applied to the assessment of 2002 non-OECD demand and carried forward through subsequent years. That accounting gain, amplified by the growth rates which have been applied to it, lifts the 2003 global demand assessment by 710 kb/d, and accounts for nearly all of the 750 kb/d and 730 kb/d increases in the demand forecasts for 2004 and 2005, respectively.

Although that hike in our global demand assessment might be seen as this Report's most salient feature, it should be stressed that it doesn't represent any shift in our global market outlook, nor in our perception of underlying market conditions. Indeed, forecast growth rates for both 2004 and 2005 demand have been left virtually unchanged from last month's Report in both absolute and percentage terms. However substantial they may appear to be, the changes from last month's assessment of baseline demand do not reflect any change in the physical market, but rather provide a better accounting of pre-existing, underlying market conditions.

By and large, baseline revisions do not alter the historical demand curve of non-OECD countries, as for the most part they are not limited to 2002 but stretch all the way through to the early 1990s. The contrast between growth patterns in developed and emerging economies is nonetheless striking. In the decade from 1992 to 2002, despite steep contraction in the FSU, oil demand in non-OECD countries expanded by an aggregate 21%, or nearly twice as fast as in the OECD. Stripping out FSU data, non-OECD growth comes to nearly 50%, compared with 11.9% for the OECD and 15.2% for the world as a whole.



Yet because demand in the non-OECD region grew from a much lower base than in the OECD, despite steep percentage gains by 2002 the non-OECD share of global demand had only marginally increased. Over the period, non-OECD economies saw their share of world product consumption inch up from about 36.6% to 38.4%. In contrast, the OECD edged lower, from 63.4% to 61.6%.

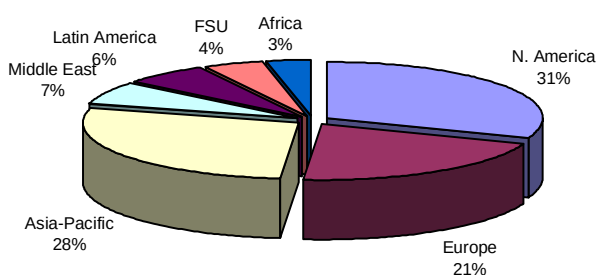
But aggregate figures conceal sharp regional differences, whose net result comes down to a large-scale shift of non-OECD demand from the FSU towards Asia and the Middle East. From 1992 to 2002, the non-OECD Asia-Pacific region (including China) saw its share of world demand jump 5.5 percentage points, from 11% to 16.5%, while Middle East economies edged higher by 1.2 percentage points, to 6.9%. Offsetting that, FSU consumption tumbled by an estimated 5.8 percentage points from 10.2% to 4.4% of global demand, as oil-intensive, inefficient heavy industries were rationalised and FSU oil prices were more closely aligned with international markets. Meanwhile, OECD Europe also consumed substantially less oil - as a share of global demand - in 2002 than in 1992. Overall, much of the world's demand for oil products has shifted east of Suez: on aggregate, Asia-Pacific and Middle East demand (excluding the FSU) soared from an estimated 19.2 mb/d, or 28.3% of world demand, in 1992, to 26.8 mb/d, or 34.4%, in 2002. That trend has since gained further momentum, with Chinese, other Asian and Middle Eastern consumption surging over the last two years, even as the FSU staged a comparatively modest demand rebound.

While that global pattern does not come as a surprise, the reappraisal of non-OECD demand provided by the latest Green Book data brings it into sharper focus, providing new detail on the product breakdown of non-OECD demand.

Coming on top of similar upward adjustments in Green Book assessments in 2002 and 2003, the latest revisions have considerably reduced residual distortions in the 'Miscellaneous to Balance' item of our Table 1. That line now shows mildly negative values from 2001 to 2003, when stocks draws supported a run-up in prices. For the preceding period, leading to the global stock-build and price collapse of 1997-1998, the miscellaneous to balance item shows mildly positive values, consistent with market trends. Positive values for the first and second quarters of 2004 are relatively small and may be explained by changes in non-OECD storage requirements, in line with infrastructure expansions.

Finally, the latest annual statistical survey of non-OECD demand marks a growing degree of convergence between Green Book yearly estimates and OMR monthly assessments. For most of the economies where oil data are available on both a monthly and an annual basis, such as China, India, Brazil, Argentina, etc, there have been relatively few discrepancies between the two statistical sets, and the occasional differences appear to be justifiable. A case in point is Thailand, where the upward adjustments to OMR data derived from the Green Book reflect a reappraisal of refinery fuel use, a demand segment not captured in monthly sales data.

2002 World Demand by Region



Green Book estimates have generally been adopted for those economies where the Green Book provides the only source of oil statistics available. Considerable efforts have been spent by the IEA's Energy Statistics division, which produces the Green Book, and the governments of non-member countries to help the latter produce more reliable, more detailed and more timely oil data. A greater number of countries are now contributing data and more detailed statistics have been produced, providing better ways to check for consistency. Despite the absence of external checks, it has been assumed that those data offered better insights into the oil demand patterns of non-member countries than sole reliance on proxy-based estimates, especially when the differences from forecast levels were not large.

In a few instances where large discrepancies had previously existed between Green Book and OMR data, those differences have been reduced. This is particularly true of the UAE, where OMR estimates far exceeded earlier Green Book assessments, as they sought to capture marine bunker sales which it was feared had not been fully accounted for in official UAE data. UAE official estimates have since come closely in line with the OMR estimates for the years 1991-2001, and, on that basis, Green Book assessments for 2002, though slightly below OMR forecasts, have been adopted. Some areas of divergence remain, including the FSU, where Green Book estimates of *observed* annual demand are so far apart from the OMR's assessment of *implied* monthly demand as to require further review, and Panama, where the OMR counts as domestic bunker demand residual fuel oil sales identified as exports by state authorities and reported as such in the Green Book. But by and large, monthly and yearly balances have come much closer together.

The fact that OMR and Green Book statistics have converged is not in itself an insurance against the risk of future revisions or the potential for the two data sets to grow apart again. But greater consistency between annual and monthly statistics does provide the benefit of better integration between the two data sets and hold the promise of potentially more insightful analysis. The greater detail provided by yearly balances in terms of data breakdown by product can more easily be woven into monthly balances and integrated with OECD data, setting the stage for more detailed region-wide product analysis across OECD/non-OECD lines.

In addition to the relatively large adjustment to Saudi data, smaller revisions for a variety of other economies have raised OMR estimates of 2002 demand by roughly 300 kb/d for the Middle East, 120 kb/d for non-OECD Asia (including 20 kb/d for China) and 130 kb/d for Africa. Marginal upward adjustments of 20 kb/d for Latin America and 10 kb/d for non-OECD Europe have also been applied.

Middle East

Estimates of Middle East demand for 2002 have been revised upwards by 300 kb/d, to 5.36 mb/d, Saudi Arabian LPG accounting for the bulk of the revision. Saudi ethane output and domestic consumption had previously not been properly accounted for. Adjusting for ethane has raised the estimate of Saudi demand by 230-380 kb/d for the period from 1991-2002, with an offsetting upward adjustment being applied to Saudi supply. The bottom line impact is a higher demand base, but no major change in demand growth patterns over the period.

Downward adjustments for Kuwait and Syria partly counter-balance the increase in Saudi Arabia. For both countries, downward revisions have been applied over a period of more than 10 years and reflect new data series received directly from government authorities – as in the case of Kuwait – or – in that of Syria – through the UN. For Syria, the reduction is mostly in residual fuel oil demand. Smaller adjustments have been applied to other Middle East countries.

Saudi Arabia and Iran together account for roughly 60% of regional demand and also show the biggest consumption increase in the 10 years from 1992-2002: Saudi demand grew by 590 kb/d, or 47%, while Iranian demand gained 270 kb/d, or 24%. In aggregate, however, the two countries' share of regional consumption has edged slightly lower over the period, reflecting even stronger growth in smaller markets. Kuwait demand surged 70%, or 130 kb/d, to more than 300 kb/d, roughly even with UAE demand. Qatar demand showed the fastest growth in percentage terms, rising by an estimated 70 kb/d, or nearly trebling to 110 kb/d.

One of the key outcomes of the latest Green Book revisions is substantially to redraw the product breakdown of Middle East demand. Although the region remains a relatively large residual fuel oil consumer compared to other major markets, the Middle Eastern demand barrel now looks significantly lighter than previously thought. On aggregate, residual fuel oil demand (1.22 mb/d) made up slightly below one quarter of regional demand for 2002, roughly on par with gasoil

(1.3 mb/d). But demand for both LPG and gasoline was growing much more rapidly. LPG consumption expanded by 70% from 1992 to 2002, to 810 kb/d, or 15% of total demand. Gasoline demand grew at about the same pace, reaching 920 kb/d, of 17% of the demand barrel in 2002.

Rapid LPG demand growth in key economies has been driving the trend towards a lighter regional demand barrel, a pattern that seems set to gather momentum in the future. In Saudi Arabia and Qatar, LPG is the most widely consumed product in volume terms, and rising fast. In Qatar, LPG demand trebled between 1992 and 2002, to 72 kb/d, representing 70% of total product demand growth. In Saudi Arabia, demand for LPG grew by 130 kb/d, or 22% of total incremental demand for the period. Residual fuel oil demand did show even steeper growth, surging by 70% (136 kb/d), and may have continued to increase since, as additional fuel-fired power generation and water desalination capacity was brought on line. But further gains in residual fuel appear unlikely, as natural gas is replacing fuel oil as boiler fuel for power generation. In Yemen, more gasoline and gasoil is still being consumed than LPG, but the latter is by far the fastest-growing product, accounting for virtually all of incremental demand growth from 1992 to 2002.

Residual fuel oil remained a major product in several Middle East economies, including the UAE, where it made up nearly 60% of demand in 2002, and Iraq and Israel, where it was also the most sold product in volume terms. Even there, though, demand for residual fuel oil appears set to retreat. It had already lost substantial ground in the UAE in 2002, in part due to a relative downturn in local bunkering activity, though that trend may have since reversed with the 2003-4 pick up in international trade and vessel traffic. In Iraq, persistent problems with power generation since the US offensive have undermined utility demand for residual fuel oil, benefiting instead gasoil consumption for stand-alone generators. In Israel, gasoil is the main growth product, while residual fuel oil is now being replaced by natural gas for power generation (starting last March with the natural-gas conversion of the 1,200 MW fuel-fired Ashdod power plant). In Iran, residual fuel oil demand is edging lower and gasoline demand is surging.

Asia

Non-OECD Asian demand estimates were revised upwards for 2002 by 190 kb/d, including 50 kb/d in 'other Asia', 40 kb/d each in Thailand and Indonesia and 30 kb/d each in India and Singapore. Upward revisions for Thailand and 'other Asia' have been applied across the time series. In Thailand, the change represents an upward reappraisal of refinery fuel use. In the case of 'other Asia', the increment reflects new data from Cambodia, Laos and Mongolia, for which consumption had previously been estimated. Increases in Indonesia for 2002 span most of the demand barrel.

India Crude & Product Trade

(thousand barrels per day)

	2002	2003	2Q03	3Q03	4Q03	1Q04	Mar 04	Apr 04	May 04 ¹	Latest month vs. Apr 04 May 03	
Net Imports/(Exports) of:											
Crude Oil	na	1863	1957	1801	1943	1938	2033	1736	1917	182	-227
(by Public Oil Cos)	1088	1243	1317	1137	1379	1105	1088	1170	1087	-82	-324
Products & Feedstocks	-83	-152	-185	-205	-91	-132	-234	-143	-234	-91	-69
Gasoil/Diesel	-53	-119	-120	-144	-99	-137	-197	-157	-145	12	-38
Gasoline	-48	-72	-71	-88	-62	-77	-80	-63	-85	-22	-14
Heavy Fuel Oil	6	5	24	13	-8	-12	-30	35	4	-31	-7
LPG	22	55	28	38	79	90	94	43	23	-20	-2
Naphtha	4	-1	-43	-3	30	19	-4	19	5	-14	28
Jet & Kerosene	10	-22	-3	-28	-42	-29	-37	-33	-50	-17	-49
Other	-23	1	-1	7	11	14	19	13	13	0	13
Total	1005	1091	1771	1596	1852	1807	1799	1592	1683	91	-296

¹ Preliminary

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

Yearly data for net imports of crude oil for 2002 are not available.

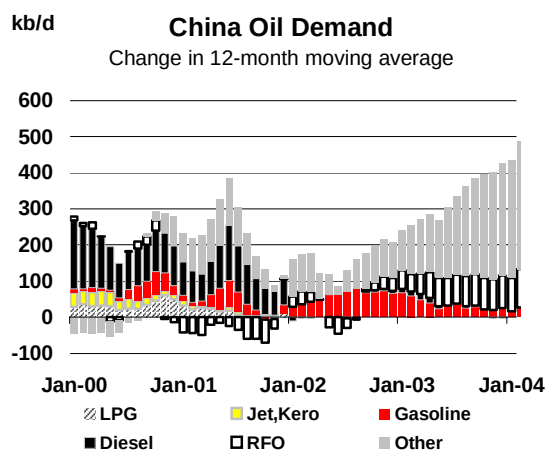
For 2002, 'Total' indicates the sum of net crude oil imports by public oil companies and net products & feedstock by public, private and joint-venture companies.

In addition, Vietnamese historical data have been revised, resulting in upward or downward adjustments depending on the years. The changes come from new data series provided by the Vietnamese authorities. For 2002, the data result in a gain of slightly over 20 kb/d, offset by small cuts in Taiwan, the Philippines and Pakistan.

China

Historical Chinese demand data are virtually unchanged from last month's Report, reflecting consistency between OMR and Green Book estimates. Second-quarter apparent-demand estimates have been raised marginally, reflecting stronger-than-expected residual fuel oil imports in June. Despite that slight adjustment, this Report continues to forecast that Chinese demand growth will slow in the second half of this year, compared to the sizzling growth rates of the first half of this year and the second half of 2003. Government measures to prevent overheating of the economy appear to be bearing fruit. Industrial output growth slowed in July for the fifth consecutive. In addition, oil demand grew much faster in the second half of 2003 than in the first half, so growth in the second half of this year should look relatively milder by comparison.

But while the prospect for a slowdown in Chinese demand growth is not in doubt, the scale of that slowdown is far less certain. Several new factors may substantially alter market dynamics, but may pull Chinese demand growth in opposite directions. Among the measures that may contribute to cool demand growth are recently implemented energy saving rules and a nationwide crackdown of the overloading of trucks. By causing a sharp run-up in freight costs, the latter measure has reduced trucking activity and road diesel demand.



China Crude & Product Trade

(thousand barrels per day)

	2002	2003	3Q03	4Q03	1Q04	2Q04	Apr 04	May 04	Jun 04	Latest month vs. May 04 Jun 03	
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1731	1716	2290	2371	2400	2101	2623	522	851
Products & Feedstocks	361	442	586	445	600	856	991	728	854	126	373
Gasoil/Diesel	-16	-28	-42	-9	22	50	34	60	58	-2	100
Gasoline	-142	-175	-184	-151	-95	-141	-157	-125	-141	-17	119
Heavy Fuel Oil	281	407	531	361	448	653	780	531	651	121	160
LPG	197	202	211	203	172	227	228	233	219	-14	-46
Naphtha	-16	-22	-22	-24	-21	-11	-6	-5	-23	-18	23
Jet & Kerosene	9	1	15	-6	21	15	33	-5	17	22	9
Other	48	58	77	70	54	63	79	39	72	33	8
Total	1609	2106	2317	2161	2890	3227	3390	2829	3476	648	1224

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

However, while the government has adopted measures to curb demand growth, other steps are being taken that may boost demand by removing supply constraints and thus alleviating infrastructural breaks on consumption. Constraints on refining, import and distribution capacity are being alleviated. New refining capacity expansion plans are being developed, and for the first time in 10 years the government has approved grass-root refinery plans. Import terminal projects are also multiplying, and the pipeline network is being expanded. While demand-side restraint measures may initially be effective in cooling demand growth and alleviating product shortage risks, supply-side measures to boost China's ability to meet soaring energy needs may ultimately lead to a rebound in the pace of demand growth.

Africa

African baseline demand for 2002 has been adjusted upwards by about 130 kb/d. The biggest revisions are for Nigeria (36 kb/d), 'Other Africa' (29 kb/d), South Africa (19 kb/d), Egypt (15 kb/d) and Libya (-10 kb/d).

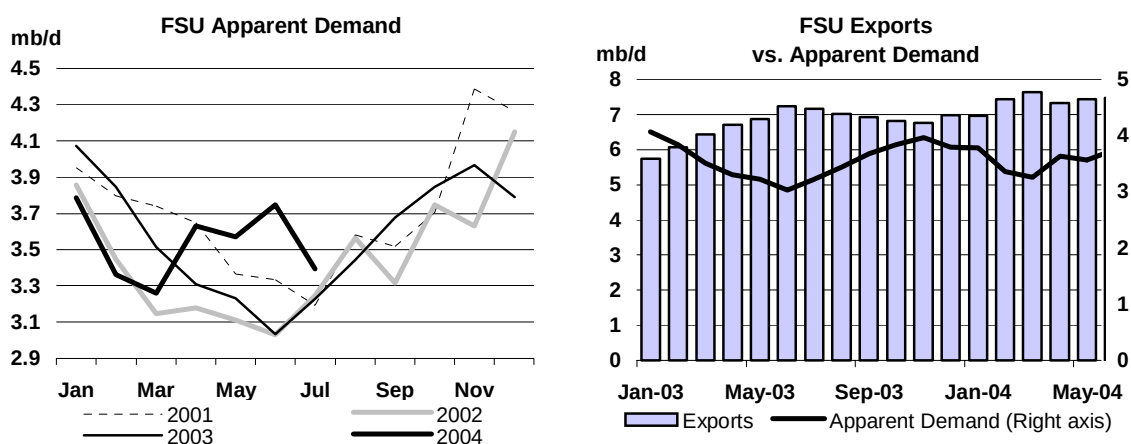
The adjustment to Egyptian data applies across the time series, ranging from 5 kb/d to 57 kb/d. Changes reflect new data and span the demand barrel. Nigerian estimates also have been reappraised for the entire period, but most of the adjustments are negative, reflecting lower refinery fuel use than

previously estimated. On aggregate, African demand has been revised upwards for the entire period from 1990 to 2002, with the adjustment varying in scope between about 10 kb/d and 130 kb/d.

FSU

Green Book estimates of FSU demand have not been incorporated in OMR balances, owing to the large differences between *observed* demand, as reported in Green Book statistics, and the level of *implied* demand inferred in the OMR from the difference between crude oil output and crude and product exports.

While the Green Book provides a degree of product detail unavailable in the OMR, there are gaps in the data. In particular, Green Book estimates of FSU demand provide no assessments of marine bunker demand, and it is not clear whether bunker deliveries may be included in the assessment of residual fuel oil and gasoil demand. Despite the discrepancy, however, it is worth noting that although Green Book statistics suggest substantially higher 2002 demand than reported in the OMR, both sets of data point to a decline in FSU demand in 2002 compared to 2001, albeit a more shallow one in the Green Book than in the OMR.



FSU demand forecasts for 2004 and 2005 have been trimmed in light of revised export trade showing stronger exports in the first half than previously estimated, and a significant pick-up in July exports. Although implied demand still shows robust growth this year compared to 2003, the year-and-year gain is not as steep as previously estimated and narrowed markedly in recent weeks.

OECD

Early Indications of Current Demand

Mutually offsetting revisions for the first and second quarters have left the forecast of OECD demand relatively unchanged from last month's Report. OECD demand is expected to expand by close to 600 kb/d for 2004 and about 410 kb/d in 2005, down marginally, by 20 kb/d and 30 kb/d, respectively, from last month's estimate. Steep growth in the second quarter, when demand expanded by an estimated 830 kb/d, is expected to give way to slower gains for the remainder of 2004 and 2005. And while demand in North American has recently grown much faster than in the rest of the OECD, growth is expected to proceed somewhat more evenly across the OECD in the next few quarters.

While the latest oil delivery data do not change the expected demand pattern, revisions from last month's Report suggest that the geographical reallocation of demand growth toward more evenly spread gains might occur faster than previously expected. This is, in part, a function of the weather. Last delivery data and revisions to recent submissions point to slightly slower US demand expansion than expected in the second quarter and July, reflecting mild summer temperatures, as well as moderating transportation fuel demand. In contrast, Asian demand is running ahead of expectations, reflecting robust cooling demand spurred by warmer-than-normal weather.

On average, the 2004 demand forecast for North America has been revised down by 60 kb/d, while that for the Asia-Pacific region has been raised by 30 kb/d. European demand has been adjusted marginally upwards by 10 kb/d. Downward adjustments for the second and third quarters have been offset by increases from the first and fourth quarters.

May demand estimates have been adjusted downwards by 860 kb/d, including cuts to preliminary delivery estimates of 390 kb/d for North America, 170 kb/d for Germany, France and Italy and 150 kb/d for Japan and Korea. Forecast estimates for the rest of the OECD have been trimmed by 170 kb/d.

But May revisions were offset by a 170 kb/d increase in April estimates and a 530 kb/d upward adjustment to June forecasts, in light of the latest demand delivery data for eight of the OECD largest economies (see table below). Upward changes for June are focused on Japan (+290 kb/d) and Germany (+120 kb/d), with smaller gains in Mexico, Canada, France, Italy and Korea offsetting a 150 kb/d cut in the US.

Preliminary Inland Deliveries – June 2004¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	9.23	0.6	1.67	7.1	2.98	5.3	0.04	10.3	0.74	7.4	4.89	5.9	20.49	3.4
Canada	0.73	0.8	0.11	20.0	0.44	8.3	0.00	na	0.16	8.2	0.31	8.9	1.80	7.1
Mexico	0.65	10.1	0.06	5.8	0.32	5.6	0.00	na	0.31	-19.9	0.38	11.8	1.77	5.7
Japan	0.99	-3.4	0.28	-20.6	0.64	-1.5	0.43	-7.9	0.35	-39.1	1.53	1.9	4.33	-5.4
Korea	0.16	-2.5	0.03	-54.8	0.46	4.0	0.05	-12.1	0.25	-10.6	1.00	-1.4	1.95	-2.6
France	0.30	-2.8	0.14	10.5	0.68	6.4	0.20	-19.5	0.04	10.3	0.45	3.3	1.80	0.1
Germany	0.60	-4.0	0.15	-2.0	0.61	7.1	0.48	-18.3	0.10	-19.1	0.48	4.6	2.43	-3.3
Italy	0.36	-2.4	0.08	-5.0	0.51	11.9	0.07	-11.8	0.15	-13.1	0.45	6.2	1.63	-1.7
Total	13.00	0.3	2.51	1.2	6.64	5.5	2.26	-7.5	2.13	-11.0	9.49	4.6	36.20	1.3

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

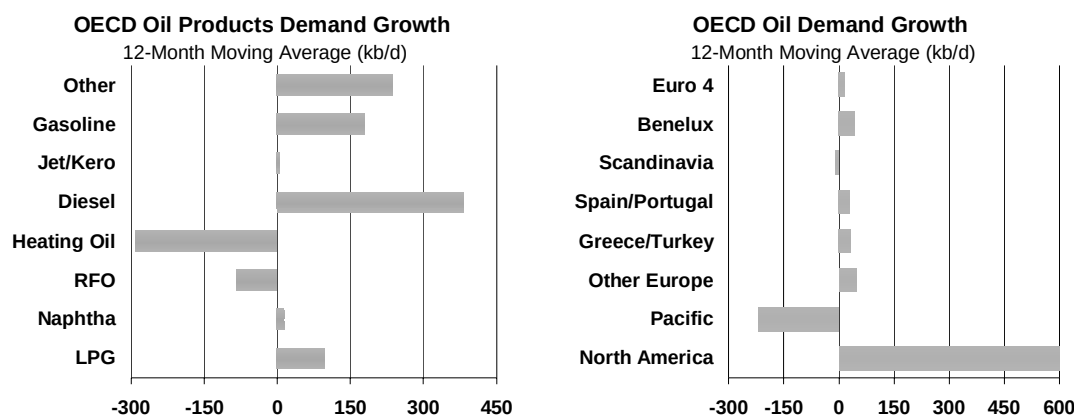
Percentage change is calculated from the same month of the previous year

1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

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

Even after those adjustments to preliminary delivery data, North America in June remained the main driver of OECD demand growth. Deliveries grew at a fast clip across the continent, in contrast with contraction in Western Europe and Northeast Asia. However, the composition of North American demand changed markedly. Gasoline lost steam as a key growth product except in Mexico, with deliveries inching by less than one percent higher in both the US and Canada. Indeed, gasoline in



June was the product for which demand grew the least in North America. This seemingly early end to the peak summer driving demand period may be in part the result of exceptionally strong demand a year earlier. On a month-to-month basis, gasoline demand continued to climb seasonally at a healthy pace in June, though weekly surveys suggest it fell back slightly in July.

With continued steep declines in gasoline demand in Europe and Asia, slowing North American demand left overall June gasoline deliveries just marginally above last year in the largest OECD economies. But while the gasoline season seems to have petered out, the distillate season has made an early start. Heating oil deliveries were surprisingly strong in the US and Canada, compounding the effects of surging diesel demand across the region. Meanwhile, jet fuel and kerosene demand remained in positive territory, pulled higher by North America and France. Demand for 'other products' increased across the region, except in Korea.

Moving Annual Average Change in Oil Demand* – June 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	1.8%	-3.0%	2.0%	1.3%	5.6%	-6.5%	5.9%	3.7%	2.2%	433
Canada**	10.5%	0.6%	1.7%	4.5%	-0.3%	5.2%	16.0%	5.1%	4.9%	104
Mexico	2.1%	1.8%	5.8%	2.4%	3.4%	3.4%	-10.4%	35.4%	2.8%	56
Japan	-6.4%	0.8%	0.3%	-6.5%	-2.3%	-3.9%	-8.5%	-8.6%	-3.9%	-221
Korea	-3.5%	2.6%	-6.3%	-9.6%	4.7%	-8.3%	-1.5%	-16.8%	-1.1%	-23
France	5.4%	21.5%	-7.5%	5.8%	0.7%	-0.6%	-0.2%	13.0%	2.9%	59
Germany	1.3%	5.5%	-3.4%	1.6%	7.1%	-21.6%	-0.5%	14.7%	-3.3%	-88
Italy	2.0%	0.0%	-0.2%	13.6%	14.3%	-25.2%	-5.6%	1.8%	0.8%	16
UK	10.7%	0.3%	-3.8%	2.6%	3.0%	3.0%	9.6%	4.5%	1.8%	31
Total	1.4%	2.9%	1.2%	-0.4%	4.6%	-7.6%	-1.8%	4.0%	0.9%	367
kb/d	60	79	152	-15	276	-277	-59	152	367	

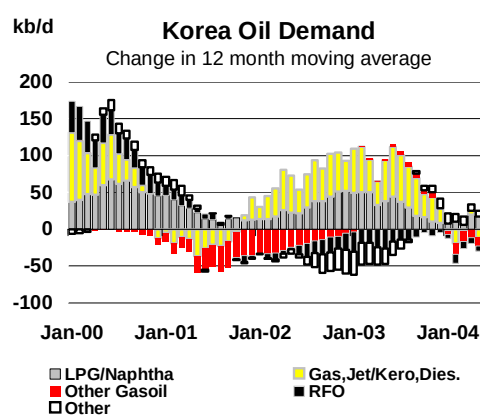
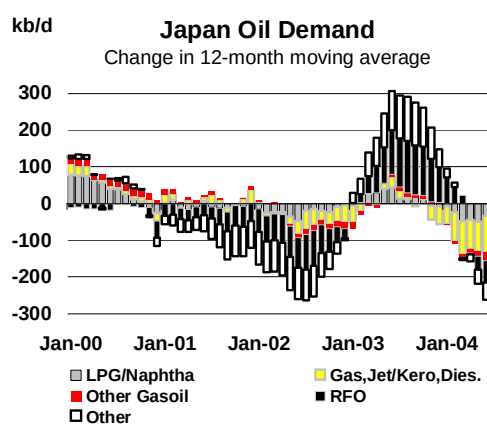
* defined as the percentage change between the demand average for the 12 months up to June and that of the same period a year earlier

** near-month data are estimated

Pacific

Adjusted preliminary delivery data suggest Japanese demand was stronger than expected in June. A year earlier, demand had been artificially boosted as oil-fired power plants had to make up for large-scale outages at boiling-water nuclear reactors, in the wake of a controversy surrounding nuclear safety inspections and practices. The fact that most of the previously idled nuclear units were restarted over the last few months had been expected to depress year-on-year demand growth this summer.

That was counting without the weather. In contrast with 2003, when summer temperatures were exceptionally mild during the peak cooling season from June to September, the weather has been warmer-than-normal this year, partly offsetting the rebound in active nuclear power generation capacity. Deliveries of both residual fuel oil and 'other products' - including heavy sweet crude used for direct burn at power plants - appear to have bounced back up in both June and July. One-off factors are thus once again boosting Japanese demand.

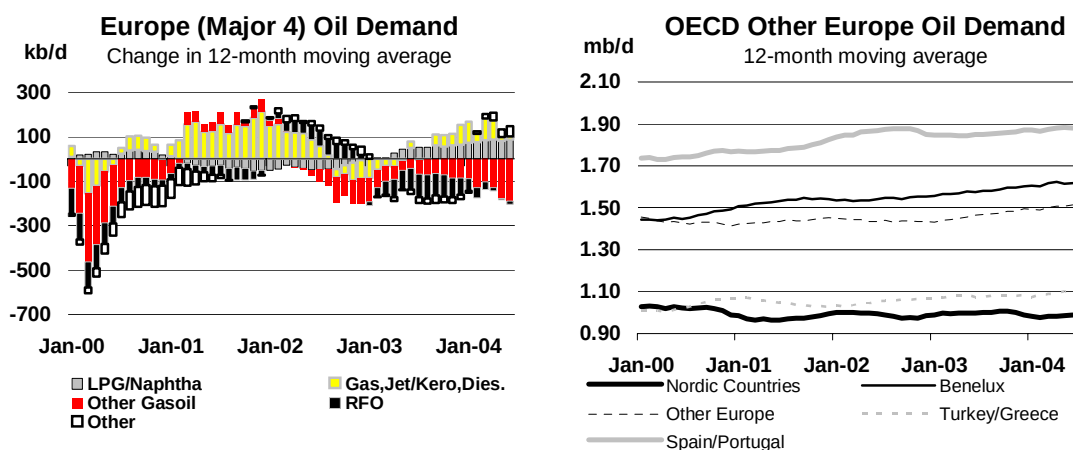


In addition, nuclear plant problems visited Japan again on 9 August, when a steam leak caused a fatal accident at a pressurised-water nuclear reactor in Kansai. The 826-MW unit was shuttered, but the leak did not cause any radiation and did not endanger nearby residential communities.

The strong performance of the Japanese economy has also been a factor supporting domestic oil demand. Naphtha demand growth, in particular, has been particularly robust in the second quarter, averaging an estimated 11%, thanks to strong petrochemical activity. However, there are growing concerns about the sustainability of Japan's economic recovery in the event of a synchronous slowdown in China and the US, Japan's main trading partners.

Europe

European demand has also been adjusted upwards for June, in light of preliminary delivery data for three of the continent's largest economies. However, that hike has been offset by a downward revision for May. A 120 kb/d increase in Germany led the June increase. Despite that adjustment, German June deliveries, notably for heating oil, remained surprisingly low, given comparatively tight heating oil residential stocks. For the second quarter as a whole, German demand contracted by 6.3% year-on-year, driven by a staggering drop of nearly 40% in heating oil. That suggests that there is scope for a surge in heating oil deliveries in the run-up to the winter season, at least as long as relatively low river levels do not disturb domestic barge traffic and hamper deliveries. German consumers have apparently been deferring their heating oil purchases in the hope of a price drop. But further delays could leave them exposed to new price hikes in the event of a cold winter.

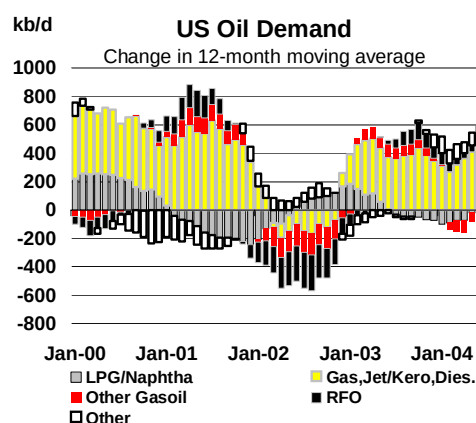


As petrochemical activity worldwide benefits from the global economic recovery, so does European naphtha demand. Roughly one third of the upward adjustment in June German deliveries was for naphtha. German naphtha demand grew by an estimated 18% in the first quarter, or 70 kb/d, and 12%, or 45 kb/d, in the second quarter. While German is structurally a large naphtha consumer due to the size of its petrochemical industry, the latest bounce is spreading beyond its borders. For the four largest European economies, naphtha demand surged an estimated 105 kb/d in June year-on-year. Should such gains be sustained, European demand estimates for the remainder of 2004 may have to be adjusted upwards.

North America

North American demand expanded at a brisk rate of 3.4% in the second quarter. For the US alone, second-quarter demand grew by 3.5%, or 680 kb/d, the fastest gain in both absolute and percentage terms since the precautionary stock build of the fourth quarter 1999, when demand was artificially inflated by Y2K concerns.

Such a pace of demand growth is not expected to be sustained. A key driver of demand growth in the second quarter was the economic recovery. But there are mounting signs that the US economy may be slowing. Also, second-quarter growth in 2003 had been relatively modest, making growth this year look stronger by comparison. In contrast, US demand growth expanded at a fast clip in the second half of last year.

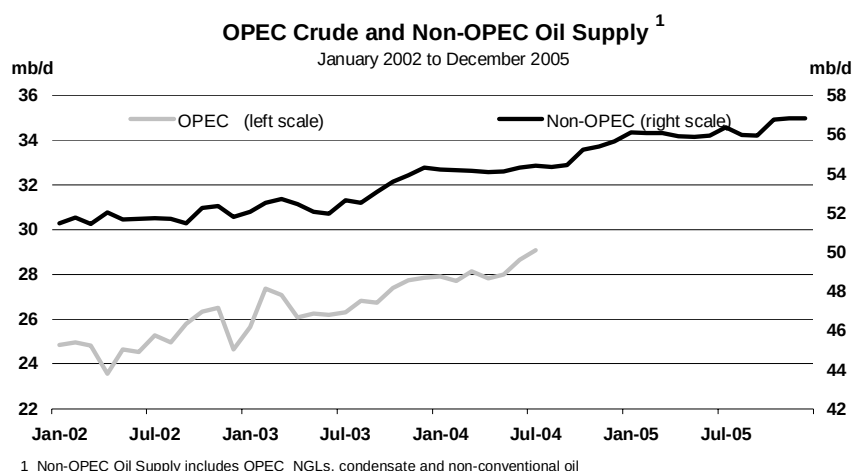


Gasoline demand growth, a major driver of US demand growth in the first half, is moderating. Growth slowed from 3.2% in the first quarter to 1.5% in the second. After peaking at 3.7% in March, growth fell to 2.6% in April, 1.5% in May and a provisional 0.5% in June. For July, demand appears to have switched into mild contraction of 0.2%. As gasoline represents about 44-45% of US demand, the effect on overall consumption is significant.

SUPPLY

Summary

- **World oil supply** in July increased by 550 kb/d to reach 83.5 mb/d. OPEC crude supply was up by 450 kb/d, OPEC NGL and non-conventional output by 75 kb/d and non-OPEC production by 25 kb/d. Revisions to non-OECD supply, customarily made at this time of year in line with release of the IEA 'Green Book', boost baseline historical supply for 1994-2002 by 200-300 kb/d. The majority of the revision is accounted for by OPEC NGL supply.
- **Non-OPEC supply** increased by 25 kb/d in July. An incremental 100 kb/d from the FSU, Africa and Latin America eclipsed lower supply from Asia, the North Sea and Middle East. Despite concerns about the sustainability of Yukos supply, Russian production grew 100 kb/d versus June and 765 kb/d versus July 2003. Non-OPEC production in July was 1.35 mb/d above year-ago. Baseline non-OPEC supply data for 1994-2000 were adjusted downward by an average 35 kb/d per annum. Total revisions to non-OPEC supply for 2001-2003 were upward and averaged 45 kb/d each year, despite downward revision to US data for 2002 and 2003. Forecast non-OPEC supply growth in 2004 and 2005 remains unchanged at 1.2 mb/d for both years.
- **OPEC crude supply for July** averaged 29.1 mb/d, an increase of 450 kb/d from June. Output from Iraq rose by 305 kb/d to 2.0 mb/d although export flows were prone to disruption. No liftings were made from the Turkish port of Ceyhan. Saudi Arabian crude supply increased by 100 kb/d to 9.2 mb/d, partly the result of start-up of production from new facilities at the Qatif and Abu Safah fields. Lesser increments derived from Libya, Nigeria and UAE. Conventional crude output from Venezuela and Indonesia declined slightly. OPEC supplies are likely to increase further in August.
- **OPEC-10** (excluding Iraq) production averaged 27.1 mb/d in July, a rise of 145 kb/d from June. This was 1.6 mb/d above July's target and 1.1 mb/d above the new 26.0 mb/d target in place from 1 August. OPEC cancelled an extraordinary meeting scheduled for 22 July which had been due to ratify the August target increase. The next OPEC meeting will be on 15 September, with several members calling for increases in the target price band.
- Concerns remain over **OPEC spare capacity**. Several OPEC representatives suggested that spare capacity was now limited. However the latest statement from the OPEC President in early-August suggested that 1.0-1.5 mb/d of spare capacity was still available. This Report estimates total spare capacity in July at 1.2 mb/d, with effective spare capacity at less than half this level. As identified last month, an extra 1.5-2.0 mb/d of surge capacity may also be available. OPEC capacity additions to end-2004 amount to 370 kb/d, with a further 680 kb/d due onstream in 2005.
- A widespread review of baseline supply and demand data results in the '**call on OPEC crude and stock change**' being revised up by 400-500 kb/d for 2002-2004. Upward revisions to demand centred on Asia and the Middle East outstrip supply-side increases driven by OPEC NGL. The call in 2005 is similarly revised up by 300 kb/d. The 2004 call now averages 27.6 mb/d, rising modestly to 27.7 mb/d in 2005. The call in 4Q 2004 averages 28.4 mb/d, compared to estimated July OPEC production of 29.1 mb/d.



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

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

OPEC

Total OPEC crude production increased by 450 kb/d in July and averaged 29.1 mb/d. Iraq led the way, with production rebounding by over 300 kb/d from disrupted June levels. Saudi Arabia is assessed to have increased supply by 100 kb/d compared to June and more modest increases were seen from Libya, Nigeria and UAE. Venezuela saw conventional crude output fall, as did Indonesia. All producers barring Saudi Arabia and UAE were operating within 100 kb/d of sustainable capacity in July (neglecting notional spare production capacity in Iraq). Early indications suggest that incremental Arab Gulf supplies in August may be limited to Saudi Arabia and perhaps Iraq (security concerns permitting) as most other Gulf suppliers appear to be sustaining term export volumes at July levels into August. Limited extra crude may also come from Algeria and Nigeria.

OPEC Crude Production

(million barrels per day)

	Jul 2004 Target	Aug 2004 Target	Jul 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs. July 2004 Production	Prod.vs. Jul Target	Prod. vs. August Target
Algeria	0.81	0.83	1.20	1.25	0.05	0.39	0.37
Indonesia	1.32	1.35	0.95	1.00	0.06	-0.38	-0.40
Iran	3.74	3.82	4.00	4.00	0.00	0.26	0.18
Kuwait ²	2.05	2.09	2.35	2.35	0.00	0.30	0.26
Libya	1.37	1.39	1.58	1.58	0.00	0.22	0.19
Nigeria	2.10	2.14	2.41	2.50	0.09	0.31	0.27
Qatar	0.66	0.67	0.79	0.80	0.01	0.13	0.12
Saudi Arabia ^{2, 3}	8.29	8.45	9.20	9.50	0.30	0.91	0.75
UAE	2.23	2.27	2.43	2.55	0.13	0.20	0.16
Venezuela ⁴	2.93	2.99	2.21	2.25	0.04	-0.72	-0.78
Subtotal	25.50	26.00	27.11	27.78	0.67	1.61	1.11
Iraq			1.99	2.50	0.52		
Total			29.10	30.28	1.19		

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

2. Includes half of Neutral-Zone production

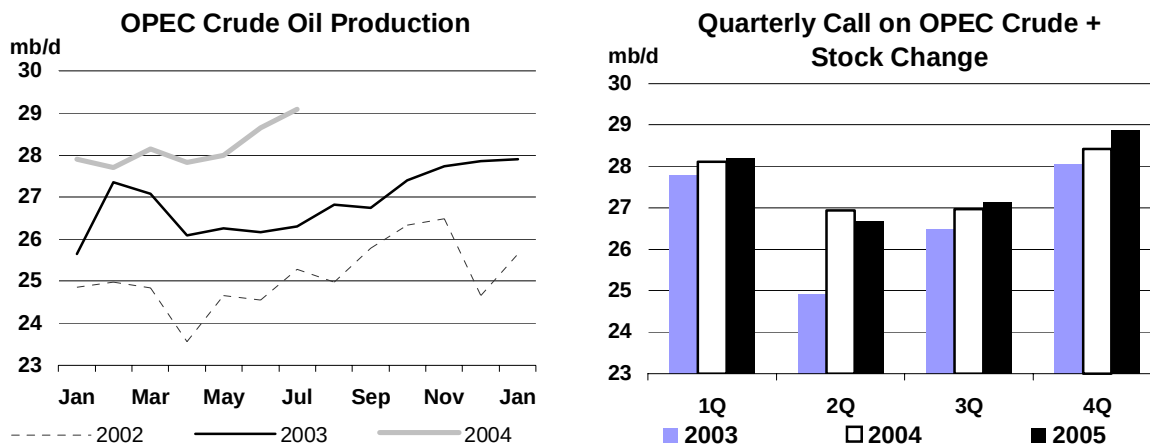
3. Saudi Arabia indicates it can surge to 10.5 mb/d at short notice, but requires incremental drilling to sustain this level over 90 days

4. Excludes upgraded Orinoco extra-heavy oil, which averaged 338 kb/d in July

OPEC-10 production in July averaged 27.1 mb/d compared to a target output level from 1 July of 25.5 mb/d. The Organisation cancelled its proposed 21 July conference but re-affirmed its decision to raise the output ceiling further to 26.0 mb/d effective 1 August. A press briefing by OPEC President Purnomo Yusgiantoro on 22 July cited the fact that, market conditions being largely unchanged since the OPEC Beirut meeting in June, there was little need to meet again in July. The next ordinary meeting of OPEC Ministers will take place on 15 September in Vienna. Further calls were made in July by, amongst others, Venezuela and Libya for an increase in the OPEC target price band to \$28-\$35/bbl from a current \$22-\$28/bbl.

Some confusion arose after contradictory statements made by the OPEC President on 3 and 4 August. The first suggested that there was little capability amongst OPEC producers, including Saudi Arabia, to boost production from current levels in the immediate short term. This implied that, with Saudi Arabia reportedly producing around 9.5 mb/d in August, operational capacity limits were close to being reached. Saudi sources have maintained for some time that their sustainable capacity is around 1.0 mb/d higher than this. A follow up statement one day later said that the Organisation held 1.0-1.5 mb/d of spare capacity which could be activated immediately. This Report estimates total spare capacity, based on July production levels, at around 1.2 mb/d although effective spare capacity excluding Iraq, Venezuela, Nigeria and Indonesia was less than half this level. As mentioned in last month's Report however, a further 1.5-2.0 mb/d of short-term, surge capacity could be available over and above sustainable levels. The latest OPEC statement also indicated that OPEC members were planning to add a further 1.0 mb/d of spare capacity towards the end of this year and into 2005. This is in-line with this Report's own assessment of expected new capacity additions between now and

2005 (see below). However, the concept of spare capacity additions clouds the issue somewhat. Extra spare capacity can be made available either by investing in new capacity, by reducing actual production or a combination of the two.



Oil sector operations in **Iraq** remained prone to sabotage during July, although production rose from June's 1.68 mb/d to 1.99 mb/d. Exports increased from July's 1.25 mb/d to 1.52 mb/d, despite early-month breaches in the southern pipelines feeding Basrah and Khor al-Amaya. Looters and saboteurs were blamed for the pipeline disruptions, and there were isolated reports of vessels turning away from the southern terminals due to security concerns there. All of the exports (bar minimal volumes heading cross-border to Syria) came from the southern terminals. Exports dropped to around 1.0 mb/d early in the month but were later running close to 1.7 mb/d. However, the sustainability of Iraqi supply was again called into question on 9 August amidst reports that southern production was curtailed after threats of sabotage made by Shiite radicals.

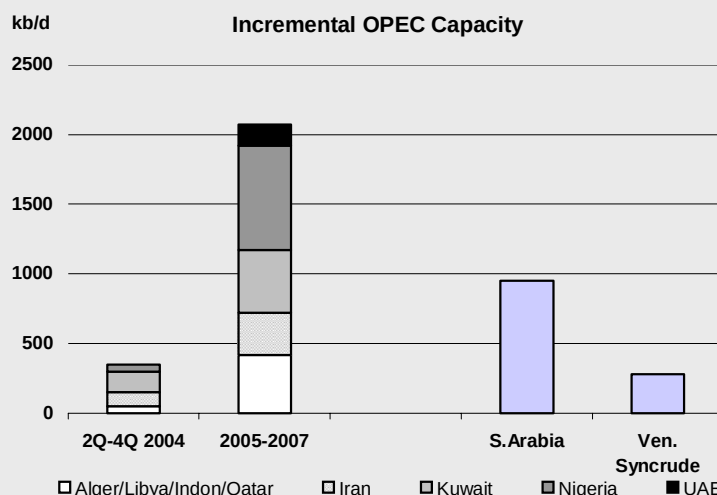
The northern pipeline to Ceyhan in Turkey was also the target of several attacks during July, as was the internal pipeline network feeding refineries in the centre and north of the country. Conflicting reports emerged about operations on the northern pipeline, with some suggesting that occasional, batched export deliveries to Ceyhan were being made at rates averaging 200 kb/d. This was however denied by government sources in early August who insisted that exports through the north had not occurred for two months. Either way, no liftings were made from Ceyhan in July, where crude in storage was still reported to be below 3 mb. Nor are there indications that further export tenders will be released before storage levels at the Turkish port are substantially higher.

Saudi Arabian crude supply is estimated up by 100 kb/d from June's level, averaging 9.2 mb/d in July. In addition to an increase in domestic refinery operations as spring turnarounds drew to a close, sharply higher exports were evident in late-June/early July and again towards the end of July. A lull around mid-month depresses the assessment for average monthly supply, although recent reports suggest that the Kingdom may be increasing August supply closer to 9.5 mb/d. Incremental volumes brought onstream from the Qatif and Abu Safah fields from late-July of around 250 kb/d are scheduled to build to 650 kb/d by October. While the initial stages of Abu Safah production involved revenues accruing to (and therefore represented production from) Bahrain, once Abu Safah is fully operational, revenues will reportedly be split 50:50 between the two countries. As noted above, rising supply from these fields will likely boost short-term Saudi capacity, although it remains to be seen from a sustainable capacity standpoint whether Qatif/Abu Safah volumes are offset by shut-in production elsewhere, as had been planned by Saudi Arabia before the recent surge in prices.

Supply from **Libya** is estimated up by 40 kb/d in July, reaching 1.58 mb/d. Increasing production from new fields entering operation from late-2003 onwards have contributed to rising Libyan supply recently, with the Elephant, Al Jurf and El Shaharah fields being prominent in this regard. As part of our review of OPEC capacity developments, sustainable capacity for Libya has been revised up to 1.58 mb/d, with a further modest increment likely by the end of the year. In contrast, capacity for **Nigeria** was revised down by 50 kb/d to 2.50 mb/d. Production in July was initially thought to have fallen, with the loss of supply from Total-operated fields due to fears for the security of its expatriate staff. However, production was re-started from 7 July and the impact on Nigerian supply in July is assessed only to have been 30-40 kb/d. This appears to have been offset by increased supply from onshore fields, data for July export loadings suggesting an overall supply increase of 30 kb/d from Nigeria. Provisional indications for August export levels suggest a further rise in supply this month.

Incremental OPEC Capacity on the Way

The thin margin of spare capacity held by OPEC producers has contributed to recent price strength. However, spare capacity has been below 2.0 mb/d since February 2003, compared to 6-7 mb/d for much of 2002. Levels of installed capacity, like monthly OPEC production, are a subject of intense debate, being a key element of OPEC internal discussions about quota allocation. In the absence of transparent information about field production levels, reserves and infrastructure, analysts rely on a mix of market intelligence, OPEC pronouncements and inference to estimate installed capacity. Capacity levels change constantly, depending on changes in field operational practices, reservoir management, new investments and prevailing decline rates. If prices are high and demand for crude strong, most OPEC producers try to maximise output accordingly. In this way, the supply disruptions in Iraq, Nigeria and Venezuela during 2002/2003 helped highlight likely capacity limits for certain producers. For other producers who habitually maintain a larger spare capacity cushion, estimation is more problematic. The graph below shows likely net OPEC capacity increments (taking account of new field developments/expansions and potential decline rates) between now and end-2004 and also for 2005-2007. The extent to which these capacity additions lift spare capacity in the months ahead will depend also on OPEC production, which exceeded 29 mb/d in July.



Capacity (excluding Iraq and Venezuela) should increase by a net 370 kb/d by the end of 2004 and by a further 2.1 mb/d in 2005-2007. Annual additions amount to 680 kb/d, 850 kb/d and 170 kb/d for 2005, 2006 and 2007 respectively. This excludes expansions in **Saudi Arabia** at Qatif, Abu Safah and Haradh. The former two fields add 650 kb/d of production in second half 2004, while a further 300 kb/d will derive from new facilities in the Haradh area of the Ghawar field during 2006. Saudi Arabia previously indicated that some 600-800 kb/d of new production is required each year to offset field decline. The above projects may temporarily boost Saudi capacity, but in the longer run will likely be offset by the mothballing of older facilities. Under the IEA's three month sustainability criterion therefore, these new fields are not counted as incremental to total installed capacity. Expansions in **Venezuelan** synthetic crude output are also excluded from the aggregate numbers cited above, but are shown separately in the graph. From recent levels of 380 kb/d, synthetic crude output will reach 620 kb/d by late-2004 and 660 kb/d by 2007 as the Hamaca upgrader is brought onstream and with de-bottlenecking scheduled at the other three units.

Kuwait is seen increasing capacity from a current 2.35 mb/d to 2.5 mb/d by end-2004 as Gathering Centre 15 serving northern fields is reactivated to reach levels around 600 kb/d. Further increments amounting to 450 kb/d are likely by 2007, deriving first from western fields and then from the Burgan complex in the south, where a target of 1.55 mb/d is set for 2007 with the installation of new wells and effluent water handling facilities. The Emirate has in the past mentioned a 3.1 mb/d target for 2007. However lack of progress in devising a framework for foreign company participation to expand northern capacity to 900 kb/d means attainment of such levels could be delayed.

Incremental OPEC Capacity on the Way (continued)

Ongoing capacity additions are likely from **Nigeria**, where capacity could reach 2.55 mb/d by end-2004, 2.75 mb/d by end-2005 and 3.25 mb/d by end-2007. Increments derive almost entirely from offshore production, offsetting decline from onshore and delta areas. Increments are expected from the EA, Yoho, Okpoho and Abo fields which are already in production. New field start ups are likely to include the Bonga, Okwori, Erha, Etim/Asasa, Usan, Bosi, and Agbami fields.

Iran is likely to add some 300 kb/d to capacity, with onshore increases at the Darkhovin and Masjid e Suleiman fields. Offshore, the Salman, Foroozan, Doroud, Soroush/Nowruz and Abuzar fields underpin the rise. Little in the way of new capacity is expected from the **UAE** in 2004 and 2005. However, capacity could rise by 150 kb/d by 2007 based on offshore expansions at the Upper and Lower Zakum and Umm Shaif fields. More ambitious plans calling for a 500 kb/d capacity increase by 2007 may be over-ambitious. Doubts have been expressed that an expansion of onshore Murban crude capacity from 1.25 mb/d to 1.4-1.6 mb/d will materialise in this time frame, and Dubai crude production is also declining.

Algeria and **Libya** could add between them 70 kb/d of capacity by end-2004 and a further 220 kb/d during 2005-2007. Libya's Elephant field and Algeria's ROD and Block 208 developments are the main contributors. Having experienced declining capacity in recent months, Indonesia may see temporary respite around 2006/2007, with an incremental 100 kb/d as supplies from the Cepu and Belanak discoveries counteract decline at other fields. Finally, expansion at several existing fields in **Qatar** should boost capacity by 100 kb/d between 2005 and 2007. Effective capacity for **Iraq** is assessed at around 2.5 mb/d based on the maximum level of production in spring this year. While the Oil Ministry cites a current production capability of 2.8 mb/d and plans to exceed 3.0 mb/d in 2005, we have for now excluded potential increases in Iraqi capacity from our analysis until higher export flows and domestic refinery runs prove to be sustainable.

Conventional crude production from **Venezuela** is assessed largely stable in July at around 2.2 mb/d. June data for conventional crude output were revised up from 2.17 mb/d to 2.24 mb/d, although this was believed to derive partly from reduced synthetic crude production. This in turn was likely due to de-bottlenecking work at the Petrozuata upgrader (with un-upgraded oil counting under the IEA definition as conventional crude). ConocoPhillips announced in early August that work had been completed in July boosting syncrude capacity at Petrozuata by some 40 kb/d. The upturn in conventional production (as opposed to total output) seen in June may therefore prove temporary unless PDVSA is able to accelerate capital spending and drilling levels in conventional areas. The company has admitted that these lagged target in first-half 2004 due in part to administrative delays. In contrast, syncrude output is now seen rising to in excess of 600 kb/d by end-year from recent levels of 380 kb/d. Markets will be watching closely for any oil industry fall-out from the scheduled 15 August Presidential recall election.

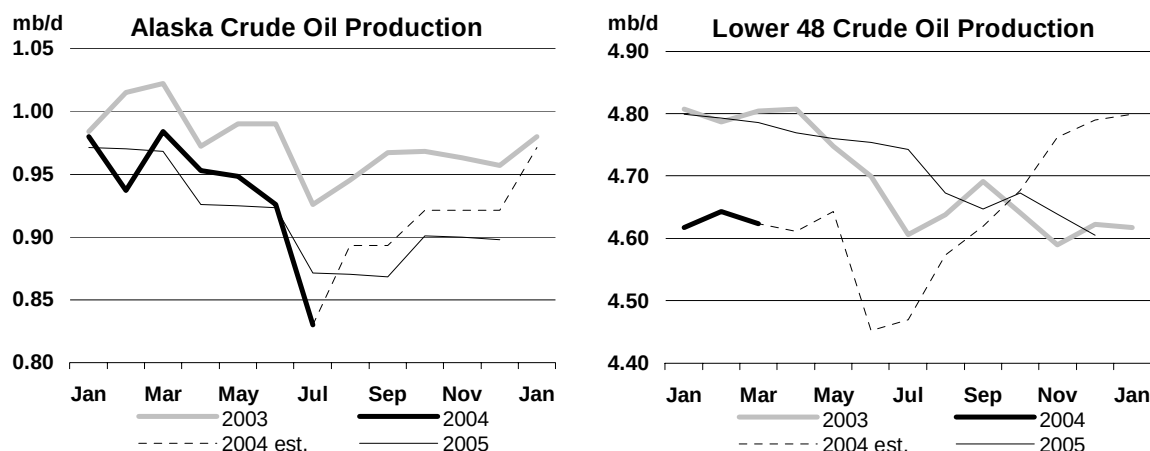
Production of crude from **Indonesia** dipped below 950 kb/d in July, with an unscheduled outage at the offshore Belida B platform in the Natuna Sea in late July contributing to the fall. The platform normally handles some 17 kb/d of crude compared to total field output nearer 70 kb/d. ConocoPhillips hopes to re-start production in the second week of August. The Finance Ministry in late July submitted a report to Parliament that acknowledged the recent shortfall in crude production. Budget estimates for crude and condensate output have been revised down from an original 1.15 mb/d to 1.07 mb/d for 2004. Indonesian condensate production typically averages around 140 kb/d.

OECD

North America

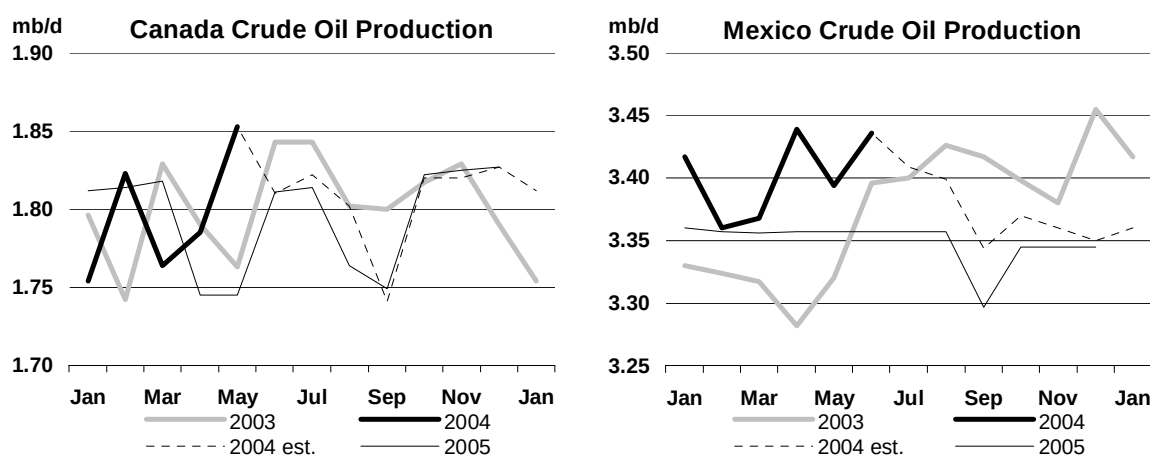
US – July Alaska actual, others estimated: Revised monthly data for 2002 and 2003 production released in July result in downward adjustments of 35 kb/d for 2002 US oil supply and 60 kb/d for 2003. Downward revisions are carried forward into 2004 and 2005, adjusted down by 80 kb/d and 35 kb/d respectively. US oil supply now averages 7.8 mb/d in 2004. The bulk of the downward revision is felt by the US Gulf of Mexico (GOM). Once again, revisions to baseline GOM supply are carried forward into the forecast. Production there in 2004 is now seen remaining largely flat at 1.57 mb/d before rising by 235 kb/d in 2005. Start-up of Murphy's Front Runner field has been pushed back to October 2004 from July. However, Anadarko's Marco Polo field began operations in July.

Provisional July **Alaskan** crude supply data showed a drop of some 95 kb/d versus June, with production from the Alpine field in particular sharply lower. So far in fiscal 2005, Alaskan production is running some 100 kb/d below the Alaskan Tax Division forecast.



Despite widespread expectations that US gas prices will remain strong, NGL supply appears to be bearing up relatively well. Data for May showed a 12 kb/d upward revision compared to production levels from last month's OMR. Provisional weekly data for June and July also suggest US NGL output running some 50-75 kb/d higher than anticipated in the last Report. For now however, forecast NGL supply has been held unchanged, with output in 2004 and 2005 rising from 2003 lows, to regain close to 2002 levels of 1.9 mb/d by 2005.

Canada – June Newfoundland actual, others May actual: Canadian liquids supply rose by 65 kb/d in May, to 3.13 mb/d but is estimated to have fallen back by a similar amount in June, before gaining 35 kb/d in July. The traditional spring dip in western Canadian conventional crude and bitumen output was limited this year. May production is revised up by 140 kb/d from last month's Report, although this revision is expected to be a one-off event, not carried forward into the forecast. However, disruptions to synthetic crude production, which had averaged 640 kb/d in 1Q, continued in June and July. Coker repairs at the Suncor unit in June knocked 5-10 kb/d off the company's 2004 target production level. Shell also cut July production for two weeks due to mechanical problems at its Athabasca project. Production from offshore Newfoundland, which fell back in the early part of 2004, now appears to have regained near-capacity levels in excess of 430 kb/d.

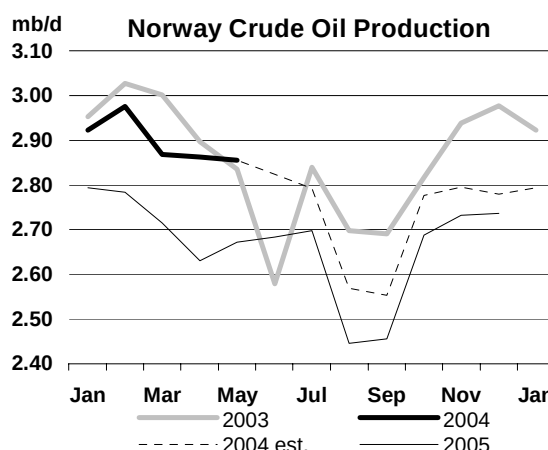
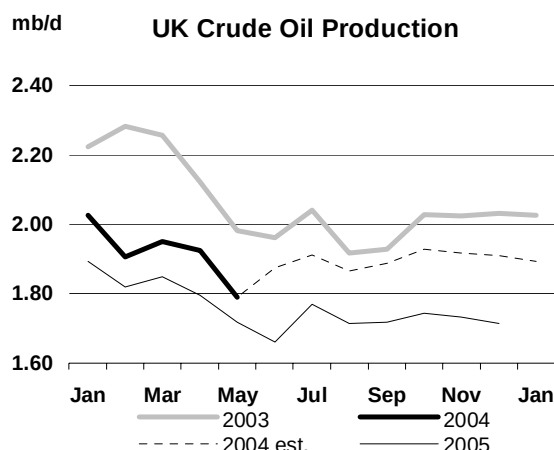


Mexico – June actual: Crude production increased by 40 kb/d in June, to 3.44 mb/d, with offshore and heavy crude output accounting for the increase. Similarly, heavy/sour Maya exports increased as did those for Isthmus crude, offsetting a decline in Olmeca exports. Sales targeting American markets increased in June, with European and Asian sales declining. Pemex announced that it would invest more than \$5.7 billion during 2004-2007 on drilling, infrastructure and maintenance in the southern region. August should see Pemex release new tenders for multiple service contracts for non-

associated natural gas production in the Burgos Basin, with awards scheduled for late-2004. Next year is due to see similar tenders for associated gas production. Although these contracts preclude foreign participants from booking reserves, they are seen in some circles as representing a first step towards foreign participation in the oil sector.

North Sea

UK – May actual: UK offshore crude production dropped by around 135 kb/d in May, to 1.8 mb/d but is believed to have rebounded in June and July, to reach 1.91 mb/d last month. Although details for UK scheduled maintenance levels are sketchy, August is likely to see a downturn in supply of around 50 kb/d. Indications for scheduled crude loadings for August correspondingly show a decline versus July. UK output remains on a downward trend, with offshore crude expected to decline by 150 kb/d both this year and next. A report by the UK Offshore Operators Association (UKOOA) highlighted that despite a 10% upstream spending increase this year, and an encouraging pick-up in new discoveries, sustaining production in the longer term remains a challenge.



Norway – May actual, June provisional: Crude production in May, at 2.85 mb/d, was off by some 10 kb/d from April, while provisional data suggest a further fall of 30 kb/d in June. This confirms the earlier assessment of a modest impact from the oil workers' strike in June, other fields making up for limited lost production at the Snorre, Vigdis and Ekofisk fields. Industrial action continues to have an impact upon Norwegian sector operations however, with failed arbitration having caused the escalation of earlier limited strike action, halting operations at four drilling rigs from late-July. No production has been affected yet however as a result of this latest industrial unrest. Scheduled maintenance for the Norwegian sector is seen likely to cut supplies by just under 300 kb/d in both August and September.

Former Soviet Union (FSU)

Russia – June final, July provisional: Despite ongoing concern over the fate of supplies from troubled producer Yukos (see above), Russian oil output increased by 135 kb/d in June and by 105 kb/d in July. Production last month hit an estimated 9.36 mb/d, 765 kb/d or 8.9% above year-ago. However, year-on-year growth has receded from a peak of 12% last July and around 11% in December 2003. While the most recent months' production figures do lead to an upward revision in Russian supply growth for 2004 and 2005, growth is nonetheless seen slowing henceforward. Year-on-year growth is now pegged at 710 kb/d for 2004 and 425 kb/d for 2005. Recent weeks have seen Sibneft and Rosneft cut production growth targets for 2004, in part due to export pipeline bottlenecks. This Report had already assumed somewhat slower growth than indicated by the two companies' earlier plans. Tatneft however has boosted its growth target based on January-June performance.

FSU net exports of crude and products continued to rebound strongly from an April low of 7.33 mb/d. For June these hit 7.48 mb/d despite a dip in seaborne supplies as producers increased the use of rail and waterborne outlets to increase crude oil shipments. Preliminary indications for July suggest a further 400 kb/d increase, with notably Black Sea exports rising strongly. July also saw renewed growth in products exports. August export tariff increases helped underpin the July surge in exports.

Yukos in the Firing Line

July saw an escalation in the battle for control of Yukos, Russia's largest producer. The company in June accounted for 18.5% of Russia's 9.2 mb/d oil production. It controls 1.0 mb/d of total Russian refining capacity of 5.5 mb/d and also accounts for 20% of Russian crude exports. Yukos faces a \$3.4 billion tax demand for 2000, reportedly similar arrears for 2001 and its 2002 fiscal affairs are also under scrutiny. Key recent developments include:

- The seizure by the Justice Department of the assets of Yukos' largest subsidiary Yuganskneftegaz. This accounts for 1.0 mb/d of Yukos' total 1.7 mb/d output and reportedly a sale to state-connected producers such as Rosneft, Gazprom or Surgutneftegaz is under consideration;
- Claims by Yukos, subsequently revoked, that a 21 July order from Court Marshalls effectively forbade further oil sales by the company;
- An early-August announcement by Yukos that it seeks to sell off its 56% stake in gas/condensate producer Rospan to co-owner BP-TNK, using the proceeds to help pay off its tax debts;
- The overturning on 5 August by the Justice Ministry of the previous day's instruction to Yukos which had apparently allowed access to earlier-frozen bank accounts to fund monthly operating expenses.

The situation changes on virtually a daily basis. The state's seizure of Yuganskneftegaz shares was subsequently ruled unlawful, but shares were then seized for a second time by Justice Ministry officials on 9 August. There are fears too that the company may be unable to pay for continued rail exports (300 kb/d) past 10 August, or crude pipeline exports of 700 kb/d beyond end-August. Shipments have been pre-paid until then. Should Yukos prove unable to pay for continued access to the rail or pipe distribution systems, the company only has storage capacity for 5mb of crude, or 3 days' worth of production, before it would have to start shutting-in wells.

The company has been diversifying reliance away from state-monopoly Transneft's pipeline system. Its rail exports to China alone amounted to 70 kb/d in 2003, hit 150 kb/d in June 2004 and were planned to reach 170 kb/d next year and 300 kb/d in 2006. Rail exports are more costly than those by pipeline, so Yukos rail volumes of 300 kb/d or so may be the first to feel the impact of curbs on spending, and could be the most difficult for other Russian producers to replace in the short term. Pipeline exports may be better protected, and indeed Yukos has been allocated space in the Transneft export schedule through end-3Q. Other producers are seen likely, where possible, to fill any gap in pipeline exports short term if Yukos supplies are temporarily lost.

The Yukos situation is troubling in an oil market where spare capacity is already stretched. However, we persist in the belief that sustained disruption to production and exports is in the interests of neither the Russian government nor Yukos. Rail exports may be hit temporarily. The company could be forced into bankruptcy in the future but even then, maintaining operations and revenue flow under administration is likely to be a priority. A more regime-friendly Yukos look-alike may emerge at the end of the day. Foreign companies may postpone further forays into the Russian upstream until the dust settles, although recent statements by established players Shell and BP suggest they remain confident they can do business in Russia. So while adding to concerns about short term supply tightness, the Yukos affair seems unlikely to undermine Russia's role as the key driver of non-OPEC supply growth.

In early August Transneft announced that capacity of the Baltic Pipeline System to Primorsk had been expanded to 950 kb/d from 850 kb/d, with 1.0 mb/d planned for the end of the year. Further incremental pipeline capacity has also become available with the commencement in August of line-fill on the reversed Odessa-Brody pipeline. The 245 kb/d pipeline has lain idle for two years and recent indications were that Ukraine was lining up Caspian crude supplies to ship northwards and on via Druzhba to the Czech Republic. Instead, TNK-BP has committed to ship 25-30 kb/d of its Russian crude southwards along the line from October. Bottlenecks on both the Druzhba pipeline and local rail facilities are seen limiting shipments from Brody to Odessa for the time being. However, other companies may ultimately join TNK-BP and boost shipments to a total of 180 kb/d, current capacity of the Yuzhny terminal near Odessa. Longer-term use of Odessa-Brody in reverse would again focus attention on bottlenecks affecting Black Sea exports via in the Turkish Straits.

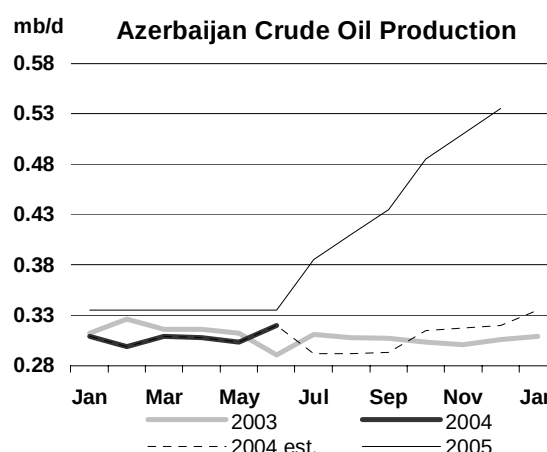
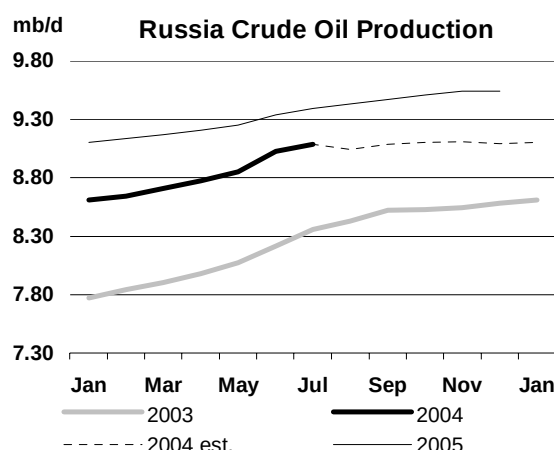
FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2002	2003	3Q03	4Q03	1Q04	2Q04	Revised May 04	Prelim. Jun 04	Latest month vs. Jul 04	Latest month vs. Jun 04	Jul 03
Black Sea Exports	2.52	2.81	2.96	2.69	2.85	2.76	2.77	2.68	2.98	0.30	-0.03
Baltic/Arctic Exports	2.02	2.43	2.57	2.61	3.02	3.12	3.13	3.07	3.18	0.12	0.50
Total Seaborne	4.54	5.24	5.52	5.30	5.87	5.88	5.90	5.75	6.16	0.42	0.47
Druzhba Pipeline	1.04	1.05	1.02	1.08	1.09	1.04	1.05	1.04	1.07	0.02	0.05
Other	0.35	0.46	0.51	0.49	0.48	0.52	0.51	0.71	0.67	-0.03	0.20
Total Exports	5.93	6.75	7.05	6.87	7.44	7.43	7.46	7.50	7.91	0.41	0.72
Imports	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.00	0.00
Total Net Exports	5.92	6.73	7.04	6.86	7.43	7.42	7.45	7.48	7.89	0.41	0.72
Crude	4.04	4.68	4.85	4.82	5.14	5.18	5.20	5.27	5.55	0.29	0.62
of which: Russian Crude	3.02	3.38	3.36	3.38	3.65	3.82	3.80	3.84	4.05	0.21	0.72
Products	1.89	2.07	2.20	2.05	2.30	2.25	2.26	2.23	2.35	0.12	0.10

Sources: Petro-Logistics, IEA estimates

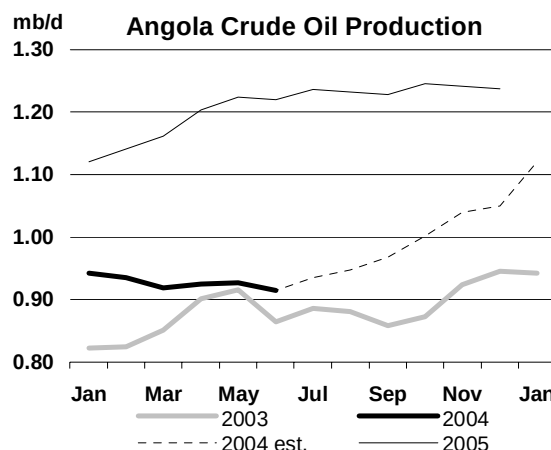
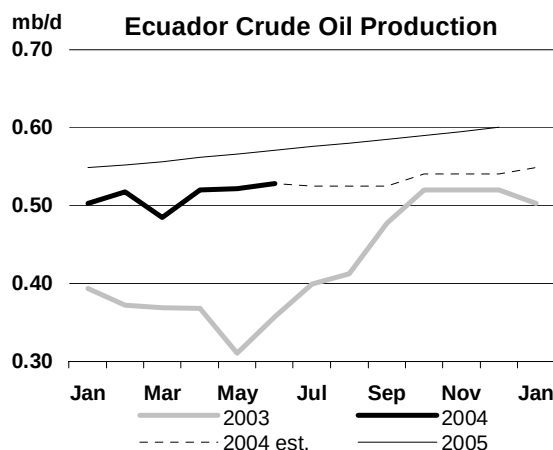
Azerbaijan – June actual: Liquids production from Azerbaijan in June averaged 325 kb/d, 15 kb/d above May levels. July production is likely to have been lower, as BP undertook one week's maintenance work at the offshore Chirag field. Further Chirag outages in August and September will likely curb Azerbaijan's output, before start-up of the associated Azeri field around end-year. Caspian Sea production from the Azeri-Chirag complex should begin filling the new Baku-Tbilisi-



Ceyhan (BTC) pipeline from early in 2005, with first exports via the line taking place around mid-year. Construction work on the pipeline was halted for two weeks from late-July as the Georgian government requested a 17 km stretch of the line should be buried deeper, but work was reported by BP to have recommenced on 6 August. Assuming BTC is completed on schedule, production from Azerbaijan in 2005 could rise by 95 kb/d to average 405 kb/d for the year.

Other Non-OPEC

Ecuador – June actual: Newly available data for January-June 2004 released by Petroecuador point to 1Q production running some 5 kb/d below last month's OMR estimates but 2Q output some 10 kb/d above expectation. June crude production reached 530 kb/d. Overall, projections of output remain unchanged, with production assumed to rise further in the next 18 months, reaching 600 kb/d by end-2005. However, this still lags the 850 kb/d capacity of the country's two main export pipelines. Plans by foreign operators to boost output are assumed to be counteracted by decline from state-owned Petroecuador. Although the country's legislators acknowledge the need for foreign capital to help stem Petroecuador's output decline, the Government's proposed hydrocarbon law was rejected in June by the Congress, which objects to plans to reduce royalty rates.



Angola – June actual: Angolan crude production in June fell by 13 kb/d to 914 kb/d but provisional data suggest a rebound to some 930 kb/d in July. Latest information points towards ExxonMobil's deepwater Kizomba A project beginning production around mid-August. This in turn has resulted in the pulling forward of start-up by one month from the September assumption used in last month's Report. Full scale exports of the new Hongo export grade derived from Kizomba A are however unlikely to materialise until September.

Revisions to Non-OECD Supply Data

Total world supply has been revised up by between 200-300 kb/d for the 1994-2002 period, in line with the publication of the IEA's annual Energy Statistics of Non-OECD Countries. (Data for 2002 and 2003 are also affected by the publication of revised monthly production statistics for the US. The latter have caused a reduction of 35 kb/d and 60 kb/d respectively to US supply in 2002 and 2003).

Aside from the US changes, data revisions have tended to be on the upside and reflect latest indications for production of crude oil, condensate, NGL and non-conventional oils for non-OPEC producers, together with OPEC NGL, condensate and non-conventional oil.

The largest single contribution to the upward revisions derives from the inclusion of ethane production for **Saudi Arabia** (previously excluded on both the supply and demand sides). This adds between 250 kb/d to 285 kb/d on a net basis to Saudi NGL supply for the 1994-2005 period. However, NGL production for the **UAE** has been revised down by 5 kb/d for 1998, rising to a 20 kb/d reduction in 2002 and 30 kb/d in 2005.

The main historical revisions elsewhere include:

- A 15-18 kb/d increase for crude from **Brunei**;
- 5-10 kb/d of incremental NGL for **Argentina** in 1994-2000, rising to 35-40 kb/d in 2001 and 2002 with increasing ethane supplies;
- the inclusion of hitherto excluded NGL output for **Vietnam** and **Syria**;
- the adoption of a new, lower historical crude output series for **Syria**;
- lower crude production for **Yemen**;
- revised **Brazilian** ethanol data;
- an upward revision to production from **Equatorial Guinea** for 2000-2002
- higher NGL production from **Bahrain**, **Yemen** and **Peru**

Non-OPEC/non-OECD revisions for 2004 and 2005 are upward and amount to 77 kb/d and 102 kb/d respectively. Higher than expected crude production for the most recent months in **Russia**, **Kazakhstan**, **China**, **Colombia**, **Brazil** and **Sudan** account for the bulk of these increases in forecast supply. However, these are partially counteracted by lower than expected supply so far in 2004 (and extended into 2005) from **Uzbekistan** and **Malaysia**. There is also a downward revision for 2004/2005 in **Equatorial Guinea** reflecting deferred expansion of Marathon's Alba liquids project compared to this Report's earlier assumption. Meanwhile, **Bahrain** crude supply is adjusted

downwards for 2004/2005 as output from the Abu Safah field will now effectively be shared with Saudi Arabia rather than all accruing to Bahrain as had been earlier assumed.

In total, non-OPEC supply is adjusted up by some 75 kb/d in 2004 and 100 kb/d in 2005. Supply growth for the two years however remains around 1.2 mb/d, as in last month's Report.

Revisions to Non-OPEC Oil Supply

	(million barrels per day)								
	Last month's OMR			This month's OMR			This month vs. last month		
	2003	2004	04 vs. 03	2003	2004	04 vs. 03	2003	2004	04 vs. 03
North America	14.80	14.95	0.15	14.75	14.92	0.18	-0.05	-0.03	0.03
Europe	6.22	6.02	-0.20	6.21	6.02	-0.19	-0.01	0.00	0.01
Pacific	0.58	0.53	-0.05	0.57	0.51	-0.06	-0.01	-0.02	0.00
Total OECD	21.60	21.49	-0.10	21.52	21.45	-0.07	-0.07	-0.04	0.03
Former USSR	11.10	11.69	0.59	11.13	11.74	0.61	0.03	0.06	0.03
Europe	0.17	0.16	-0.01	0.17	0.16	-0.01	0.00	0.00	0.00
China	3.43	3.45	0.01	3.45	3.49	0.03	0.02	0.04	0.02
Other Asia	2.72	2.71	0.00	2.72	2.72	-0.01	0.01	0.00	0.00
Latin America	3.98	4.26	0.29	4.05	4.35	0.30	0.07	0.08	0.01
Middle East	1.87	1.92	0.04	1.89	1.85	-0.04	0.01	-0.06	-0.08
Africa	3.41	3.78	0.37	3.41	3.80	0.39	0.01	0.02	0.02
Total Non-OECD	26.68	27.97	1.29	26.83	28.11	1.28	0.15	0.14	-0.01
Processing Gains	1.83	1.86	0.03	1.83	1.86	0.03	0.00	0.00	0.00
Total Non-OPEC	50.11	51.32	1.22	50.18	51.43	1.24	0.08	0.10	0.02

OMR = Oil Market Report

OECD STOCKS

Summary

- OECD industry total oil stocks rose 16 mb in June to an estimated 2534 mb. OECD crude inventories improved within their normal range but an increase in products inventories, mostly 'other products', drove the rise in industry oil stocks. The seasonal second quarter build in total oil stocks came to 810 kb/d, on par with the average rise seen in the past five years. The build in middle distillate stocks was slightly weaker than seasonal norms, resulting in OECD total product inventories closing at the lower end of their normal range. Days of forward demand cover by total oil stocks at end-June remained low at 52 days, unchanged from May and below that in 2003.

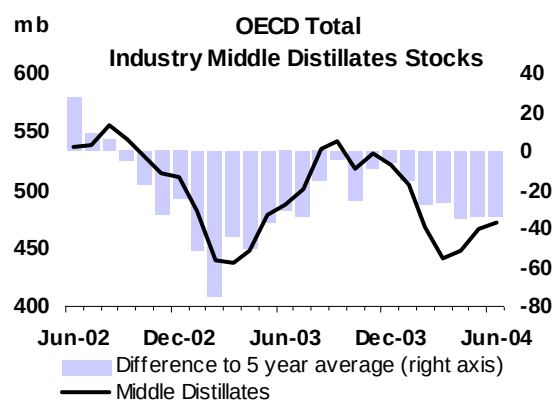
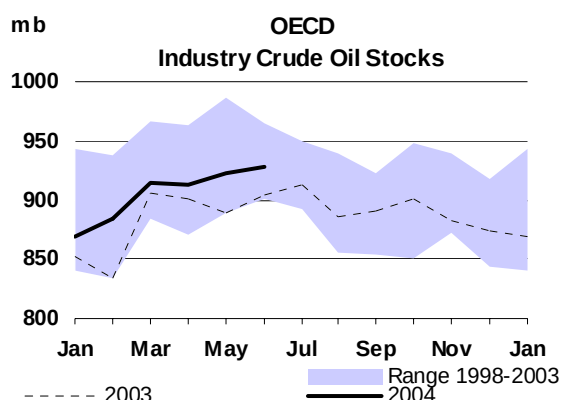
Preliminary Industry Stock Change in June 2004 and Second Quarter 2004

(million barrels per day)

	June (preliminary)				Second Quarter 2004 (preliminary)			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	0.04	0.04	0.07	0.15	0.10	-0.04	0.07	0.13
Gasoline	-0.01	-0.18	0.02	-0.17	0.03	-0.08	0.00	-0.05
Distillates	0.13	-0.10	0.14	0.18	0.15	0.12	0.07	0.34
Residual Fuel Oil	0.04	-0.03	-0.05	-0.04	-0.01	-0.03	0.02	-0.01
Other Products	0.29	0.00	0.17	0.46	0.31	0.02	0.10	0.43
Total Products	0.44	-0.30	0.28	0.43	0.48	0.03	0.20	0.71
Other Oils ¹	0.01	-0.02	-0.03	-0.05	-0.04	-0.02	0.02	-0.03
Total Oil	0.49	-0.29	0.32	0.53	0.55	-0.03	0.29	0.81

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- OECD industry crude stocks moved higher in June, gaining 4.5 mb to close at 927 mb or 24 mb above last year. Ample crude supply in the Atlantic Basin allowed commercial storage to rise in the US and Europe despite high refinery utilisation rates. Crude stocks in the Pacific were also higher, with inventories in Japan supported in the upper end of their normal range, in line with seasonal refinery maintenance.
- OECD industry distillate stocks rose over 5 mb to 472 mb. US middle distillate stocks saw a slow build in June due to strong demand. However, the pace of additions to storage quickly accelerated in July, supported by a contango in NYMEX heating oil futures. In the Pacific, stockpiling of kerosene, used as heating fuel, was slow. June saw scheduled maintenance in Japan, and more generally, output was skewed towards jet fuel production for export.
- US total gasoline stocks built counter-seasonally by end-July to 210 mb or 8.5 mb above last year. July demand growth eased while imports boosted supplies of blending components and higher average production increased conventional gasoline stocks. Barring major refining outages, the improved gasoline cushion allows US refiners to further shift production towards distillates. Gasoline in independent ARA storage rose in July with closed spot arbitrage to the US, but these stocks are expected to fall in August with resumed cargo arbitrage to the US and low-octane sales to Nigeria.



OECD Industry Stock Changes in June 2004

OECD industry total oil stocks rose to an estimated 2534 mb in June, up 16 mb from May. Crude stocks built across OECD regions in June, gaining 4.5 mb and closing 24 mb above last year. June's build, however, was accounted for by higher product inventories. Though distillates increased, the stock build came mainly in 'other products' (such as naphtha and LPG) as the by-product of strong refinery activity in North America. With the June increase, total oil stocks during the second quarter rose 810 kb/d, a gain on par with the five-year average build for the quarter. The increase in total product stocks in the second quarter was slightly weaker than average, leaving June inventories of total oil stocks at the lower end of their five-year range.

OECD industry crude oil stocks rose 150 kb/d to close June at 927 mb. Crude supply was ample in the Atlantic Basin, supporting high refinery runs and moderating downward pressure on inventories. US-50 crude stocks rose 3 mb in June to 305 mb and fell back in July to 299 mb. The July draw was shallow, given refinery runs reached peaks of over 16 mb/d, and owed to crude imports over the period being sustained at an average 10.3 mb/d. Europe saw crude stocks edge higher. European runs remained firm despite easing from May but North Sea supplies and Urals availability was high, leading prompt Brent prices lower and pushing the forward cash Brent market into contango between July and August delivery. The Mediterranean also saw increased spot cargo offers by OPEC producers. In the Pacific, stocks nudged higher on imports into Korea and lower crude runs in Japan. Full term volumes by OPEC producers to Asian customers alongside offers of incremental barrels should provide comfortable crude cover when runs resume at higher rates in August.

OECD industry distillates stocks rose 180 kb/d in June and 340 kb/d over the second quarter, slightly weaker than the five-year average. Seasonal stockpiling of kerosene in the Pacific saw a slow start while financial disincentives in Europe deterred moving gasoil into storage. Seasonal maintenance in Japan reduced throughputs and refiners focused instead on jet fuel production for export. In Europe, strong prompt gasoil prices, backwardation in IPE's gasoil futures and thin end-user demand for heating oil discouraged building industry stocks. Lower Russian gasoil exports this year also reduced supplies. In contrast, growth in US middle distillate stocks was supported by a contango in NYMEX's heating oil contract and additions to jet/kerosene and heating oil storage accelerated in July.

OECD industry gasoline stocks fell 170 kb/d in June mainly on declines in Europe where product exports to the US in the second half of the month were strong. Independent storage of gasoline in the ARA area, after declining in June, rose in July with the closure of spot transatlantic arbitrage. US gasoline stocks were marginally higher in June and rose counter-seasonally in July. High imports lifted blending component stocks and conventional gasoline stocks rose. With US gasoline stocks back in a comfort zone, prompt NYMEX gasoline futures weakened. And barring major refinery outages, inventories are set to draw from a more ample position till the end of the driving season.

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

Revisions to OECD oil stocks for end-May added a net 12 mb to industry inventories, the bulk of which came in NGLs, feedstocks and middle distillates. Outside of Europe, May crude stocks were little changed, upward revisions mainly occurring in Italy and the Netherlands. In products, the higher May inventory position was offset by downward revisions to April stock levels. May middle distillate inventories were revised up a net 4.4 mb in North America, of which 5.4 mb came in the US due to higher jet/kerosene stocks. Revisions to gasoline stocks for May reduced Atlantic Basin inventories, reflecting demand strength in the US and export deliveries from Europe.

Revisions Versus 13 July 2004 Oil Market Report
(million barrels)

	North America		Europe		Pacific		OECD	
	Apr 04	May 04	Apr 04	May 04	Apr 04	May 04	Apr 04	May 04
Crude Oil	0.0	-0.2	-0.1	3.1	0.0	-1.0	-0.1	1.8
Gasoline	-1.1	-1.1	-1.6	-1.2	0.1	0.4	-2.6	-1.9
Distillates	-2.0	4.4	-2.9	0.7	-0.1	-0.8	-5.0	4.3
Residual Fuel Oil	-0.3	0.0	-0.3	-1.7	0.0	0.2	-0.6	-1.5
Other Products	-1.2	-1.3	1.1	3.4	0.0	0.7	0.0	2.9
Total Products	-4.6	2.0	-3.7	1.3	0.0	0.6	-8.3	3.9
Other Oils ¹	0.0	4.3	0.9	1.5	0.0	0.6	0.9	6.4
Total Oil	-4.6	6.1	-3.0	5.8	0.0	0.2	-7.5	12.1

¹ other oils includes NGLs, feedstocks and other hydrocarbons

OECD industry oil stocks closed June at 2534 mb or 2 mb below 2003. The inventory deficit against the five-year average narrowed to 60 mb as crude stocks in the Atlantic Basin moved within their normal range. In contrast, the OECD's product position remained tight. Days of forward demand in June remained low on a seasonal basis at 52 days, but demand cover is expected to rise in July with refiners shifting to build distillate stocks ahead of winter.

Year-on-Year Industry Stock Comparisons for June 2004

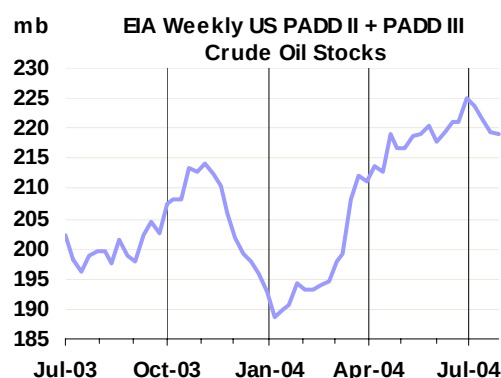
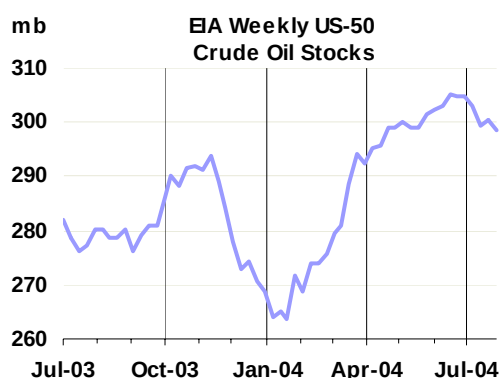
	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	18.1	13.5	-7.7	23.9	Total Oil	0.0	0.2	-3.7	-0.6
Total Products	3.7	-7.1	-14.4	-17.8	Versus 2002	-4.2	-2.6	-2.0	-3.4
Other Oils ¹	-8.8	4.4	-3.3	-7.7	Versus 2001	-3.4	0.3	-3.4	-2.3
Total Oil	13.0	10.9	-25.5	-1.7	Total Products	-0.1	-0.8	-2.0	-0.6
Versus 2002	-65.7	-30.9	-19.2	-115.8	Versus 2002	-2.5	-3.5	-2.0	-2.7
Versus 2001	-34.6	1.6	-29.7	-62.6	Versus 2001	-2.3	-1.9	-2.1	-2.2

1 other oils includes NGLs, feedstocks and other hydrocarbons

OECD Regional Stock Developments

North America

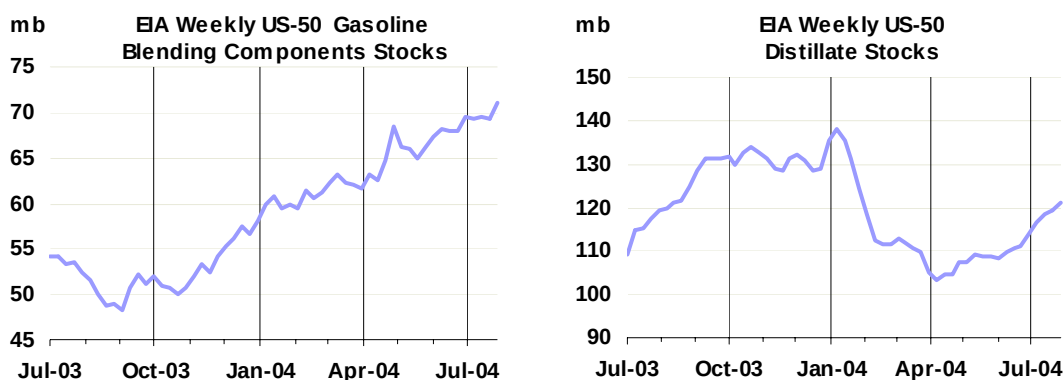
US-50 crude stocks rose 3 mb in June to reach 305 mb, closing nearly 22 mb above last year. The rise in inventories came as imports to the US maintained May's high average levels of 10.3 mb/d, allowing refineries to sustain capacity utilisation rates at 96% without drawing on inventories. This was illustrated in the main refining areas of the Mid-Continent and the Gulf Coast where runs held at high levels through most of June and imported supplies from neighbouring Canada and Mexico were high. Stocks in the Mid-continent, however did dip slightly over the month as inventories at Cushing, the delivery point for NYMEX's WTI futures contract, fell back.



July saw US-50 crude inventories fall below 300 mb, to 299 mb, by end-month. Though refinery runs eased initially in early July, the second half of the month saw throughputs top June peaks at above 16 mb/d. Again, imports were key in stemming the throughput-driven decline. Refinery buying on the cash market for July delivery benefited from steep price discounts against WTI in June, particularly for West African grades. Current refiner preference leans towards scarcer light sweet crude as seen in the July premiums posted by Gulf Coast marker Light Louisiana Sweet over WTI. However, imports are likely to remain high despite stronger competing Asian demand for August Nigerian grades. Higher OPEC supplies headed for the US should arrive in greater number in the first half of August and domestic sour supply has resumed normal levels with the return to production of deepwater Mars. More sour supplies should support stocks close to 300 mb through mid-August, before these fall in the second half of the month. Less downward pressure on crude is also likely to come from refiners easing throughputs from the break-neck pace seen in July with loosening product stocks.

US stocks of finished gasoline were marginally down over June, falling around a million barrels to 137 mb. Total gasoline inventories nudged higher, but the build was relatively weak ahead of peak summer demand and relied on a rise in blending components. Though June saw modest gasoline demand growth, in contrast to previous months, production was weaker with product yield slipping in favour of distillates. Gasoline imports came in lower than expected in June with the 4-week average only topping the required 1 mb/d level to facilitate stock building in July. Gasoline inventories in July posted a contra-seasonal build, rising to 210 mb, on increases in stocks of conventional material as

well as blending components. Demand growth in July remained modest and average domestic production trended up from June, rebounding strongly on the US Gulf Coast. Higher physical supply availability of conventional material was reflected in weaker Gulf Coast prices and the backing-up of supply in the area with successive delivery cycles on the Colonial pipeline (that moves product north) being pro-rated. Imports from Europe were high but gasoline was also reportedly arriving from Venezuela. The weight of European arrivals into New Harbour similarly contributed to weakness in the prompt month of NYMEX's unleaded futures contract. August is likely to see imports from Europe ease in the latter part of the month as spot arbitrage closed during July. However, with the July gasoline build, and barring any major refinery outages, the remainder of the driving season looks comfortable as demand growth in August expected to hold at July's modest levels.



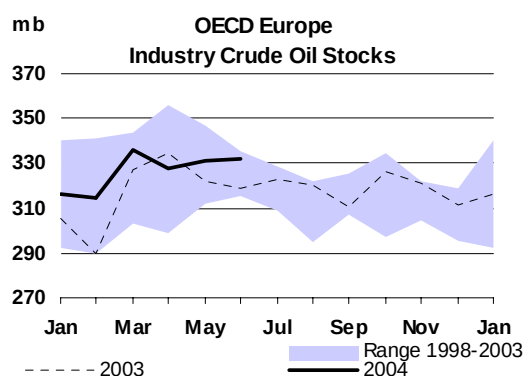
US distillates stocks (diesel and heating oil) posted modest gains in June, as product demand growth shifted from gasoline to distillate, with the latter averaging about 200 kb/d higher than last year. Diesel demand, rather than heating oil has been behind strong growth, backed by a expansion in manufacturing and industrial sectors, and to an extent, by high natural gas prices that encourage substitution into oil.

While June stocks were low on a historical basis, additions to distillate storage accelerated in July. Despite indications of high demand growth in July, distillate stocks added 7 mb, closing the month at 121 mb. Demand growth, however, was matched by an increase in production with distillate yields reaching nearly 25%. The focus on middle distillate production similarly benefited **jet/kerosene stocks** which have built since June mainly in the Mid-continent and on the Gulf Coast. A return to year ago levels of distillate storage by end-August will require that current production levels be sustained. Strong forward premiums for NYMEX's heating oil contract encourage storing product. The build would also be facilitated should US economic growth decelerate, putting downward pressure on distillate demand.

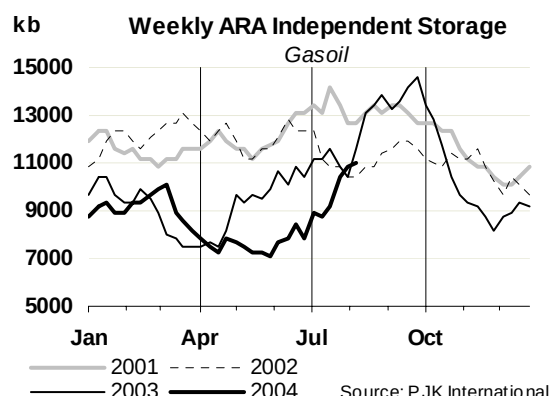
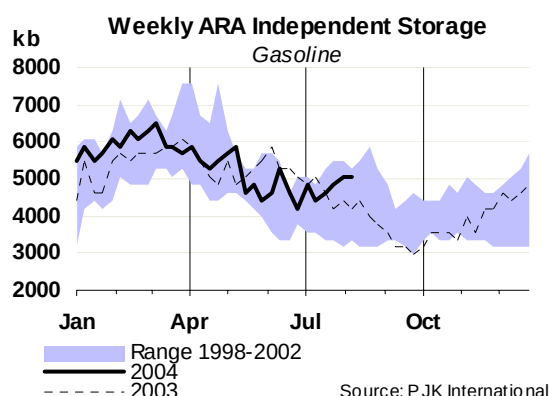
Europe

European industry crude stocks nudged higher in June, closing at 332 mb, the top of their five-year range. Supply conditions were ample and refiner runs weakened 200 kb/d over the month. Stocks fell mainly in France and Germany but were up in the rest of Europe. Absent any downward revisions, the June build could end up a little higher on possible upward revisions to Norwegian stocks. Norwegian supply has been stable since May and exports in June appear to have been only marginally higher than in the previous month.

Regional crude supplies in July appeared ample as seen in the development of wide July/August contango in the forward Brent market during June. While more North Sea grades went to the US in June, an overhang of late June cargoes persisted, eventually cleared by European refiners in the early part of the month. In July, an oil strike in Norway had little impact on supply and arbitrage to the US for North Sea grades closed in the second half of the month, suggesting proportionately more crude stayed in Europe. Sour availability was also high. Russian Urals posted weak differentials against dated Brent, pressured in the Mediterranean by spot cargo offers from Saudi Arabia and Iran. Crude stocks in July can be expected to trend near the top of their range though higher crude runs, on improved cracking margins, are likely to nudge stocks lower.



European industry gasoline stocks fell 5 mb in June to 107 mb, or 2 mb below last year. Exports drove the draw as arbitrage to the US was open in June on falling freight rates. Alongside exports of low-octane material to Nigeria, demand into the East Mediterranean and Iran was reportedly strong. In Europe, demand from the UK and Scandinavia was firm for material on the Amsterdam Rotterdam Antwerp (ARA) barge market, but demand contracted in France and Germany. In the first half of July, the barge market in Northwest Europe temporarily tightened due to refinery outages and delays in planned re-starts. Independent storage of gasoline in ARA, however, built in July as spot transatlantic arbitrage closed. Outside of contractual deliveries, less spot cargoes headed to the US. With lower prices at end-July re-opening spot exports to the US and product delivery to meet Nigeria's 3Q product tender, gasoline stocks in ARA should fall back again in August.

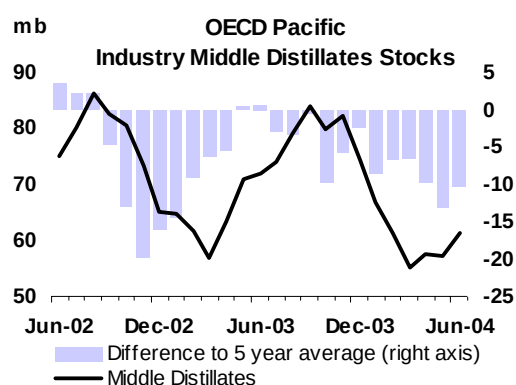


European industry distillates stocks fell 3 mb in June to 227 mb or 5 mb below year-ago levels. The largest draw was seen in Germany despite weak domestic demand for heating oil. German refinery gasoil output declined in June and storage was kept low as end-consumer demand remained sidelined by high prompt prices. The low European level of distillate inventories is in part supported by firm diesel demand in Northwest Europe and lower Russian gasoil exports against year-ago levels. Independent storage of gasoil in ARA only began to rebound at the end of June after holding fairly even in April-May. A build in independent storage in July reflected some increase in gasoil supplies from the Baltics but mainly the absence of demand. Consumers in the traditional barge export markets of Germany and Switzerland have been holding low household inventories on a seasonal basis, waiting for prices to fall before re-stocking. Unlike in the US, gasoil futures on the IPE discouraged moving product into storage. The backwardation in the near-months of the contract held even in June and widened in July, leaving little incentive to add to distillate storage.

Pacific

Pacific industry crude stocks were comfortable in June at 181 mb, based on a build of a 1.2 mb in Japan and nearly 1 mb in Korea. The rise in Japan came as reduced crude imports were accompanied by a decline in crude runs. Seasonal maintenance in Japan was heavy with refiners running at 70% capacity in June, slowly lifting runs to around 85% at the end of July. This gradual rise in July runs supported a build in onshore stocks with the likelihood that imports rose over the period. Korean refiners operated at 86% in June, a level typical of the recent three years, but down from May while crude imports rose on a monthly basis.

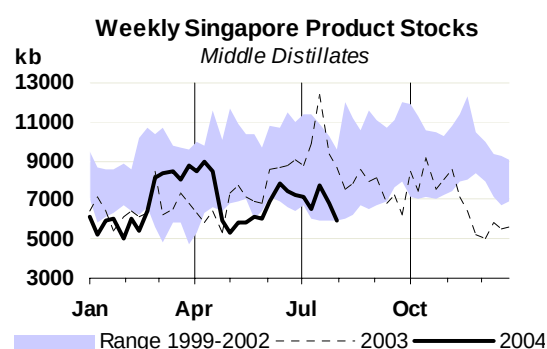
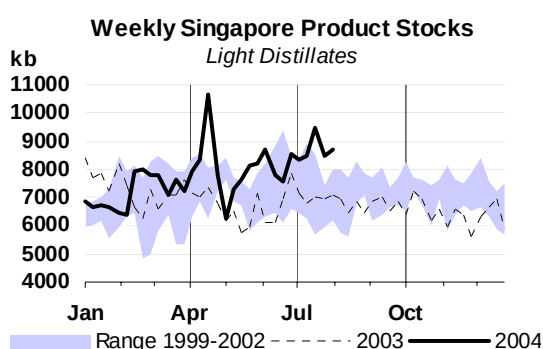
Middle distillate stocks in the Pacific trailed seasonal norms, closing 10 mb below their five-year average. Though stocks jumped 4 mb in Korea, gains in Japan held below a million barrels with Japanese inventories closing 7 mb below last year's level. The seasonal lull in distillate demand in Japan and weaker year-on-year gasoline deliveries supported extensive June maintenance, with reduced refinery output focusing on jet fuel. Both Japanese and Korean cargoes commanded strong premiums over record high Singapore prices. The rebound in Korean distillates inventories was related to a sharp downturn in exports, as maintenance at certain facilities, coupled with anticipation of strong diesel demand caused refiners to hold back product for the domestic market.



Singapore Stock Developments in July

Product stocks in Singapore, surveyed by International Enterprise, posted a modest gain in July. Light distillate stocks (naphtha and gasoline) recovered but the build in middle distillates was weak with product diverted to a stronger European Market. Residual fuel oil stocks, while declining during July, closed at five-year highs on weak Chinese demand for cracked high sulphur material and on the weight of arbitrage supplies arriving in the recent two months.

Light product stocks increased through most of July before declining at end-month. A build in naphtha likely supported most of the rise despite increased petrochemical demand on improved margins. The Asian market saw ample offers of spot cargoes with Indian exports a main driver of supply. A number of Indian refineries were reported selling from the end of July through August. Spot offers also emerged from Middle Eastern suppliers like Saudi Arabia which had curtailed term supplies in the previous month. Gasoline demand was reported healthy in Asia and prices in Singapore rose in July, suggesting little possibility of a material build in inventories. Spot requirements emerged in Vietnam but also Indonesia for 88-octane material for July and August. Korean refiner LG Caltex at end-month sought material to cover for a suspension of operations at its 650 kb/d refinery while gasoline was also headed from Asia to Iran and the UAE.



Middle distillate stocks closed July down from June with inventories retracing initial gains on reduced gasoil supplies. Korean exports of gasoil tightened to keep product for the domestic market, even before the suspension of operations by refiner LG Caltex and the cancellation of a cargo in late July. Indonesian gasoil demand was strong and is expected to remain firm with the state oil company Pertamina seeking spot barrels in August. While jet/kerosene moved out of the region, with Korean cargoes leaving to the US, and Middle Eastern supply diverted to Europe, it is unlikely the product contributed much to the overall decline in inventories. With sluggish Chinese spot demand and jet fuel output maximisation by regional refiners, prompt supplies were increasing. Singapore jet prices, as in June, developed a contango in the nearby forward months.

Residual fuel stocks fell gradually over July, but closed above their five-year range. Storage of high sulphur cracked fuel oil in Singapore remained high with Chinese spot buying reported slack. Imports into China's Huangpu terminal (which sources its barrels mainly from Singapore) were subdued compared to the highs earlier in the year. However, backwardation in benchmark Singapore fuel oil prices suggests expectations of increased demand in August as power utility consumption rises during the peak summer period.

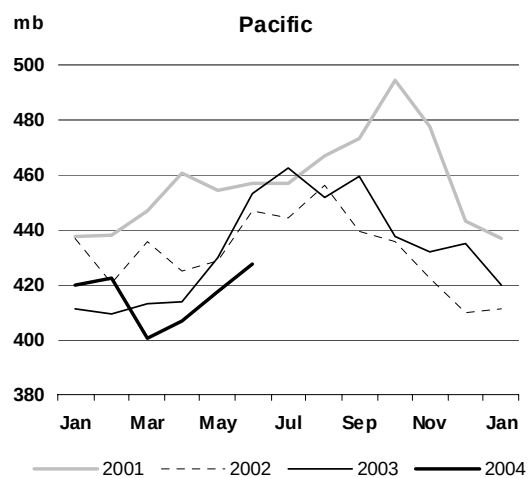
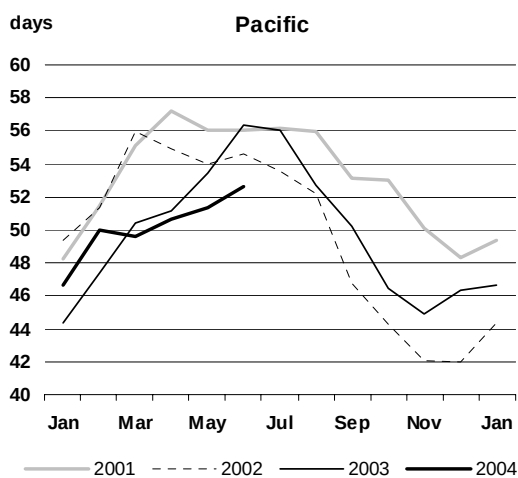
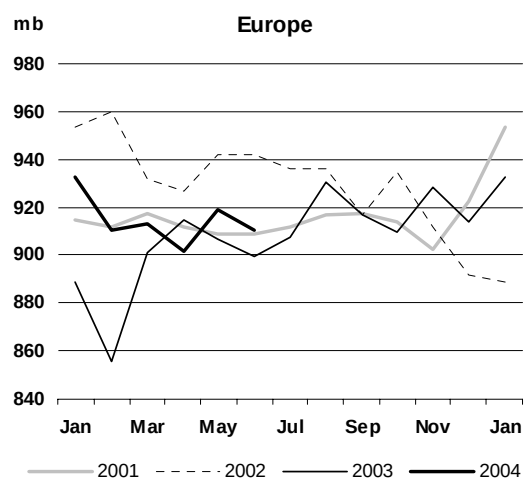
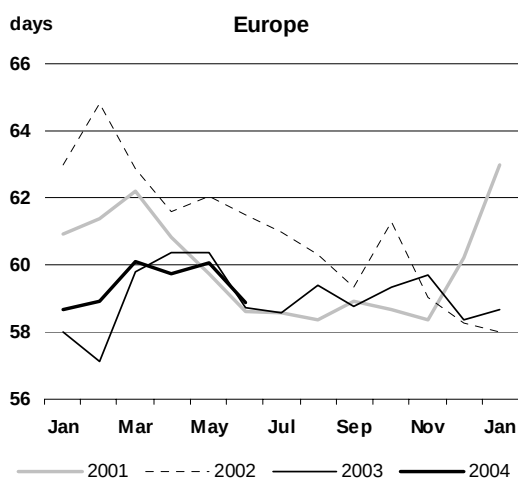
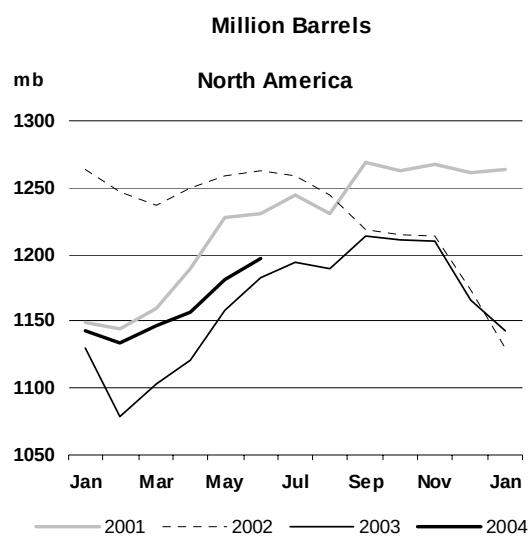
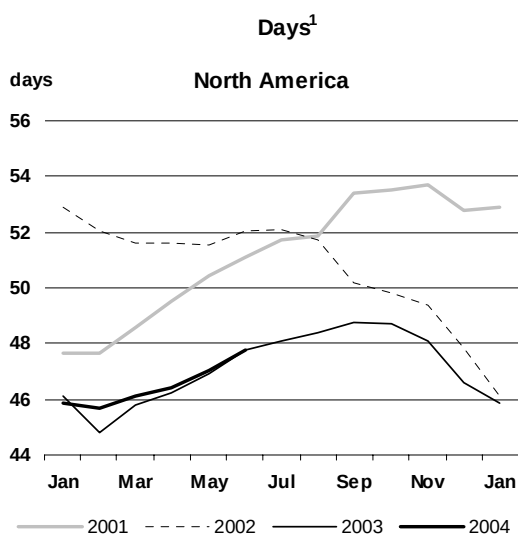
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	3Q03	4Q03	1Q04	2Q04	Apr 04	May 04	Jun 04	Latest month vs. May 04 June 03	
Crude Oil	819	755	593	654	777	696	585	802	697	-105	731
Products & Feedstocks	-35	-96	-93	-18	-64	-150	-144	-60	-248	-188	-195
Gasoil/Diesel	-154	-170	-174	-161	-133	-206	-253	-177	-190	-13	-18
Gasoline	-81	-83	-67	-96	-88	-119	-87	-117	-153	-36	-63
Heavy Fuel Oil	334	320	323	341	304	289	365	287	217	-70	-122
LPG	-19	-22	-19	-19	-24	-21	-29	-10	-25	-15	6
Naphtha	6	13	5	49	38	24	32	21	18	-2	-12
Jet & Kerosene	-65	-99	-103	-77	-99	-50	-103	-10	-38	-27	46
Other	-57	-55	-58	-54	-62	-67	-69	-54	-79	-25	-31
Total	784	659	501	636	713	546	441	742	449	-293	-925

Source: International Enterprise, IEA estimates

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

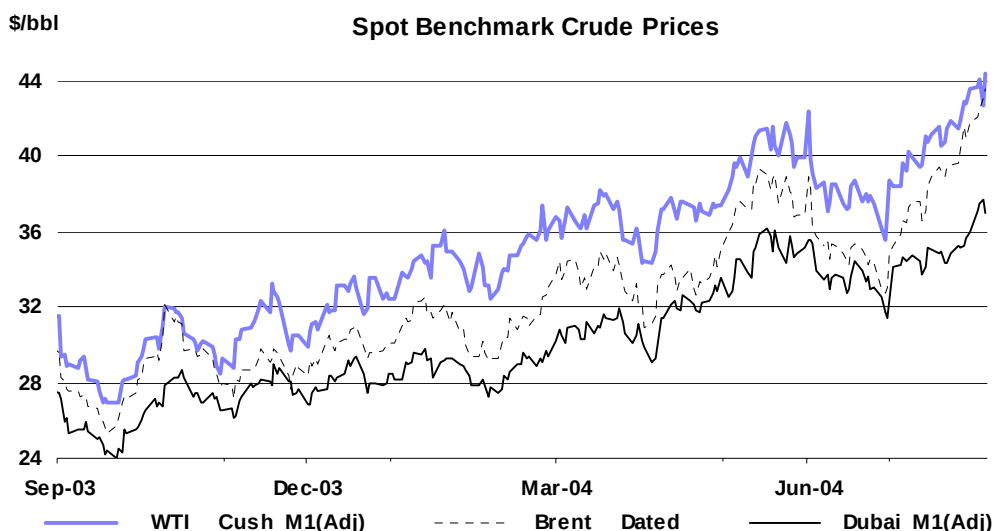


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **Light sweet crude futures benchmarks, WTI and Brent**, hit all-time highs of \$44.99 and \$41.70 respectively in early August, \$8 higher than end of June levels. Gasoline demand growth moderated in the US in early July, but product markets overall remained tight, particularly in Europe. Tight North Sea supplies took over as the main driver behind higher crude prices in mid-July. Geopolitical concerns in Russia, Middle East and Venezuela continued to provide background support and speculators re-entered in modest volumes on the buy-side of the market.
- **The dispute between Yukos and the Russian government** over alleged unpaid taxes gained prominence in recent weeks. Concern over the company's short-term liquidity has raised debate over Russia's short-term export and long-term output growth prospects. Regardless of the validity of these fears and the fact that supply and export volumes have not been affected, the situation has helped to underpin prices and has created conditions for speculative buying.
- **Spot crude purchases** increased as Asian refiners emerged from second quarter maintenance programmes and European and US refiners ran at levels to take advantage of strong margins. Asia once again competed with the US for August loading West African light sweet crudes; high distillate content Middle Eastern crudes were in demand. Japanese utilities were reported to have bought direct-burn crudes to meet cooling needs during a July heatwave.
- **Distillates** were in tight supply in July, with strong diesel demand noted in Europe and the US, while Japanese kerosene stocks remain tight compared to their five-year average. Unscheduled refinery maintenance and Yukos concerns added further support to the European gasoil market. US gasoline stocks continued to improve and a closed transatlantic arbitrage allowed product to build up in Europe
- **Dirty freight rates** cooled towards the end of July, despite higher OPEC output, but remain high in relation to average summer levels. Clean freight rates to the Far East improved, reflecting a tighter distillate market and greater call on Middle East products.
- **Atlantic Basin refinery margins** peaked in mid-July before turning sharply lower by early August as crude prices strengthened and product market tightness eased. Margins from cracking and coking refineries remained attractive, however hydroskimming margins plunged, dragged down by persistently weak fuel oil crack spreads.
- **June OECD refinery throughputs** of 38.94 mb/d rose above the five-year average as US and European refiners cranked up runs to meet summer demand and OECD Pacific maintenance passed its peak. Preliminary data suggests that Asian refiners have raised throughput after seasonal maintenance and that US and European refiners continue apace to meet summer gasoline and diesel demand ahead of September maintenance and to build distillate stocks ahead of winter.

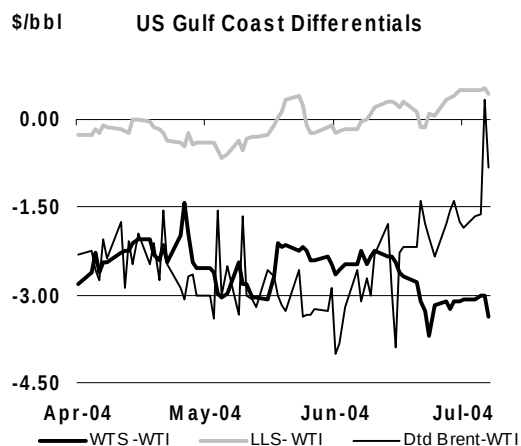


Crude Oil Prices

Spot Crude Prices and Differentials

Geopolitical influences on the oil price are always controversial, difficult to quantify and are often overstated. Frequently when such events are prominent in the energy press, differential price movements identify other changes in supply or demand conditions that may have had a greater bearing on price direction. In recent weeks, the strength of dated Brent relative to many crudes globally provides a strong guide to recent market tightness.

North Sea maintenance, predominantly in Norway, is expected to reduce output by around 350 kb/d in August and September over July levels. Demand for light sweets is also strong as European refiners prepare for heavy September maintenance schedules to upgrade to meet new 2005 fuel specifications. A sharp increase has been seen in dated Brent differentials over WTI and West African crudes, closing the theoretical arbitrage for spot cargos to the US and pushing both Brent and WTI futures into a steep nearby backwardation. The unusual strength of North Sea crudes was highlighted by the movement of dated Brent to a premium to front month WTI Cushing in early August from the more normal \$1.50 to \$3.00.



Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

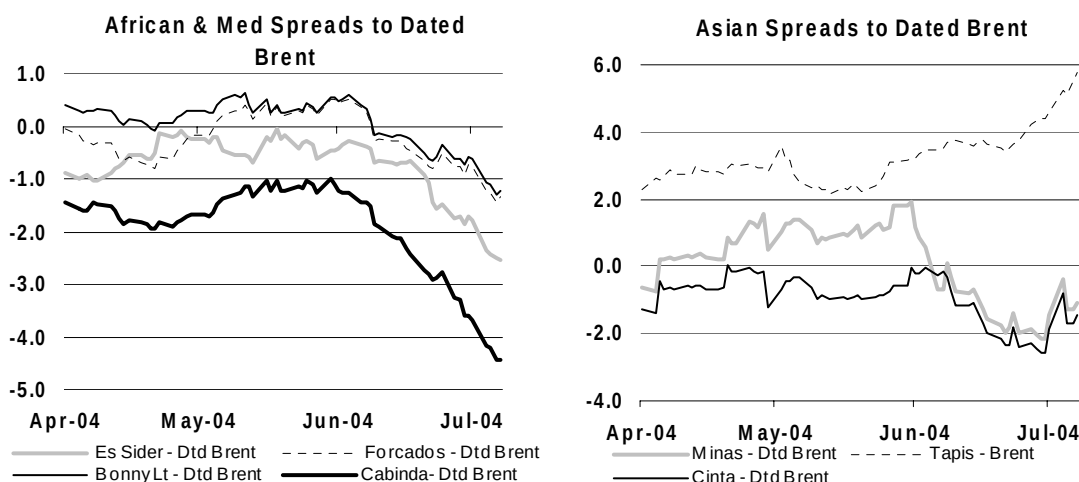
	May 04	Jun 04	Jul 04	Jul-Jun		Week Commencing:				
				Change	%	05 Jul	12 Jul	19 Jul	26 Jul	02 Aug
Crudes										
Brent Dated	37.80	35.04	38.32	3.28	9.4	36.75	37.74	39.30	40.84	42.79
WTI Cushing 1 month (adjusted)	40.24	38.00	40.79	2.79	7.4	39.76	40.36	41.24	42.50	43.73
Urals (Mediterranean)	35.07	32.43	35.24	2.82	8.7	34.08	35.01	35.95	37.03	38.37
Dubai 1 month (adjusted)	34.74	33.43	34.65	1.23	3.7	34.54	34.51	34.68	35.46	37.31
Tapis	39.69	38.13	41.24	3.12	8.2	40.52	40.72	41.40	43.36	45.16
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	2.44	2.95	2.46	-0.49		3.01	2.62	1.94	1.66	0.94
Urals (Mediterranean)	-2.73	-2.62	-3.08	-0.46		-2.67	-2.74	-3.35	-3.80	-4.42
Dubai	-3.07	-1.62	-3.67	-2.05		-2.21	-3.23	-4.62	-5.38	-5.48
Tapis	1.88	3.08	2.92	-0.16		3.78	2.98	2.10	2.53	2.37
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.43	0.07	0.35	0.27		0.33	0.41	0.57	0.40	0.40
WTI Cushing 1mth-2mth (adjusted)	0.13	-0.12	0.12	0.61		-0.14	0.16	0.61	0.61	0.61

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

The shift of West African crudes such as Forcados and Bonny Light from a premium to a discount to dated Brent made them more competitive in the US market. While the WTI-dated Brent spread (including shipping) has been predominantly negative since the end of July, West African crudes appear attractive on a similar comparison. There have also been reports of increased volumes of West African crudes arriving on the East Coast, reflecting the strength of other local sweet crudes (particularly LLS) relative to WTI. However, light/sweet crudes in general have moved sharply higher in relation to sour crudes in recent weeks, causing the WTI-WTS spread to widen. Further pressure on sweet/sour spreads has also been caused by increased OPEC production and the return of the Mars field.

Despite market concerns over the security of supply from Yukos, there has been no apparent impact on supplies or Urals differentials to dated Brent. There are some credit concerns about placing long-term contracts with Yukos, but spot trading is continuing relatively normally. Although Urals differentials have improved against some Middle Eastern and other heavy crudes, this is more likely to reflect increased OPEC output and relative netback values than Yukos supply issues.

In the Asian market, high-distillate yielding crudes such as Dubai have been in strong demand, and August offtake of light/sweet West African crudes to Asia is estimated to have climbed to 1.5 mb/d from 1.3 mb/d in July and 1.1 mb/d in May. Early September activity appears firm. Chinese and Indian interest in medium/sweet grades has picked up in unison with low sulphur fuel oil prices and as the discount of these crudes to light/sweet West African crudes widened. Provisional estimates for



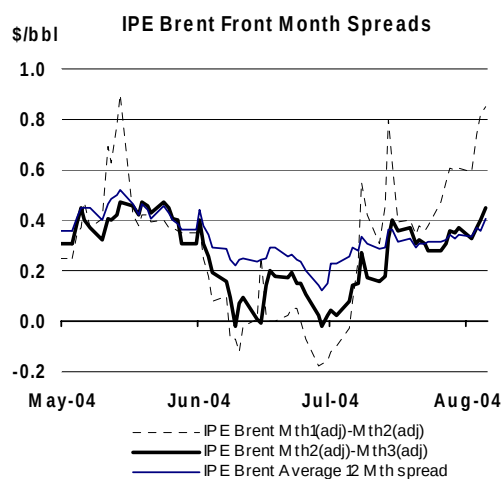
September offtake would suggest a figure in the region of July levels, but it is too early to make a definitive assessment, particularly with benchmark crude prices near record levels. Regional sweets such as Tapis outperformed dated Brent and heavier grades. Minas lost ground against Tapis and dated Brent, although the differential losses were moderated by increased demand for direct-burn crude by Japanese utilities.

Crude Futures

IPE Brent futures flipped from a contango into backwardation in early-July, 13 days ahead of a similar shift at the front-end of NYMEX WTI futures as strong European light product demand pushed values higher. Concerns over North Sea maintenance then took hold, further tightening Brent futures. Contracts beyond the first three months shifted broadly in parallel to month-ago prices, maintaining a higher but consistent market structure.

Speculative interest also picked up during the month, with NYMEX WTI non-commercial net longs rising from an end-June low of 14,646 lots to an early-August level of 40,299 lots. However the net long remained well below the March peak of 82,451 lots long. This suggests it is unlikely that speculative activity has not been the driving force behind recent price increases.

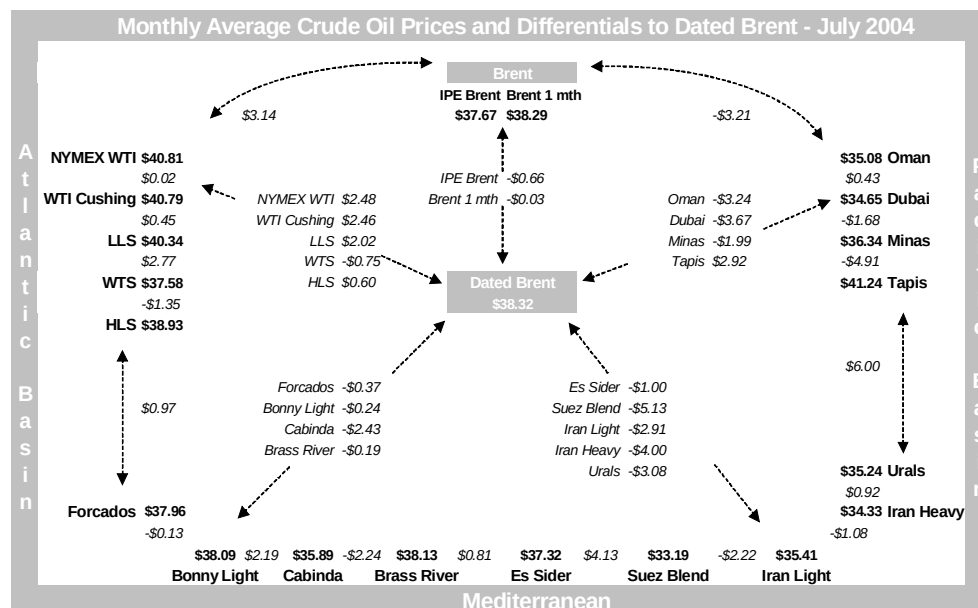
Relatively high prices throughout the futures strip suggest that current sentiment leans towards expectations for high prices to continue through the winter and into next year. It is important to note, however, that sentiment is fickle and can change rapidly subject to new events. Historically, futures curves are poor as a 'predictive' indicator of future prices in everything but the crack spread.



Delivered Crude Prices in May

Delivered prices for crude oil imported into IEA countries rose by \$2.67 in May from April to \$35.32 as world crude prices increased, led by tight transportation fuel supplies. The largest price movements were seen in Europe, where delivered prices rose by \$3.75, followed by the North America with a \$2.38 increase. The main reason for the discrepancy would appear to be the greater quantity of heavy/sour crudes imported into North America compared with Europe. Sweet crude differentials increased sharply over sour differentials in early May. In addition, April North American

prices saw a rise in comparison with a flat performance in Europe. Pacific delivered crude prices, which tend to be slower to adjust to spot market prices due to delivery times lags, rose by only \$1.21.



Product Prices

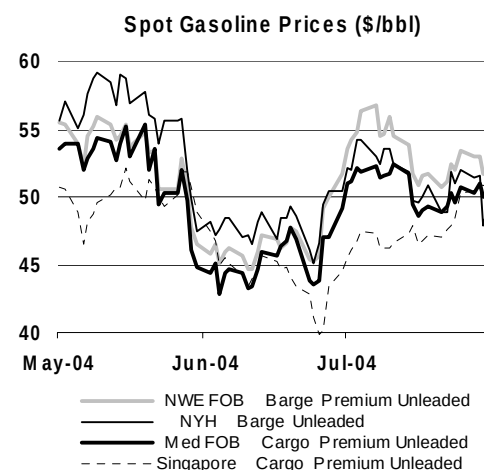
Spot Product Prices

Despite the persistent strength of crude, gasoline prices in the four regions covered corrected from their mid-July peak and have remained relatively steady since that point. NWE took over from the US as the tightest gasoline market in early July as good demand and key refinery outages (i.e. problems at Norway's Mongstad refinery) constrained regional supplies. Gasoline supplies were also constrained by refiners focussing on improving distillate margins.

The US markets were calmed to a degree by moderating demand growth, and rising gasoline stocks, which preliminary data show to stand at 4.1% above year ago levels at end July. This divergent shift resulted in a closing of the spot arbitrage window from Europe to the US for most of the month (it also enabled US refiners to switch emphasis from maximum gasoline production to meeting distillate needs). Singapore gasoline prices moved higher as good Middle East demand helped to clear surplus material out of the region. Increased naphtha demand from petrochemical makers and low kerosene stocks also resulted in lower regional gasoline availability.

Naphtha supplies tightened in Europe, with record prices seen in early August. The slower than expected return of Algeria's Skikda refinery resulted in delayed shipment of several cargoes, while improved regional demand was noted. Middle Eastern supplies that had been diverted to Europe in early July were also unavailable as Asian demand picked up and more normal trade patterns resumed. However, the tightness in the European market has once more widened the spread with the Asian market and could prompt the arrival of additional arbitrage movement to the region.

Gasoil prices have followed a steady path higher since the beginning of June. Although crack spreads to light/sweet crude deteriorated in the second half of the month, crack spreads held up well against heavier, lower priced, distillate-rich crudes such as Urals and Dubai. NWE once more led the market higher, but was mirrored by a similarly tight Mediterranean market, opening up arbitrage opportunities from North America and the Caribbean. Strong diesel demand continues to be a feature



of the Atlantic Basin market, but support also came from the uncertainty surrounding Yukos, a major gasoil supplier to the region. Traders also noted that the high price of crude was leading refiners to look for alternative feedstocks such as vacuum gasoil (VGO). Singapore prices followed a similar path, despite signs that China was amply supplied, with a strike at South Korea's LG Caltex helping to restrain volumes to the market. Chinese demand is however set to improve, with increased summer temperatures and an end to the three-month South China Sea shipping ban.

Spot Product Prices

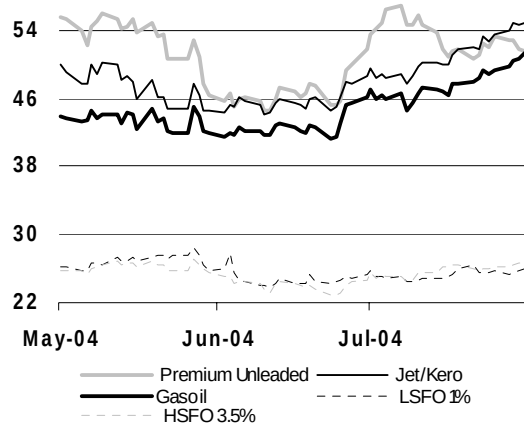
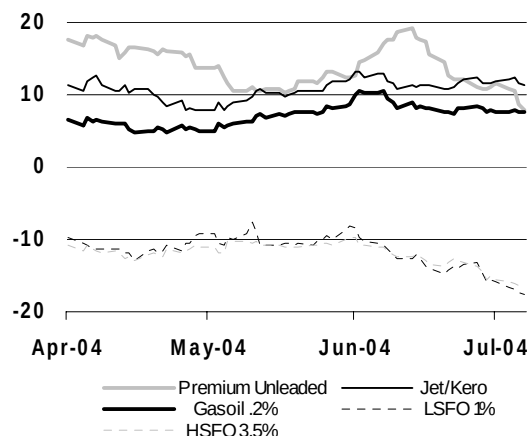
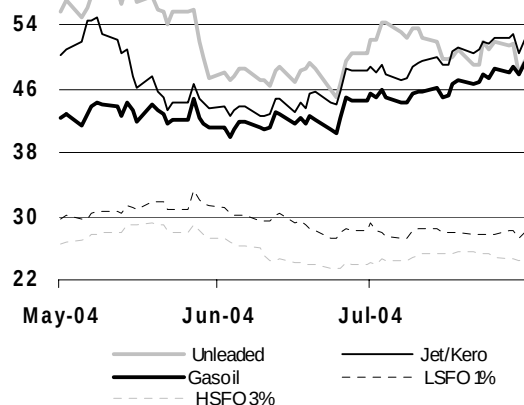
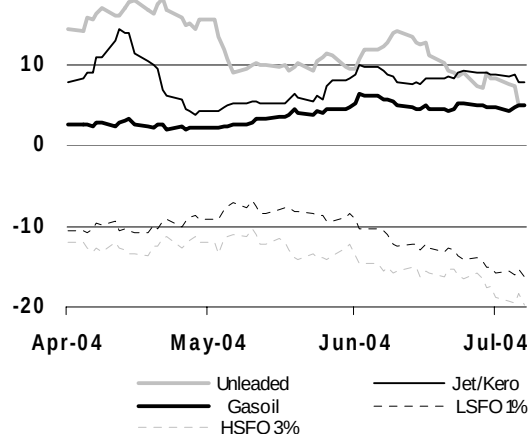
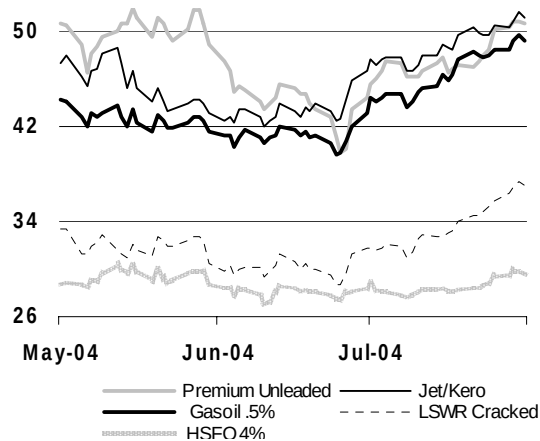
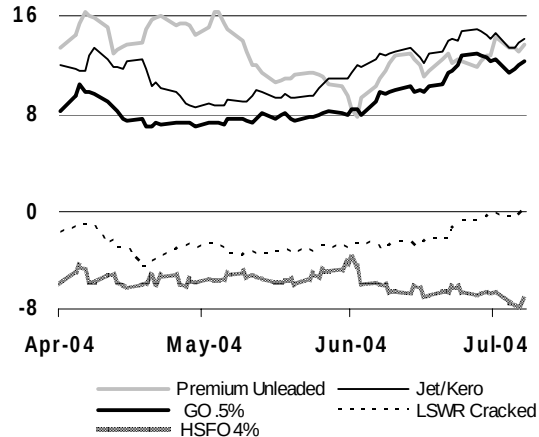
(monthly and weekly averages, \$/bbl)

	May	Jun	Jul	Jul-Jun Change	%	Week Commencing:					May	Jun	Jul
						05 Jul	12 Jul	19 Jul	26 Jul	02 Aug			
Rotterdam, Barges FOB											Differential to Brent		
Premium Unleaded (Cargo)	54.07	46.67	52.97	6.30	13.5	54.13	55.29	51.93	51.89	52.28	16.27	11.63	14.64
Regular Unleaded	53.32	45.99	52.24	6.25	13.6	53.31	54.56	51.24	51.21	51.59	15.52	10.95	13.92
Naphtha	41.22	38.46	41.12	2.66	6.9	40.87	40.77	40.91	42.72	45.26	3.42	3.41	2.79
Jet/Kerosene	47.94	45.38	50.02	4.64	10.2	48.76	48.99	50.56	52.65	54.62	10.14	10.34	11.69
Gasoil	43.51	42.34	46.91	4.56	10.8	46.23	46.12	47.14	48.77	50.54	5.71	7.30	8.58
Fuel Oil 1.0%S	26.72	25.18	25.25	0.07	0.3	25.25	24.73	25.26	25.82	25.73	-11.08	-9.87	-13.08
Fuel Oil 3.5%	26.17	24.39	25.48	1.09	4.5	25.10	25.09	26.18	26.05	26.51	-11.63	-10.66	-12.84
Mediterranean – Basis Italy, Cargoes FOB											Differential to Urals		
Premium Leaded (0.15 g/l)	53.82	46.16	50.97	4.81	10.4	51.79	52.58	50.32	50.47	51.05	18.75	13.74	15.73
Premium Unleaded	53.10	45.44	50.26	4.81	10.6	51.07	51.86	49.60	49.75	50.33	18.03	13.02	15.01
Naphtha	40.24	37.23	40.09	2.87	7.7	39.74	39.78	39.89	41.82	44.54	5.17	4.80	4.85
Jet/Kerosene	46.97	43.70	48.35	4.66	10.7	47.25	47.52	48.89	50.62	52.76	11.91	11.27	13.11
Gasoil	44.09	42.59	46.61	4.02	9.4	46.11	46.17	46.85	47.81	49.90	9.03	10.16	11.37
Fuel Oil 1.0%S	28.76	27.60	27.52	-0.07	-0.3	29.79	26.90	26.59	26.38	26.46	-6.31	-4.83	-7.72
Fuel Oil 3.5%S	24.70	21.97	24.01	2.04	9.3	24.09	24.14	24.05	24.27	24.90	-10.37	-10.46	-11.23
NY Harbour, Barges											Differential to WTI		
Super Unleaded *	64.40	55.60	58.12	2.53	4.5	59.26	59.40	57.45	57.31	56.30	24.16	17.60	17.33
Regular Unleaded *	56.52	48.27	51.51	3.25	6.7	53.15	52.95	50.42	50.50	50.08	16.29	10.27	10.72
Jet/Kerosene	49.26	44.07	49.49	5.43	12.3	48.41	48.33	49.96	51.48	51.96	9.02	6.07	8.70
No.2 Heating Oil	42.76	41.72	45.86	4.14	9.9	45.25	45.05	46.01	47.41	48.51	2.52	3.72	5.07
Fuel Oil 1.0%S (Cargo)	30.33	29.76	27.95	-1.81	-6.1	28.18	27.89	27.98	27.69	27.92	-9.91	-8.23	-12.84
Fuel Oil 3.0%S (Cargo)	27.78	25.42	24.88	-0.54	-2.1	24.26	24.85	25.40	25.24	24.54	-12.46	-12.58	-15.91
Singapore, Cargoes											Differential to Dubai		
Premium Unleaded 95	49.71	45.19	46.52	1.33	3.0	46.07	46.51	47.14	48.26	50.71	14.98	11.76	11.87
Naphtha	39.69	37.18	38.60	1.42	3.8	38.36	37.54	38.92	41.11	43.19	4.96	3.76	3.95
Jet/Kerosene	45.71	43.17	48.08	4.91	11.4	47.40	47.32	48.74	50.06	51.04	10.97	9.74	13.43
Gasoil	42.80	41.21	45.40	4.19	10.2	44.20	44.52	46.35	48.12	49.15	8.06	7.78	10.74
LSWR (0.3%S)	31.98	30.25	32.75	2.50	8.3	31.80	31.96	33.13	34.99	36.96	-2.75	-3.18	-1.90
HSFO (3.5%S 180cst)	29.32	28.31	28.62	0.31	1.1	28.63	28.29	28.62	29.07	29.87	-5.42	-5.12	-6.03
HSFO 4%S	29.17	28.17	28.28	0.11	0.4	28.31	27.94	28.22	28.76	29.70	-5.56	-5.26	-6.37

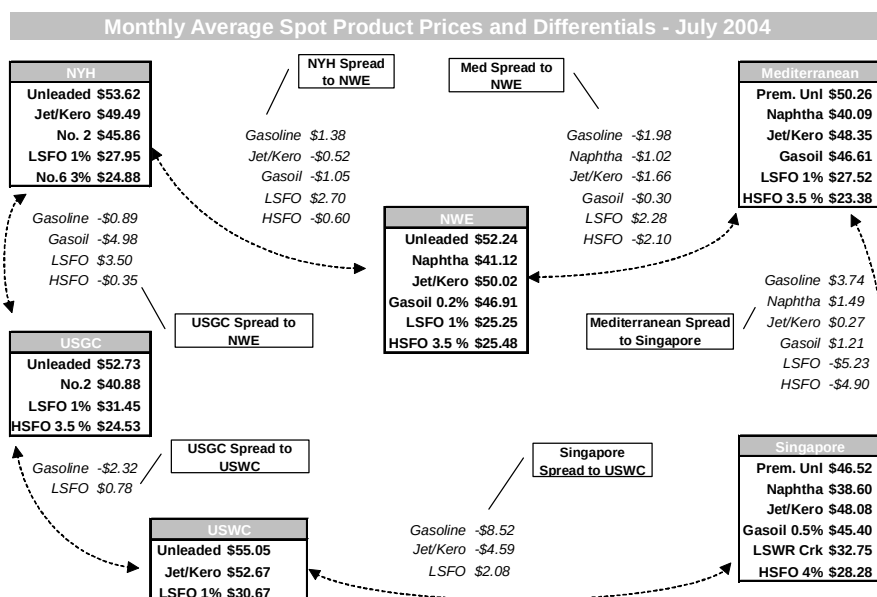
* From 1 November 2003 assessments for NYH are for Max 0.3% MTBE

Jet/kerosene prices followed a similar path to gasoil, with Northwest European tightness again dominating the product. Peak seasonal airline travel demand and improved regional growth has contributed to supply tightness. Jet blending with low sulphur gasoil cargoes continues to be reported and reduces regional supplies. However, recent gains have re-opened the possibility of arbitrage movement from the Middle East to the region, which could dampen premiums to IPE Gas Oil. Jet supplies in the US were similarly constrained by the emphasis on gasoline and diesel production in early July. However, NY Harbour jet/kerosene cargoes moved to a premium to gasoline towards the end of July, which together with higher refinery throughput is likely to lead to improved supplies in the coming weeks.

The Asian market remains tight, reflected in record regional prices for jet-kerosene in Singapore. OECD Pacific refinery throughput in the first half of 2004 has been noticeably lower than a year ago, and generally towards the bottom-end of the three-year range. This is partly as a result of lower fuel oil demand from Japan as nuclear facilities come back on line, but has also resulted in lower heating kerosene stocks. Jet fuel has been favoured as a US-destined export product. While Asian supplies should increase in the coming months, Chinese demand is also expected to improve from its recent pace along with consumer pre-winter buying of kerosene for heating purposes.

\$/bbl Rotterdam Spot Product Prices**\$/bbl Rotterdam Spreads to Dated Brent****\$/bbl New York Harbour Spot Product Prices****\$/bbl New York Harbour Spreads to WTI****\$/bbl Singapore Spot Product Prices****\$/bbl Singapore Spreads to Dubai**

Both low sulphur and high sulphur fuel oil remained depressed, with broadly flat to slightly higher prices contrasting dramatically with rising crude and resulting in record crack spreads. The only exception is low sulphur fuel oil in Singapore, which has risen steadily over the past two months as regional, and in particular Japanese, utilities increased fossil-fuel generation power supplies. Taiwan

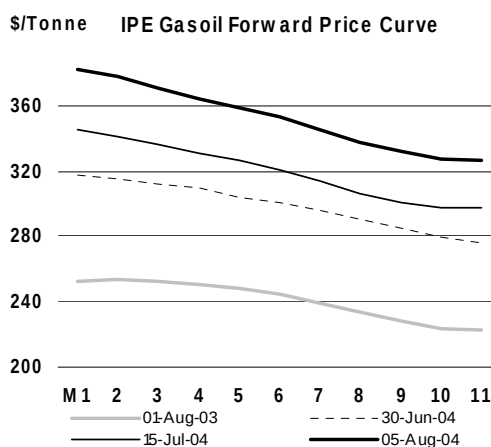


has also been a noted buyer, supplementing supplies to coal-fired plants. Demand from China has improved in recent months, but is regarded as unexceptional in comparison with peak import demand earlier this year. Higher fuel oil prices in Asia can be attributed partly to regional maintenance in the second and early third quarter, which has restrained local supplies of both low and high sulphur fuel oil. The premium values have encouraged arbitrage supplies from Russia, Iran and Europe into the region. In Europe, even the filling of a VLCC and a ULCC for arbitrage to Asia failed to bolster prices significantly. Further as Asian supplies increase as refiners boost throughput following the recent maintenance period the opportunities for fuel oil movement from Europe to the East is likely to be restricted.

Product Futures

Any semblance of seasonality has been removed from the IPE Gas Oil contract. Tight regional availability and concerns over future Russian supplies have bolstered prices and enforced a steep backwardation along the futures curve, making it difficult to build stocks ahead of the winter. This is in sharp contrast to NYMEX heating oil, where a normal seasonal contango is in place, despite high absolute price levels. While a divergence is normal between the two contracts in the summer months (due to the European bias towards a diesel powered vehicle fleet), this year the divergence is more extreme than normal.

The forward structure in NYMEX gasoline has however changed. Front-end prices have moderated with the expiry of the August contract resulting in a shallower backwardation through to January, and thereafter a contango until April.



Despite increased focus on the distillate market in Europe, non-commercial participation in the NYMEX product markets remains centred on gasoline. The net non-commercial long position in gasoline in the week ended 3 August stood at 24,373 lots, up from an early July low of 10,137, but again well below the recent non-commercial long peak of 48,723 lots. In heating oil however, the latest data showed a drop in the non-commercial net-longs to 10,880 lots from a (modest) July high of

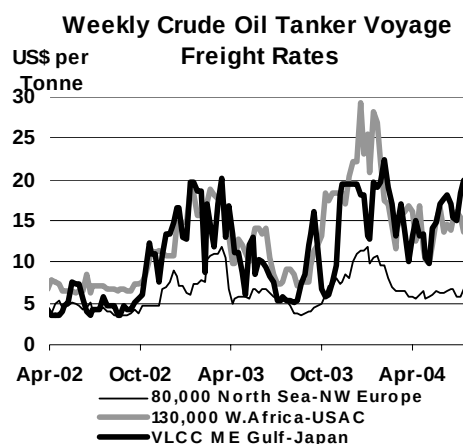
16,720 lots. Unfortunately, no comparable data is available for the IPE Gas Oil contract, but both distillate contracts have seen an increase in the level of open positions (open interest). This indicates a greater degree of pricing and hedging activity in line with the normal tendency for open interest to rise between February and mid-October.

End-User Product Prices in July

Moderating gasoline prices in wholesale markets resulted in modest reductions in retail prices in July in many regions. The largest falls were seen in North America where the spot markets had been tightest. Germany saw the steepest increase within the EU countries covered. However, prices had dipped the prior month while gains were seen in several other countries. In automotive diesel there was a general upward tendency in prices in Europe, reflecting the strength of the wholesale market, with a similar trend seen in the heating fuels markets. Refinery maintenance contributed to higher nominal prices in Germany, where consumers are proving reluctant pre-winter buyers. This could cause concerns later this winter if there is an early cold snap, or end-summer water levels restrict barge traffic. Low sulphur fuel oil prices fell in all European regions bar Germany, reflecting a static to weaker trend in the wholesale markets.

Freight

VLCC freight rates to Asia and the US from the Middle East Gulf have been trending lower since the end of July. This seems to be in contrast to the fact that regional refineries in Asia largely ended their heavy summer maintenance schedule in mid-July and are cranking up throughput. Further, OPEC has been cranking up throughput since June, which should imply a greater demand for crude transportation. However, a look at the seasonal trend would suggest that this is a regular occurrence rather than a one-off factor caused by market conditions. The dip, while steep in percentage terms, is generally brief. One explanation is that US and Asian refiners start to wind down crude imports ahead of September maintenance. The dip is also more prominent in years when crude prices are high, suggesting that continued term imports during maintenance periods provides a brief period of demand flexibility from refiners. It also rarely lasts long before freight rates begin their climb to mid-winter peaks.



On the Scrap Heap

Dirty freight rates, although close to their seasonal lows, are extremely high when compared with average freight rates at this time of year. This reflects both the strong growth in global oil demand over the past two years, and the increase in cargo supply at a time of modest crude tanker fleet growth. However, the situation could be tighter

SSY estimates that the VLCC fleet will see growth of 5.1 mt of deadweight capacity in 2004 (around 20 ships), with deliveries spread evenly across the year. The Suezmax fleet is expected to see net additions of between 13-14 ships. This is higher than generally expected at the start of the year, but removal of older tonnage has been somewhat muted despite the strong scrap prices, due to the high earnings available on the spot chartering market.

More scrapping is expected next year, when tighter International Maritime Organisation (IMO) regulations from 2005 will mean the mandatory phasing out of a large number of ships. Many of those now likely to be scrapped in 2005 were initially expected to have been phased out this year, which implies that current tanker availability is higher-than-expected, along with higher oil demand, but scrapping rates should increase next year

The rate of newbuild tankers is currently high from a historical perspective and the crude tanker fleet is expected to grow again next year despite the anticipated heavy scrapping. New tanker orders, however, have a relatively long time-lag to completion at present due to the very full shipyards and competition with gas and dry-bulk sector for the limited additional spaces.

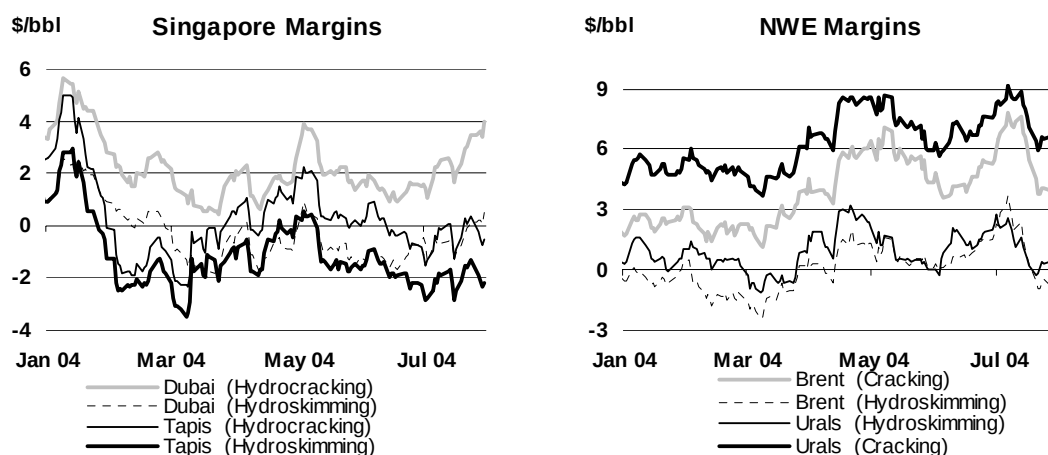
Clean freight rates have followed divergent paths in recent weeks. The trend between Europe and the US Atlantic Coast has been relatively flat, reflecting limited spot arbitrage opportunities in the gasoline market. Spot rates from the Caribbean to the US Atlantic Coast have been more volatile, and more broadly reflect the trend in gasoline prices. However, rates from the Arab Gulf to Japan have increased as improved Asian naphtha and kerosene demand and the end to Middle Eastern refinery maintenance has kick-started east-bound product movement.

Clean freight rates have followed divergent paths in recent weeks. The trend between Europe and the US Atlantic Coast has been relatively flat, reflecting limited spot arbitrage opportunities in the gasoline market. Spot rates from the Caribbean to the US Atlantic Coast have been more volatile, and more broadly reflect the trend in gasoline prices. However, rates from the Arab Gulf to Japan have increased as improved Asian naphtha and kerosene demand and the end to Middle Eastern refinery maintenance has kick-started east-bound product movement.

Refining Margins

The six refining centres covered in the Report showed divergent trends in average margins during July, regionally and in terms of refinery configuration and crude grade.

In Northwest Europe, the tight distillate market helped to keep refinery margins attractive, but the persistence of weak fuel oil cracks caused a greater deterioration in returns to hydroskimming refineries. While end-July cracking margins remained very attractive, hydroskimming returns on a full-cost basis turned negative. While they are not yet at a marginal level that would cause the economic retraction of capacity, the possible removal of the fuel oil arbitrage as Asian refiners raise runs could weigh on hydroskimming margins in August.



The Brent-Urals refining margin was also mixed. Gasoline and diesel strength favoured light/sweet crude margins compared with returns on heavier crudes in the first half of the month, however the extreme strength of dated Brent meant that the positions were reversed in the second half of the month. It was a similar picture in the Mediterranean, highlighting the broad end-month strength in the Atlantic Basin light/sweet market.

In the US Gulf and West Coasts, average July coking margins improved modestly over June returns. Cracking returns were broadly lower, reflecting the downturn in US gasoline prices from the middle of July. Full-cost Brent cracking margins on the US Gulf Coast turned negative towards the end of July, although this is a notional figure as the closed arbitrage would have dissuaded refiners from buying spot cargoes at this point.

Singapore and Chinese margins all moved higher as July progressed and only the highly priced Tapis margins in Singapore showed a decline on average over the month. Dubai was in strong demand regionally due to its high distillate content, and this was reflected in regional refining margins. In China, Cabinda and Daqing also benefited from their high distillate content and high levels of low sulphur waxy residue, which enjoyed strong regional gains.

Refining Margins in Major Refining Centers

	(\$/bbl)									
	Monthly Average			Jul 04 - Jun 04		Week Ending:				
	May 04	Jun 04	Jul 04	Change	%	02 Jul	09 Jul	16 Jul	23 Jul	30 Jul
Refining Margins										
NW Europe										
Brent (Cracking)	5.61	4.54	5.49	0.96		6.77	7.32	5.49	4.09	3.79
Urals (Cracking)	7.31	6.89	7.41	0.52		8.22	8.45	7.06	6.51	6.53
Brent (Hydroskimming)	0.64	0.86	0.66	-0.20		2.83	2.08	0.31	-0.50	-1.38
Urals (Hydroskimming)	0.75	1.42	0.83	-0.60		2.13	1.19	0.22	0.33	-0.24
Mediterranean										
Es Sider (Cracking)	5.69	4.34	5.43	1.09		6.30	6.26	5.28	4.76	4.22
Urals (Cracking)	6.94	5.71	6.81	1.10		7.44	7.58	6.76	6.23	5.59
Es Sider (Hydroskimming)	0.32	0.50	0.38	-0.12		2.39	1.26	-0.38	-0.26	-1.35
Urals (Hydroskimming)	0.24	0.12	0.43	0.31		1.57	1.12	0.01	0.05	-1.00
US Gulf Coast										
Brent (Cracking)	4.65	2.88	2.13	-0.75		4.44	3.86	1.91	1.04	-0.41
LLS (Cracking)	5.56	3.49	3.42	-0.07		5.19	5.12	2.98	2.48	1.43
Mars (Cracking)	4.23	2.81	2.50	-0.30		3.95	3.40	2.05	1.66	1.05
Mars (Coking)	8.01	6.50	7.21	0.71		8.24	8.48	6.91	6.51	5.86
Maya (Coking)	10.67	8.33	10.02	1.68		10.34	12.05	10.34	9.31	8.54
US West Coast										
ANS (Cracking)	10.34	7.98	6.63	-1.35		9.46	9.05	6.54	4.65	2.75
Kern (Cracking)	6.45	6.37	5.50	-0.87		7.86	7.07	5.10	3.89	2.75
Oman (Cracking)	10.65	6.61	6.50	-0.11		8.06	7.88	6.37	5.41	3.68
Kern (Coking)	18.70	13.60	14.41	0.81		16.45	16.43	15.29	12.06	10.95
Singapore										
Dubai (Hydroskimming)	-0.52	-1.15	-0.44	0.71		-1.41	-0.65	-1.03	0.10	0.49
Tapis (Hydroskimming)	-0.97	-1.76	-2.06	-0.30		-2.74	-1.90	-2.50	-1.33	-2.18
Dubai (Hydrocracking)	2.43	1.42	2.63	1.21		1.07	2.49	2.05	3.47	3.99
Tapis (Hydrocracking)	0.76	-0.15	-0.42	-0.27		-1.33	-0.16	-0.88	0.36	-0.55
China										
Cabinda (Hydroskimming)	-1.85	-1.79	-1.16	0.62		-1.11	-1.14	-1.82	-0.82	-0.54
Daqing (Hydroskimming)	-3.09	-3.92	-1.55	2.37		-3.46	-2.17	-1.49	0.07	-0.51
Dubai (Hydroskimming)	-0.75	-1.50	-0.81	0.69		-1.67	-1.01	-1.42	-0.35	0.14
Daqing (Hydrocracking)	1.04	-0.32	1.76	2.08		-0.42	1.46	1.81	3.27	2.85
Dubai (Hydrocracking)	2.32	1.14	2.32	1.18		0.86	2.18	1.72	3.09	3.72
Net Product Worth										
NW Europe										
Brent (Cracking)	44.28	40.55	44.77	4.22	10.4	42.89	45.87	45.43	44.63	46.47
Urals (Cracking)	42.17	38.66	42.73	4.07	10.5	40.75	43.42	43.38	42.82	44.62
Brent (Hydroskimming)	39.31	36.88	39.94	3.06	8.3	38.96	40.63	40.25	40.04	41.30
Urals (Hydroskimming)	35.61	33.19	36.15	2.96	8.9	34.66	36.16	36.55	36.65	37.85
Mediterranean										
Es Sider (Cracking)	43.92	40.20	43.95	3.75	9.3	42.42	44.48	44.75	44.02	45.29
Urals (Cracking)	42.23	38.39	42.31	3.92	10.2	40.42	42.73	43.23	42.52	43.85
Es Sider (Hydroskimming)	38.55	36.36	38.90	2.54	7.0	38.51	39.47	39.08	39.00	39.73
Urals (Hydroskimming)	35.52	32.80	35.94	3.13	9.6	34.55	36.27	36.48	36.34	37.25
US Gulf Coast										
Brent (Cracking)	44.60	40.45	43.05	2.60	6.4	42.31	44.09	43.30	43.15	44.14
LLS (Cracking)	45.58	41.33	44.25	2.92	7.1	43.46	45.24	44.45	44.44	45.54
Mars (Cracking)	40.20	36.11	38.26	2.15	6.0	37.71	38.96	38.48	38.32	39.32
Mars (Coking)	43.97	39.80	42.96	3.16	7.9	41.99	44.03	43.34	43.17	44.13
Maya (Coking)	43.25	38.47	41.43	2.96	7.7	40.54	42.87	41.93	41.34	42.24
US West Coast										
ANS (Cracking)	49.77	45.17	46.46	1.29	2.9	46.99	47.73	46.92	45.76	45.59
Kern (Cracking)	41.29	39.31	39.63	0.32	0.8	40.63	40.99	39.52	39.05	38.91
Oman (Cracking)	49.09	44.58	45.90	1.32	3.0	46.48	47.18	46.26	45.22	45.05
Kern (Coking)	53.54	46.55	48.54	2.00	4.3	49.22	50.35	49.71	47.22	47.11
Singapore										
Dubai (Hydroskimming)	35.26	33.66	35.56	1.90	5.6	33.90	35.42	35.45	36.44	37.73
Tapis (Hydroskimming)	39.06	36.89	39.57	2.69	7.3	37.09	39.49	39.49	40.91	42.64
Dubai (Hydrocracking)	38.21	36.22	38.62	2.40	6.6	36.37	38.56	38.53	39.81	41.23
Tapis (Hydrocracking)	40.79	38.50	41.22	2.72	7.1	38.49	41.23	41.10	42.61	44.27
China*										
Cabinda (Hydroskimming)	36.43	34.62	37.39	2.77	8.0	35.35	37.03	37.39	38.75	40.40
Daqing (Hydroskimming)	34.71	33.02	35.71	2.69	8.2	33.87	35.26	35.74	37.06	38.77
Dubai (Hydroskimming)	35.67	34.09	36.01	1.92	5.6	34.37	35.87	35.93	36.88	38.17
Daqing (Hydrocracking)	38.85	36.62	39.02	2.40	6.6	36.91	38.88	39.04	40.26	42.12
Dubai (Hydrocracking)	38.74	36.73	39.14	2.41	6.6	36.90	39.06	39.07	40.32	41.75

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.

Heavy European Maintenance in September

The general tendency of product prices and refining margins to push higher whenever there is significant refinery downtime, highlights the limited spare capacity available in the global refining system. The early start to European refinery maintenance this year contributed to lower gasoline availability at the start of the summer season. Middle Eastern refinery maintenance in the second quarter and problems at the Skikda refinery restricted swing jet/kerosene and naphtha availability, while recent incidents at several European refineries have restricted gasoline and diesel production.

September refinery maintenance in Europe is expected to be particularly heavy at around 1.2 mb/d. The work predominantly affects countries that use sulphur above 50 ppm as they move to complete upgrades to meet lower sulphur regulations in 2005. Although the remaining work is largely concentrated in one month, it has the possibility to contribute to another spike in margins.

In part, some of the current tightness in the European product market is likely to represent pre-emptive measures by refiners to ensure they have sufficient material available to meet customer needs during this period. Winter-grade gasoline production, particularly for the US market, is a less intensive task. This should help to provide some relief to the global refinery system over this period. The end to the summer driving season should also provide seasonal demand-side relief to the transportation fuels sector.

However, offsetting these supply and demand-side factors is the slower-than-normal off-season consumer/end user/tertiary restocking in the inland European heating fuels sector. Surveys suggest that consumer heating tanks in both Germany and Switzerland are well below normal. An early cold snap could prompt a rush to refill tanks.

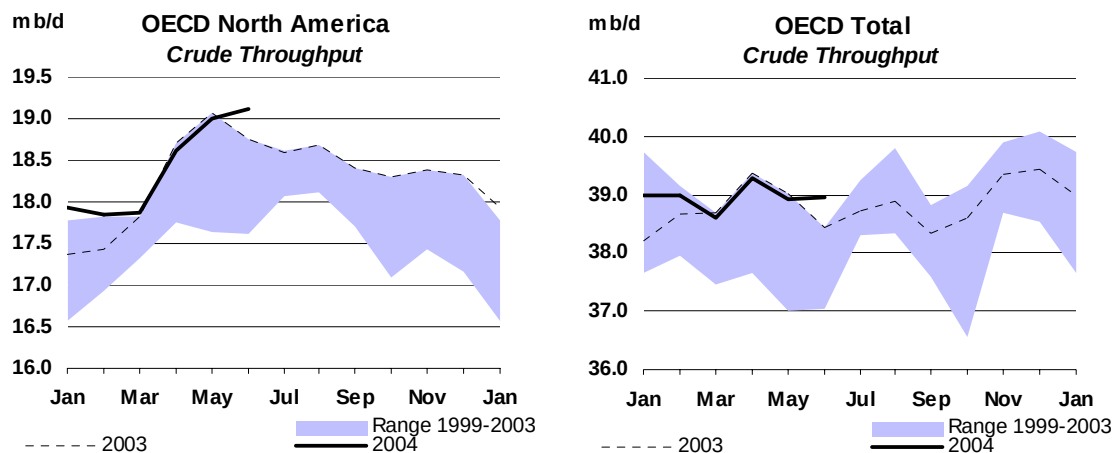
While the propensity for a spike in refinery margins in Europe in September would appear to be higher than normal, it has to be recognised that higher margins will not necessarily translate into higher nominal product prices. Lower refinery throughput also means less pressure on the global crude market, which could help to moderate both crude and product prices in August.

Refinery Throughput

OECD refinery throughput remained flat in June at 38.94 mb/d, but moved well above the previous five-year range. Slightly lower throughput in Europe due to maintenance was largely offset by increased throughput in North America and OECD Pacific. Capacity utilisation rose to 88.3% up 1.2% from year ago levels. On average, first half global refinery capacity utilisation was up 0.67% in the OECD region over 2003 levels.

OECD North American throughputs posted a new record level of 19.12 mb/d, topping 19 mb/d for the second time this year and only the third time in history. Record throughput comes as little surprise as capacity increases to meet demand. However, capacity utilisation of 93% in June was at the highest level for that month since 1998, reflecting a greater intensity of operational levels as refiners responded to high margins. Preliminary data shows US capacity utilisation rising to over 96% at the second half of July as refiners cranked-up throughput to meet the peak in summer gasoline demand. Few serious refinery glitches were seen in the US in July, but although the market remains vulnerable to an unexpected refinery problem in August, the recovery of gasoline stocks to the middle of their five-year range means that there is a greater-than-normal margin of cover.

Refinery throughput in OECD Europe dipped slightly in June to 13.53 mb/d from 13.74 mb/d in May, reflecting ongoing seasonal maintenance in France, Germany, UK and Spain. July also saw some unexpected refinery disruptions. A crude distillation unit at Norway's 180 kb/d Mongstad refinery was hit by a fire in mid-July, but the refinery minimised product losses by running imported and stored feedstocks through cracking and coking units, mitigating some of the initial price response in the Amsterdam-Rotterdam-Antwerp region. A fire at Germany's largest refinery damaged three installations, a desulphurisation unit, a reformer and a cooling tower. The company quickly recovered 80% of its light heating oil production (normally 8,000 tonnes/day), and gasoline production was reported to be running at 75% of its 14,000 t/d capacity in early August. A Dutch refinery also suffered a brief outage in a crude distillation unit following a fire. Regional product supplies were additionally constrained by ongoing maintenance in the UK and Germany and in southern Mediterranean facilities.



OECD Pacific refinery throughput recovered modestly in June to 6.29 mb/d from May's downwardly revised throughput of 6.2 mb/d (originally reported at 6.42 mb/d). Refinery throughput however recovered throughout July as maintenance programmes ended and refiners started to gear up to build kerosene stocks ahead of the winter months. Preliminary Japanese data showed throughput at the end of July at 86.2% up 6.2% from the start of the month. South Korean throughput was however affected by a labour dispute at LG Caltex' 650 kb/d refinery from 20 July. The company swiftly moved to restart production using outside and non-striking workers. Officials indicated that the company held up to 19 days of stocks, but that this was not evenly distributed among products and the dispute still had an impact sentiment in the regional distillate and naphtha markets. The union declared an end to the strike on 6 August.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day						Change from Jun 03		Utilisation rate ²	
	Jan 04	Feb 04	Mar 04	Apr 04	May 04	Jun 04	mb/d	%	Jun 04	Jun 03
OECD North America										
US ³	14.82	14.71	14.80	15.55	15.96	16.05	0.43	2.8	95.0	93.2
Canada	1.83	1.82	1.82	1.81	1.74	1.79	-0.14	-7.1	89.8	97.0
Mexico	1.29	1.31	1.25	1.26	1.30	1.29	0.07	6.1	76.3	72.0
Total	17.94	17.84	17.86	18.61	19.00	19.12	0.37	2.0	93.0	91.8
OECD Europe										
France	1.80	1.86	1.72	1.87	1.63	1.64	-0.05	-3.2	83.8	88.8
Germany	2.28	2.30	2.07	2.24	2.28	2.25	0.11	5.1	96.0	91.4
Italy	1.81	1.88	1.85	1.77	1.83	1.83	0.08	4.4	79.0	76.1
Netherlands	1.15	1.15	1.10	1.11	1.13	1.13	0.10	9.5	92.6	85.6
Spain	1.16	1.09	1.19	1.16	1.24	1.17	0.01	0.5	91.7	87.8
UK	1.62	1.65	1.70	1.73	1.68	1.54	-0.09	-5.3	85.0	91.2
Other OECD Europe	3.85	3.75	3.81	3.74	3.94	3.97	0.17	4.5	87.7	83.8
Total	13.66	13.67	13.44	13.64	13.74	13.53	0.32	2.4	87.6	85.7
OECD Pacific										
Japan	4.28	4.40	4.26	4.01	3.36	3.48	-0.16	-4.4	74.1	76.5
Korea	2.38	2.37	2.32	2.29	2.18	2.10	-0.02	-0.8	82.4	82.5
Other OECD Pacific	0.73	0.70	0.73	0.74	0.66	0.71	-0.01	-0.8	82.9	75.3
Total	7.39	7.47	7.31	7.04	6.20	6.29	-0.18	-2.8	77.6	78.2
OECD Total	38.99	38.98	38.61	39.29	38.94	38.94	0.51	1.3	88.3	87.1

¹ Estimate

² Based on crude throughput and current operable refining capacity

³ US\$0

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

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	24.0	24.1	24.5	24.1	24.8	24.9	24.6	25.0	24.9	25.0	25.3	25.1	25.3	25.1	25.3	25.5	25.3
Europe	15.3	15.2	15.3	15.1	15.3	15.6	15.3	15.7	15.2	15.5	15.9	15.6	15.8	15.4	15.6	16.0	15.7
Pacific	8.7	8.6	9.8	8.2	8.0	9.2	8.8	9.4	8.1	8.1	9.1	8.7	9.4	8.0	8.2	9.1	8.6
Total OECD	47.9	48.0	49.6	47.3	48.1	49.6	48.7	50.1	48.2	48.6	50.2	49.3	50.5	48.5	49.1	50.6	49.7
NON-OECD DEMAND																	
FSU	3.7	3.5	3.8	3.1	3.4	3.9	3.6	3.5	3.7	3.7	3.9	3.7	3.8	3.6	3.7	4.0	3.8
Europe	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.9	0.8	0.7	0.8	0.8	0.9	0.8	0.8	0.8	0.8
China	4.7	5.0	5.2	5.2	5.8	5.9	5.5	6.2	6.5	6.3	6.4	6.3	6.6	6.9	6.8	7.0	6.8
Other Asia	7.6	7.9	7.9	7.9	8.0	8.5	8.1	8.4	8.4	8.4	8.8	8.5	8.7	8.7	8.6	9.0	8.8
Latin America	4.9	4.8	4.5	4.7	4.8	4.9	4.7	4.7	4.9	5.0	5.0	4.9	4.8	5.0	5.1	5.1	5.0
Middle East	5.2	5.4	5.5	5.3	5.7	5.7	5.6	5.8	5.8	6.0	6.0	5.9	6.1	6.1	6.3	6.2	6.2
Africa	2.6	2.7	2.8	2.8	2.7	2.8	2.7	2.8	2.8	2.7	2.9	2.8	2.9	2.9	2.8	2.9	2.9
Total Non-OECD	29.4	29.9	30.6	29.7	31.1	32.4	31.0	32.2	32.9	32.7	33.7	32.9	33.8	34.1	34.1	35.1	34.3
Total Demand¹	77.3	77.9	80.2	77.1	79.2	82.0	79.6	82.3	81.1	81.4	83.9	82.2	84.3	82.6	83.2	85.7	84.0
OECD SUPPLY																	
North America	14.4	14.5	14.6	14.4	14.6	14.7	14.6	14.8	14.7	14.6	14.9	14.7	15.1	14.9	14.8	14.9	14.9
Europe	6.7	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	6.0	6.3	6.2	6.2	6.0	5.8	6.1	6.0
Pacific	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5
Total OECD	21.8	21.8	22.1	21.3	21.3	21.8	21.6	21.7	21.4	21.2	21.7	21.5	21.8	21.4	21.1	21.5	21.4
NON-OECD SUPPLY																	
FSU	8.6	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.1	11.3	11.4	11.1	11.4	11.6	11.9	12.1	11.7
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Other Asia	2.4	2.5	2.6	2.6	2.6	2.7	2.6	2.7	2.7	2.7	2.8	2.7	2.8	2.7	2.7	2.7	2.7
Latin America	3.8	3.9	4.0	3.9	4.0	4.0	4.0	4.0	4.0	4.1	4.2	4.1	4.3	4.3	4.4	4.4	4.3
Middle East	2.1	2.1	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.9	1.9	1.9
Africa	2.8	3.0	2.9	3.0	3.1	3.2	3.0	3.3	3.4	3.5	3.5	3.4	3.7	3.8	3.8	3.9	3.8
Total Non-OECD	23.2	24.5	25.0	25.2	25.7	26.2	25.5	26.3	26.6	27.0	27.3	26.8	27.6	27.9	28.3	28.6	28.1
Processing Gains ²	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.9
Total Non-OPEC	46.8	48.1	48.9	48.3	48.7	49.8	48.9	49.9	49.9	50.0	50.9	50.2	51.4	51.1	51.2	51.9	51.4
OPEC																	
Crude ³	27.0	25.1	26.7	26.2	26.6	27.7	26.8	27.9	28.2								
NGLs	3.4	3.7	3.5	3.9	4.0	4.1	3.9	4.3	4.3	4.4	4.5	4.4	4.8	4.8	4.9	4.9	4.8
Total OPEC	30.4	28.8	30.2	30.0	30.6	31.8	30.7	32.2	32.4								
Total Supply⁴	77.2	76.9	79.1	78.3	79.4	81.6	79.6	82.1	82.3								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.4	-0.7	1.3	0.6	-0.8	0.1	-0.6	0.8								
Government	0.0	0.2	0.2	0.0	0.2	0.3	0.2	0.1	0.1								
Total	0.3	-0.3	-0.5	1.4	0.8	-0.5	0.3	-0.5	0.9								
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.1	0.0	0.3	0.2	-0.2	0.0								
Miscellaneous to balance ⁵	-0.4	-0.7	-0.9	-0.2	-0.7	-0.2	-0.5	0.5	0.3								
Total Stock Ch. & Misc	-0.2	-1.0	-1.1	1.3	0.2	-0.4	0.0	-0.2	1.2								
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.2	26.1	27.8	24.9	26.5	28.1	26.8	28.1	26.9	27.0	28.4	27.6	28.2	26.7	27.1	28.9	27.7
Total Demand ex. FSU	73.7	74.4	76.4	73.9	75.8	78.1	76.1	78.8	77.4	77.7	80.0	78.5	80.5	78.9	79.5	81.7	80.2
Total demand exc. FSU (% ch) ⁷	1.0	1.0	2.8	1.2	2.2	2.6	2.2	3.2	4.7	2.5	2.4	3.2	2.1	2.0	2.3	2.1	2.1

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

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

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

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

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

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

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

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

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	-	-	-	-	-0.1	-	-	-	-0.1	-0.2	-	-0.1	-	-0.1	-0.2	-	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Total OECD	-	-	-	-	-0.1	0.1	-	0.1	-0.1	-0.1	0.1	-	-	-0.2	-0.1	0.1	-0.1
NON-OECD DEMAND																	
FSU	-	-	-	-	-	-	-	-	-0.1	-0.1	0.1	-	-	-0.1	-0.1	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	0.1	-	-	0.1	-	-	0.1	0.1	-
Other Asia	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Latin America	-	-	-	-	-	0.1	-	-	-	-	0.1	0.1	-	-	-	0.1	0.1
Middle East	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.4	0.4	0.4	0.4	0.4
Africa	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Non-OECD	0.4	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.8	0.7	0.9	0.8	0.8	0.7	0.7	0.9	0.8
Total Demand	0.4	0.7	0.7	0.6	0.6	0.8	0.7	0.8	0.7	0.5	0.9	0.7	0.8	0.5	0.5	1.0	0.7
OECD SUPPLY																	
North America	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-	-	-0.2	-0.1	-0.1	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total OECD	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-	-	-0.2	-0.1	-0.1	-	-	-	-	-
NON-OECD SUPPLY																	
FSU	-	-	-	-	-	-	-	-	-	0.1	0.1	-	-	0.1	0.1	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Latin America	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.2	0.1	0.1
Processing Gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OPEC	0.1	0.1	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1
OPEC																	
Crude	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGLs	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Total OPEC	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.3	0.3	-	-	-	-	-	-	-	-
Total Supply	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.3	0.4	-	-	-	-	-	-	-	-
STOCK CHANGES AND MISCELLANEOUS																	
REPORTED OECD																	
Industry	-	-	-	-	0.1	-	-	-0.1	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	0.1	-	-	-0.1	-	-	-	-	-	-	-	-	-
Floating Storage/Oil in Transit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous to balance	-0.1	-0.4	-0.4	-0.4	-0.5	-0.6	-0.5	-0.4	-	-	-	-	-	-	-	-	-
Total Stock Ch. & Misc	-0.1	-0.4	-0.4	-0.4	-0.4	-0.7	-0.5	-0.5	-0.3	-	-	-	-	-	-	-	-
Memo items:																	
Call on OPEC crude + Stock ch.	0.1	0.4	0.4	0.4	0.4	0.7	0.5	0.5	0.3	0.2	0.6	0.4	0.4	0.1	0.1	0.6	0.3
Total Demand ex. FSU	0.4	0.7	0.7	0.6	0.6	0.8	0.7	0.8	0.8	0.6	0.9	0.8	0.8	0.6	0.6	0.9	0.8

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

Table 2
Summary of Global Oil Demand

	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
Demand (mb/d)																
North America	24.11	24.54	24.07	24.78	24.88	24.57	25.03	24.88	25.04	25.26	25.05	25.31	25.07	25.32	25.51	25.31
Europe	15.23	15.30	15.06	15.33	15.61	15.32	15.66	15.20	15.47	15.88	15.55	15.83	15.41	15.63	16.03	15.72
Pacific	8.63	9.76	8.20	8.03	9.16	8.78	9.39	8.08	8.12	9.06	8.66	9.37	8.01	8.15	9.07	8.65
Total OECD	47.97	49.60	47.33	48.14	49.64	48.68	50.07	48.16	48.63	50.20	49.27	50.50	48.49	49.11	50.61	49.68
FSU	3.45	3.81	3.14	3.45	3.87	3.57	3.47	3.69	3.66	3.87	3.67	3.78	3.63	3.74	4.00	3.79
Europe	0.77	0.84	0.77	0.72	0.78	0.78	0.85	0.79	0.74	0.81	0.80	0.88	0.81	0.76	0.83	0.82
China	4.97	5.23	5.20	5.75	5.87	5.52	6.24	6.48	6.27	6.39	6.34	6.64	6.88	6.84	7.00	6.84
Other Asia	7.85	7.93	7.86	7.99	8.48	8.07	8.40	8.45	8.38	8.78	8.50	8.68	8.74	8.63	9.04	8.77
Latin America	4.82	4.49	4.67	4.83	4.88	4.72	4.65	4.90	4.96	4.98	4.87	4.78	5.00	5.07	5.07	4.98
Middle East	5.36	5.54	5.31	5.69	5.70	5.56	5.82	5.80	6.01	5.98	5.90	6.13	6.10	6.28	6.22	6.18
Africa	2.70	2.77	2.76	2.66	2.78	2.74	2.80	2.83	2.73	2.86	2.80	2.90	2.93	2.81	2.94	2.89
Total Non-OECD	29.92	30.61	29.73	31.08	32.37	30.96	32.23	32.94	32.74	33.66	32.89	33.79	34.09	34.14	35.09	34.28
World	77.89	80.21	77.06	79.22	82.01	79.63	82.31	81.09	81.37	83.86	82.16	84.30	82.58	83.25	85.70	83.96
of which:																
US	19.76	20.04	19.63	20.26	20.26	20.05	20.36	20.31	20.51	20.63	20.45	20.62	20.53	20.74	20.84	20.68
Euro4	8.34	8.27	8.22	8.29	8.40	8.29	8.51	8.19	8.34	8.55	8.40	8.58	8.31	8.37	8.56	8.45
Japan	5.46	6.37	5.17	5.04	5.76	5.58	6.06	5.03	5.04	5.67	5.45	6.00	4.92	5.03	5.65	5.40
Korea	2.15	2.38	2.00	1.95	2.34	2.17	2.29	2.01	2.01	2.28	2.15	2.29	2.02	2.02	2.28	2.15
Mexico	1.94	1.98	2.03	2.02	2.03	2.02	2.02	2.02	2.00	2.04	2.02	2.05	2.02	2.02	2.05	2.03
Canada	2.08	2.17	2.09	2.16	2.24	2.17	2.27	2.23	2.20	2.24	2.23	2.27	2.20	2.22	2.27	2.24
Brazil	2.12	1.97	2.02	2.10	2.13	2.05	2.07	2.17	2.17	2.18	2.15	2.11	2.19	2.20	2.21	2.18
India	2.29	2.37	2.29	2.24	2.43	2.33	2.52	2.48	2.35	2.50	2.46	2.62	2.58	2.45	2.61	2.57
Annual Change (% per annum)																
North America	0.4	2.7	0.4	2.1	2.4	1.9	2.0	3.4	1.1	1.5	2.0	1.1	0.8	1.1	1.0	1.0
Europe	-0.2	-0.2	1.6	0.1	1.0	0.6	2.3	0.9	0.9	1.8	1.5	1.1	1.4	1.1	0.9	1.1
Pacific	-0.4	6.4	5.4	-1.8	-2.7	1.7	-3.8	-1.5	1.1	-1.0	-1.4	-0.3	-0.9	0.4	0.1	-0.2
Total OECD	0.1	2.5	1.6	0.8	1.0	1.5	0.9	1.8	1.0	1.1	1.2	0.9	0.7	1.0	0.8	0.8
FSU	-5.5	9.3	1.2	2.1	0.6	3.3	-8.9	17.3	6.3	0.1	3.0	9.0	-1.5	2.1	3.3	3.1
Europe	1.9	1.8	1.5	1.6	1.7	1.6	1.8	2.0	2.6	3.0	2.3	2.8	2.8	3.1	3.3	3.0
China	6.3	12.2	3.3	16.0	12.5	11.0	19.3	24.6	9.0	8.9	15.0	6.6	6.0	9.1	9.6	7.8
Other Asia	2.8	2.5	-0.1	2.8	5.7	2.7	5.9	7.4	4.9	3.4	5.4	3.3	3.4	3.1	3.0	3.2
Latin America	-0.9	-4.6	-3.2	-1.2	0.6	-2.1	3.5	4.9	2.6	2.0	3.2	2.7	2.1	2.3	1.7	2.2
Middle East	3.3	4.4	1.5	4.3	4.9	3.8	5.1	9.2	5.6	4.8	6.1	5.3	5.2	4.5	4.0	4.8
Africa	2.9	2.1	1.6	0.9	2.0	1.7	1.1	2.4	2.6	2.6	2.2	3.7	3.6	3.2	2.8	3.3
Total Non-OECD	1.8	4.0	0.6	4.3	4.8	3.5	5.3	10.8	5.3	4.0	6.3	4.8	3.5	4.3	4.3	4.2
World	0.7	3.1	1.2	2.2	2.5	2.2	2.6	5.2	2.7	2.3	3.2	2.4	1.8	2.3	2.2	2.2
Annual Change (mb/d)																
North America	0.10	0.65	0.09	0.52	0.59	0.46	0.48	0.81	0.26	0.38	0.48	0.29	0.19	0.28	0.26	0.25
Europe	-0.03	-0.02	0.24	0.01	0.15	0.10	0.36	0.14	0.14	0.28	0.23	0.17	0.21	0.17	0.14	0.17
Pacific	-0.04	0.59	0.42	-0.15	-0.25	0.15	-0.37	-0.12	0.09	-0.09	-0.12	-0.03	-0.07	0.03	0.01	-0.02
Total OECD	0.03	1.21	0.75	0.38	0.49	0.71	0.47	0.83	0.49	0.56	0.59	0.43	0.33	0.48	0.41	0.41
FSU	-0.20	0.33	0.04	0.07	0.02	0.11	-0.34	0.55	0.22	0.00	0.11	0.31	-0.05	0.08	0.13	0.12
Europe	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.02
China	0.30	0.57	0.17	0.79	0.65	0.55	1.01	1.28	0.52	0.52	0.83	0.41	0.39	0.57	0.61	0.50
Other Asia	0.21	0.19	-0.01	0.22	0.46	0.22	0.47	0.58	0.39	0.29	0.43	0.28	0.29	0.26	0.26	0.27
Latin America	-0.04	-0.22	-0.15	-0.06	0.03	-0.10	0.16	0.23	0.13	0.10	0.15	0.13	0.10	0.11	0.09	0.11
Middle East	0.17	0.23	0.08	0.23	0.27	0.20	0.28	0.49	0.32	0.28	0.34	0.31	0.30	0.27	0.24	0.28
Africa	0.08	0.06	0.04	0.02	0.06	0.04	0.03	0.07	0.07	0.06	0.06	0.10	0.10	0.09	0.08	0.09
Total Non-OECD	0.52	1.17	0.18	1.29	1.50	1.04	1.62	3.20	1.66	1.29	1.94	1.56	1.16	1.40	1.44	1.39
World	0.56	2.39	0.93	1.67	1.98	1.74	2.09	4.03	2.15	1.85	2.53	1.99	1.49	1.88	1.84	1.80
Changes from Last Month's Report																
North America	-	0.03	-0.04	-0.06	0.04	-0.01	0.04	-0.10	-0.20	0.03	-0.06	0.02	-0.14	-0.17	0.03	-0.06
Europe	-	-	-	-	-	-	0.03	-	-	-	0.01	0.02	-0.02	-	-	-
Pacific	-	-	-	-	0.02	-	-	0.03	0.06	0.02	0.03	-	-	0.03	0.02	0.01
Total OECD	-	0.03	-0.04	-0.06	0.06	-	0.07	-0.06	-0.14	0.06	-0.02	0.04	-0.16	-0.14	0.05	-0.05
FSU	-	-	-	-	-	-	-0.02	-0.05	-0.06	0.05	-0.02	0.02	-0.10	-0.10	0.07	-0.03
Europe	0.01	0.02	0.01	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01
China	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.11	0.04	0.04	0.05	0.02	0.02	0.06	0.07	0.04
Other Asia	0.16	0.21	0.19	0.19	0.19	0.19	0.21	0.21	0.19	0.20	0.20	0.22	0.21	0.20	0.20	0.21
Latin America	0.03	-	0.02	0.03	0.12	0.04	0.02	0.05	0.03	0.12	0.05	0.02	0.05	0.03	0.12	0.05
Middle East	0.30	0.31	0.30	0.33	0.32	0.32	0.34	0.34	0.35	0.34	0.34	0.36	0.36	0.37	0.36	0.36
Africa	0.13	0.14	0.13	0.12	0.12	0.13	0.12	0.13	0.12	0.13	0.12	0.12	0.13	0.13	0.13	0.13
Total Non-OECD	0.65	0.69	0.68	0.70	0.79	0.71	0.71	0.79	0.68	0.88	0.77	0.78	0.69	0.69	0.95	0.78
World	0.65	0.72	0.64	0.63	0.85	0.71	0.79	0.73	0.54	0.94	0.75	0.82	0.53	0.55	1.00	0.73

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2003	2004	2005	1Q04	2Q04	3Q04	4Q04	1Q05	May 04	Jun 04	Jul 04
OPEC											
Crude Oil											
Saudi Arabia	8.48			8.21	8.39				8.37	8.81	8.90
Iran	3.78			3.92	3.95				3.83	4.00	4.00
Iraq	1.33			2.11	2.03				2.06	1.68	1.99
UAE	2.29			2.28	2.24				2.23	2.41	2.43
Kuwait	1.87			1.95	2.02				2.02	2.06	2.05
Neutral Zone	0.61			0.60	0.58				0.56	0.59	0.60
Qatar	0.74			0.75	0.78				0.78	0.79	0.79
Nigeria	2.15			2.33	2.33				2.33	2.38	2.41
Libya	1.42			1.47	1.51				1.51	1.54	1.58
Algeria	1.11			1.14	1.17				1.18	1.20	1.20
Venezuela	2.01			2.17	2.20				2.17	2.24	2.21
Indonesia	1.01			0.98	0.96				0.97	0.96	0.95
Total Crude Oil	26.78			27.92	28.15				27.99	28.65	29.10
Total NGLs ¹	3.88	4.35	4.82	4.27	4.27	4.36	4.51	4.75	4.27	4.25	4.33
Total OPEC	30.67			32.19	32.42				32.26	32.90	33.42
NON-OPEC²											
OECD											
North America	14.60	14.75	14.92	14.78	14.69	14.61	14.91	15.09	14.78	14.55	14.55
United States	7.82	7.80	7.93	7.83	7.72	7.70	7.95	8.05	7.81	7.60	7.59
Mexico	3.79	3.84	3.81	3.82	3.88	3.83	3.81	3.82	3.85	3.89	3.86
Canada	3.00	3.11	3.19	3.13	3.08	3.08	3.15	3.22	3.13	3.06	3.10
Europe	6.35	6.21	6.02	6.37	6.19	6.02	6.25	6.20	6.09	6.21	6.20
UK	2.29	2.15	2.02	2.21	2.11	2.11	2.18	2.12	2.03	2.12	2.14
Norway	3.26	3.21	3.16	3.34	3.23	3.05	3.22	3.23	3.22	3.24	3.21
Others	0.79	0.85	0.84	0.83	0.85	0.86	0.86	0.85	0.85	0.86	0.85
Pacific	0.65	0.57	0.51	0.59	0.56	0.57	0.56	0.54	0.55	0.57	0.58
Australia	0.60	0.53	0.47	0.55	0.52	0.53	0.52	0.50	0.51	0.53	0.54
Others	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total OECD	21.60	21.52	21.45	21.74	21.43	21.20	21.72	21.83	21.42	21.33	21.33
NON-OECD											
Former USSR	10.31	11.13	11.74	10.82	11.07	11.28	11.35	11.44	11.02	11.23	11.28
Russia	8.49	9.20	9.62	8.93	9.14	9.34	9.37	9.42	9.12	9.26	9.36
Others	1.82	1.93	2.12	1.89	1.92	1.94	1.98	2.03	1.90	1.97	1.92
Asia	6.03	6.19	6.20	6.17	6.16	6.18	6.24	6.25	6.18	6.19	6.13
China	3.41	3.46	3.49	3.43	3.47	3.48	3.48	3.49	3.47	3.51	3.47
Malaysia	0.83	0.84	0.80	0.87	0.83	0.83	0.82	0.82	0.85	0.80	0.83
India	0.79	0.80	0.77	0.81	0.80	0.81	0.80	0.79	0.81	0.81	0.81
Others	1.01	1.08	1.14	1.06	1.06	1.07	1.14	1.15	1.06	1.07	1.02
Europe	0.17	0.17	0.16	0.17	0.17	0.17	0.17	0.16	0.17	0.17	0.17
Latin America	3.98	4.05	4.35	3.96	3.99	4.06	4.19	4.26	3.97	4.02	4.05
Brazil	1.77	1.81	2.03	1.75	1.74	1.81	1.92	1.97	1.71	1.77	1.80
Argentina	0.83	0.77	0.76	0.78	0.77	0.77	0.77	0.77	0.79	0.77	0.77
Colombia	0.55	0.54	0.53	0.53	0.55	0.54	0.54	0.53	0.55	0.55	0.54
Ecuador	0.43	0.53	0.58	0.51	0.53	0.53	0.55	0.56	0.53	0.54	0.53
Others	0.40	0.40	0.46	0.40	0.40	0.40	0.41	0.43	0.40	0.40	0.40
Middle East³	2.00	1.89	1.85	1.92	1.90	1.88	1.85	1.85	1.90	1.90	1.88
Oman	0.82	0.76	0.74	0.78	0.77	0.75	0.74	0.74	0.76	0.77	0.76
Syria	0.53	0.51	0.48	0.52	0.51	0.50	0.50	0.49	0.51	0.51	0.50
Yemen	0.44	0.42	0.43	0.43	0.42	0.42	0.42	0.41	0.42	0.42	0.42
Africa	3.04	3.41	3.80	3.28	3.37	3.46	3.55	3.68	3.36	3.42	3.44
Egypt	0.75	0.72	0.75	0.73	0.71	0.71	0.74	0.75	0.71	0.71	0.72
Angola	0.88	0.96	1.21	0.93	0.92	0.95	1.03	1.14	0.93	0.91	0.94
Gabon	0.24	0.24	0.24	0.24	0.24	0.23	0.23	0.23	0.24	0.24	0.23
Others	1.17	1.50	1.62	1.38	1.50	1.56	1.56	1.56	1.48	1.55	1.56
Total Non-OECD	25.54	26.84	28.11	26.33	26.65	27.02	27.34	27.64	26.59	26.92	26.95
Processing Gains ⁴	1.80	1.83	1.86	1.85	1.81	1.81	1.85	1.88	1.81	1.81	1.81
TOTAL NON-OPEC	48.94	50.19	51.42	49.92	49.90	50.04	50.92	51.36	49.83	50.07	50.09
TOTAL SUPPLY	79.61			82.11	82.31				82.08	82.96	83.51

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

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

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

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

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Feb2004	Mar2004	Apr2004	May2004	Jun2004*	Jun2001	Jun2002	Jun2003	3Q2003	4Q2003	1Q2004	2Q2004
North America												
Crude	387.5	404.7	413.4	413.0	414.2	409.1	428.0	396.1	0.01	-0.16	0.25	0.10
Motor Gasoline	233.2	232.3	234.7	235.4	235.0	249.9	246.8	236.9	-0.09	0.06	-0.02	0.03
Middle Distillate	179.1	169.8	169.9	179.5	183.4	190.2	204.2	182.4	0.26	0.04	-0.44	0.15
Residual Fuel Oil	49.1	47.5	45.6	45.8	47.0	51.9	41.7	43.5	-0.03	0.05	0.02	-0.01
Total Products ³	603.6	597.4	606.2	627.6	641.0	672.1	681.5	637.3	0.20	-0.11	-0.52	0.48
Total ⁴	1133.8	1146.5	1157.4	1181.4	1196.3	1230.9	1262.0	1183.3	0.33	-0.52	-0.21	0.55
Europe												
Crude	314.7	336.0	327.7	330.8	332.0	315.8	323.1	318.5	-0.08	0.01	0.27	-0.04
Motor Gasoline	121.5	114.6	110.2	112.7	107.4	118.4	118.4	109.6	-0.02	0.08	0.00	-0.08
Middle Distillate	227.5	216.2	220.5	229.7	226.8	222.2	257.0	232.0	0.22	-0.16	-0.24	0.12
Residual Fuel Oil	73.6	74.4	71.3	72.6	71.8	82.3	71.4	66.7	0.05	0.08	-0.04	-0.03
Total Products ³	522.7	502.5	499.8	514.5	505.4	536.2	554.0	512.5	0.23	-0.02	-0.33	0.03
Total ⁴	910.3	913.4	901.6	919.3	910.7	909.1	941.6	899.8	0.19	-0.03	-0.01	-0.03
Pacific												
Crude	181.9	174.5	171.9	179.0	181.0	182.7	173.6	188.8	-0.05	-0.04	-0.06	0.07
Motor Gasoline	26.3	25.4	27.2	25.1	25.7	26.1	26.3	25.6	-0.02	-0.02	0.03	0.00
Middle Distillate	61.3	55.0	57.4	57.1	61.4	72.8	75.0	72.0	0.13	-0.10	-0.21	0.07
Residual Fuel Oil	21.9	20.0	22.5	23.7	22.2	24.3	24.9	24.6	-0.02	0.00	-0.03	0.02
Total Products ³	171.6	158.2	165.7	168.0	176.5	194.2	194.1	190.9	0.15	-0.22	-0.28	0.20
Total ⁴	422.4	400.7	406.6	417.8	427.4	457.1	446.6	452.9	0.07	-0.26	-0.38	0.29
Total OECD												
Crude	884.1	915.2	913.0	922.8	927.2	907.6	924.8	903.4	-0.13	-0.20	0.46	0.13
Motor Gasoline	381.0	372.3	372.1	373.1	368.0	394.4	391.5	372.1	-0.13	0.12	0.02	-0.05
Middle Distillate	467.9	440.9	447.8	466.3	471.6	485.2	536.2	486.4	0.61	-0.23	-0.89	0.34
Residual Fuel Oil	144.5	141.9	139.4	142.1	140.9	158.4	138.0	134.8	0.00	0.13	-0.05	-0.01
Total Products ³	1297.8	1258.2	1271.7	1310.1	1322.9	1402.5	1429.5	1340.7	0.58	-0.35	-1.13	0.71
Total ⁴	2466.5	2460.5	2465.6	2518.5	2534.3	2597.0	2650.1	2536.0	0.59	-0.82	-0.60	0.81

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	Feb2004	Mar2004	Apr2004	May2004	Jun2004*	Jun2001	Jun2002	Jun2003	3Q2003	4Q2003	1Q2004	2Q2004
North America												
Crude	646.9	652.1	658.2	661.3	663.0	543.3	576.5	608.5	0.17	0.15	0.15	0.12
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	156.0	157.2	156.6	156.8	156.8	140.2	145.1	153.8	-0.03	0.06	0.01	0.00
Products	209.7	207.2	204.7	204.6	204.6	206.8	201.4	202.8	0.06	0.04	-0.05	-0.03
Pacific												
Crude	384.7	386.8	386.8	386.9	386.9	367.0	380.8	383.0	0.00	0.02	0.02	0.00
Products	11.0	11.0	11.0	11.0	11.0	7.3	7.3	9.6	0.01	0.01	0.00	0.00
Total OECD												
Crude	1187.6	1196.1	1201.5	1205.0	1206.7	1050.4	1102.4	1145.3	0.14	0.24	0.18	0.12
Products	222.7	220.2	217.7	217.7	217.7	216.1	210.7	214.3	0.06	0.05	-0.05	-0.03
Total ⁴	1411.3	1417.3	1420.2	1423.7	1425.4	1267.5	1314.1	1360.7	0.20	0.29	0.13	0.09

* estimated

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

2 Closing stock levels.

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

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

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

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

	End June 2003		End September 2003		End December 2003		End March 2004		End June 2004 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	165.7	77	176.6	79	174.6	77	171.4	-	-	-
Mexico	44.2	22	41.4	20	39.0	19	38.9	-	-	-
United States ⁴	1561.8	77	1600.0	79	1570.3	77	1568.2	-	-	-
Total ⁵	1793.8	73	1840.1	74	1806.1	72	1800.6	72	1861.3	74
Pacific										
Australia	38.1	43	36.0	39	32.4	37	33.8	-	-	-
Japan	646.7	128	653.6	114	636.3	105	614.4	-	-	-
Korea	152.1	78	154.5	66	154.5	67	142.9	-	-	-
New Zealand	8.5	55	8.5	58	7.9	49	7.5	-	-	-
Total	845.4	105	852.6	93	831.1	88	798.5	99	825.3	102
Europe⁶										
Austria	18.5	62	20.3	69	20.9	80	23.2	-	-	-
Belgium	27.5	47	29.1	45	27.7	42	24.6	-	-	-
Czech Republic	13.5	72	13.4	69	16.4	95	15.6	-	-	-
Denmark	15.5	85	16.3	86	16.8	87	15.9	-	-	-
Finland	23.9	110	23.2	101	26.5	120	27.8	-	-	-
France	173.3	84	179.2	85	185.3	87	175.4	-	-	-
Germany	260.7	98	258.6	98	264.9	100	262.4	-	-	-
Greece	32.3	85	30.9	66	27.5	57	29.4	-	-	-
Hungary	17.6	133	18.3	122	16.8	143	19.5	-	-	-
Ireland	11.0	67	11.9	66	12.0	63	11.5	-	-	-
Italy	134.6	72	140.7	74	135.2	72	135.6	-	-	-
Luxembourg	0.8	14	0.8	16	1.0	17	0.8	-	-	-
Netherlands	106.5	115	111.1	116	100.1	105	108.2	-	-	-
Norway	21.1	79	23.1	93	27.2	99	28.5	-	-	-
Poland	27.9	58	26.9	56	28.7	64	29.7	-	-	-
Portugal	24.7	72	25.6	79	25.3	81	24.4	-	-	-
Spain	121.1	79	121.4	77	122.4	78	123.5	-	-	-
Sweden	34.0	116	36.1	120	35.8	117	31.8	-	-	-
Switzerland	37.2	142	37.4	141	36.1	138	35.4	-	-	-
Turkey	54.5	78	54.3	83	54.9	84	54.9	-	-	-
United Kingdom	101.1	60	98.0	56	101.9	55	100.7	-	-	-
Total	1257.4	82	1276.7	82	1283.4	82	1278.7	84	1273.1	82
Total OECD	3896.6	81	3969.4	80	3920.5	78	3877.8	81	3959.7	81
DAYS OF IEA Net Imports⁷	-	114	-	116	-	111	-	111	-	-

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

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

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

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled <i>Millions of Barrels</i>	Industry	Total	Government ¹ controlled <i>Days of Fwd. Demand²</i>	Industry
2Q2001	3864	1268	2597	81	27	54
3Q2001	3925	1265	2660	81	26	55
4Q2001	3912	1284	2628	81	27	54
1Q2002	3906	1302	2604	84	28	56
2Q2002	3964	1314	2650	83	28	55
3Q2002	3895	1319	2575	79	27	52
4Q2002	3818	1343	2475	77	27	50
1Q2003	3773	1357	2416	80	29	51
2Q2003	3897	1361	2536	81	28	53
3Q2003	3969	1379	2590	80	28	52
4Q2003	3921	1406	2515	78	28	50
1Q2004	3878	1417	2461	81	29	51
2Q2004	3960	1425	2534	81	29	52

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

2 Days of forward demand calculated using actual demand except in 1Q2004 and 2Q2004 (when latest forecasts are used).

Table 6
IEA Member Country Destinations of Selected Crude Streams¹

(million barrels per day)

	2001	2002	2003	2Q03	3Q03	4Q03	1Q04	Mar 04	Apr 04	May 04	Year Earlier	
											May 03	change
Saudi Light & Extra Light												
North America	0.69	0.70	0.64	0.75	0.63	0.66	0.55	0.51	0.54	0.47	0.82	-0.35
Europe	0.92	0.92	1.00	1.14	0.99	0.95	0.96	0.79	1.19	0.82	1.25	-0.43
Pacific	1.22	1.22	1.18	1.16	1.04	1.12	1.14	1.22	1.23	1.07	1.16	-0.09
Saudi Medium												
North America	0.73	0.86	0.83	0.94	0.79	0.71	0.72	0.61	0.59	0.77	1.00	-0.23
Europe	0.15	0.11	0.11	0.13	0.14	0.07	0.08	0.06	0.09	0.07	0.13	-0.06
Pacific	0.17	0.16	0.24	0.26	0.20	0.30	0.31	0.28	0.14	0.25	0.24	0.01
Saudi Heavy												
North America	0.21	0.20	0.30	0.48	0.25	0.19	0.19	0.23	0.17	0.12	0.50	-0.38
Europe	0.14	0.09	0.19	0.26	0.21	0.16	0.16	0.16	0.22	0.20	0.31	-0.11
Pacific	0.15	0.12	0.16	0.21	0.15	0.15	0.13	0.12	0.22	0.07	0.23	-0.16
Iraqi Basrah Light²												
North America	0.65	0.35	0.44	0.24	0.20	0.82	0.75	0.76	0.84	0.66	0.06	0.60
Europe	0.15	0.08	0.09	0.05	0.04	0.15	0.22	0.28	0.22	0.43	0.01	0.42
Pacific	0.01	0.02	0.03	..	..	0.11	0.14	0.12	0.13	0.07	..	..
Iraqi Kirkuk												
North America	0.09	0.14	0.06	0.02	..	..	..	..	0.05	..	..	..
Europe	0.31	0.32	0.12	0.04	0.04	..	0.04	0.11	0.09	0.05	0.01	0.04
Pacific	0.01	0.00	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.16	0.17	0.19	0.24	0.17	0.18	0.20	0.22	0.28	0.11	0.18	-0.07
Pacific	0.13	0.12	0.17	0.16	0.16	0.17	0.18	0.18	0.16	0.12	0.14	-0.03
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.53	0.44	0.59	0.57	0.74	0.55	0.50	0.44	0.58	0.47	0.60	-0.13
Pacific	0.63	0.54	0.69	0.67	0.58	0.74	0.73	0.71	0.66	0.66	0.60	0.06
Venezuelan Light & Medium												
North America	0.61	0.68	0.69	0.83	0.75	0.84	0.63	0.57	0.79	0.68	0.88	-0.19
Europe	0.07	0.08	0.02	0.04	0.01	0.01	..	..	0.02	0.02	0.06	-0.04
Pacific	0.00	0.00	0.00	..	0.00	0.00	..	..	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.65	0.55	0.60	0.66	0.83	0.73	0.81	0.75	0.88	0.88	0.66	0.22
Europe	0.07	0.05	0.06	0.05	0.07	0.09	0.05	0.05	0.05	0.07	0.06	0.01
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92	1.32	1.31	1.46	1.37	1.31	1.29	1.33	1.46	1.26	0.19
Europe	0.14	0.17	0.16	0.17	0.21	0.13	0.14	0.16	0.20	0.17	0.18	-0.01
Pacific	0.01	0.00	0.00	..	0.01	..	0.01	..	..	..	..	..
Mexican Isthmus												
North America	0.04	0.01	0.00	0.00	..	..	..	..	..	..	..	..
Europe	0.03	0.01	0.00	0.00	..	0.00	..	..	..	..	0.00	..
Pacific	0.01	0.01	0.00	..	0.01	..	0.01	..	..	..	..	..
Russian Urals												
North America	..	0.03	0.14	0.23	0.33	..	0.01	..	0.10	0.07	0.15	-0.08
Europe	1.10	1.32	1.62	1.50	1.70	1.75	2.14	2.25	2.17	1.86	1.51	0.35
Pacific	0.01	0.01	0.00	..	..	0.01	0.00	..	..	0.03	..	..
Nigerian Light⁴												
North America	0.50	0.39	0.63	0.59	0.78	0.67	0.80	0.71	0.84	0.88	0.62	0.26
Europe	0.38	0.32	0.41	0.38	0.44	0.38	0.32	0.28	0.19	0.16	0.33	-0.18
Pacific	0.02	0.06	0.08	0.03	0.05	0.09	0.12	0.10	0.14	0.12	..	..
Nigerian Medium												
North America	0.31	0.16	0.17	0.21	0.10	0.21	0.26	0.39	0.27	0.11	0.24	-0.13
Europe	0.10	0.06	0.06	0.04	0.04	0.09	0.03	0.06	0.08	0.02	0.03	-0.01
Pacific	0.00	0.01	0.01	..	..	..	0.02	..	..	..	..	..

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

IEA North America includes United States and Canada.

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

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

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
Regional OECD Imports^{1,2}
(thousand barrels per day)

	2001	2002	2003	2Q03	3Q03	4Q03	1Q04	Mar 04	Apr 04	May 04	Year Earlier	
											May 03	% change
Crude Oil												
North America	8020	7584	8027	8441	8475	8013	8027	8594	8459	8638	8472	2%
Europe	8592	8622	8983	8972	9228	9048	9295	8901	10436	9990	8927	11%
Pacific	6895	6422	6711	6720	6098	6680	7015	6773	6543	6153	6332	-3%
Total OECD	23506	22628	23722	24133	23801	23741	24337	24267	25438	24780	23731	4%
LPG												
North America	28	39	27	15	16	33	29	34	3	4	12	-191%
Europe	251	224	196	148	177	226	252	262	244	200	147	26%
Pacific	546	553	541	525	553	523	550	572	502	655	501	24%
Total OECD	825	816	764	688	745	781	831	868	750	860	660	23%
Naphtha												
North America	59	42	68	90	90	64	53	22	16	50	86	-72%
Europe	298	298	311	308	273	323	310	328	347	325	327	-1%
Pacific	647	705	770	711	839	761	782	712	663	762	710	7%
Total OECD	1005	1045	1150	1109	1202	1148	1145	1062	1026	1137	1123	1%
Gasoline³												
North America	673	680	694	889	695	569	673	960	877	869	845	3%
Europe	148	176	170	168	147	182	243	264	218	199	209	-5%
Pacific	36	58	70	70	79	76	106	102	138	113	80	29%
Total OECD	857	914	934	1126	921	828	1022	1326	1233	1181	1133	4%
Jet & Kerosene												
North America	139	97	97	108	114	67	45	33	61	128	126	1%
Europe	247	216	211	202	248	228	173	205	252	202	181	10%
Pacific	73	97	103	49	48	133	92	92	59	60	53	12%
Total OECD	459	411	411	359	410	428	310	330	372	390	360	8%
Gasoi/Diesel												
North America	186	102	128	88	126	87	199	206	65	102	82	20%
Europe	601	686	685	780	637	662	707	773	758	676	710	-5%
Pacific	31	53	74	78	66	77	59	58	78	106	82	22%
Total OECD	817	841	887	947	829	826	964	1036	901	884	874	1%
Heavy Fuel Oil												
North America	314	237	325	316	306	323	364	352	250	316	319	-1%
Europe	403	475	399	378	457	448	368	351	405	343	327	5%
Pacific	81	89	89	105	72	81	76	94	86	95	66	30%
Total OECD	799	801	812	799	835	853	809	797	741	754	713	6%
Other Products												
North America	703	689	701	791	759	618	869	891	636	746	783	-5%
Europe	737	733	684	600	715	702	666	728	650	657	570	13%
Pacific	218	256	235	234	225	217	249	247	234	275	233	15%
Total OECD	1658	1678	1620	1625	1699	1537	1784	1866	1520	1678	1586	5%
Total Products												
North America	2103	1887	2041	2298	2106	1762	2233	2498	1909	2216	2253	-2%
Europe	2686	2808	2655	2584	2653	2771	2720	2910	2874	2603	2471	5%
Pacific	1631	1811	1882	1770	1882	1869	1913	1877	1759	2066	1725	17%
Total OECD	6420	6506	6578	6653	6642	6401	6866	7285	6542	6884	6449	6%
Total Oil												
North America	10122	9471	10068	10739	10581	9775	10260	11092	10368	10854	10725	1%
Europe	11277	11431	11638	11556	11881	11819	12015	11811	13311	12592	11398	9%
Pacific	8526	8233	8593	8491	7980	8549	8928	8650	8301	8219	8057	2%
Total OECD	29925	29135	30300	30786	30443	30142	31203	31552	31980	31665	30181	5%

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

© OECD/IEA. All Rights Reserved

The International Energy Agency's ('IEA') makes every attempt to ensure, but does not guarantee, the accuracy and completeness of the information or the clarity of content of the Oil Market Report (hereafter the 'OMR'). The IEA shall not be liable to any party for any inaccuracy, error or omission contained or provided in this OMR or for any loss, or damage, whether or not due to reliance placed by that party on information in this OMR.

The Executive Director and Secretariat of the IEA are responsible for the publication of the OMR. Although some of the data are supplied by IEA Member-country governments, largely on the basis of information they in turn receive from oil companies, neither these governments nor these oil companies necessarily share the Secretariat's views or conclusions as expressed in the OMR. The OMR is prepared for general circulation and is distributed for general information only. Neither the information nor any opinion expressed in the OMR constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities.

The OMR is copyrighted by the IEA. The user may reference or copy this OMR for personal, non-commercial use provided that there be a specific written reference to the IEA as the source of the material. No part of the OMR may be copied, reproduced, republished, displayed, distributed or posted on servers in any manner for commercial purposes or for compensation of any kind without the prior written permission of the IEA (rights@iea.org).

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halff (+33) 0*1 40 57 65 93 e-mail: antoine.halff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org
	Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France
Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 69
E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

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

The monthly Oil Market Report is published on the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member Governments, largely on the basis of information received from oil companies, neither governments nor companies necessarily share the Secretariat's views or conclusions as expressed therein. ©OECD/IEA2004

9 September 2004

HIGHLIGHTS

- NYMEX WTI soared to near \$50 in mid-August driven by geopolitical concerns in Iraq, Russia and Venezuela and tight sweet crude and distillate markets set against a background of limited spare crude production and refining capacity. Yet, end-August prices slumped by \$8 as more supply was pushed into the market and funds took profits.
- OECD industry total oil stocks rose by 18 mb in July with gains in product stocks, dominated by distillates, outpacing a fall in crude. Days of forward demand cover came to 53 days in July, flat from upwardly revised June cover. OECD industry crude stocks are mid-range, with US gasoline stocks trending above their normal level.
- The demand growth forecast is steady from last month, at 1.8 mb/d for 2005 and 2.5 mb/d for 2004. Overall growth is set to slow in the second half of 2004 after gains of 5% in the second quarter. OECD demand for heating oil contracted steeply in the first and second quarters, and could rebound in Europe with the onset of the heating season.
- World oil supply rose by 300 kb/d in August to 83.6 mb/d. Non-OPEC output fell by 150 kb/d, offset by a 410 kb/d rise in OPEC crude. Russian production reached 9.35 mb/d, 45 kb/d up on July and 675 kb/d above last year. Non-OPEC supply is expected to grow by 1.28 mb/d in 2004 and 1.25 mb/d for 2005.
- August OPEC crude supply was 29.3 mb/d, Saudi Arabia adding 300 kb/d to reach 9.5 mb/d. Despite renewed Ceyhan exports, Iraqi supply fell 100 kb/d to 1.8 mb/d on disrupted southern exports. The 'call on OPEC crude and stock change' is 27.6 mb/d for 2004 and 2005, with respective fourth quarter peaks of 28.3 mb/d and 28.8 mb/d.

Next Issue: 12 October 2004

CONTENTS

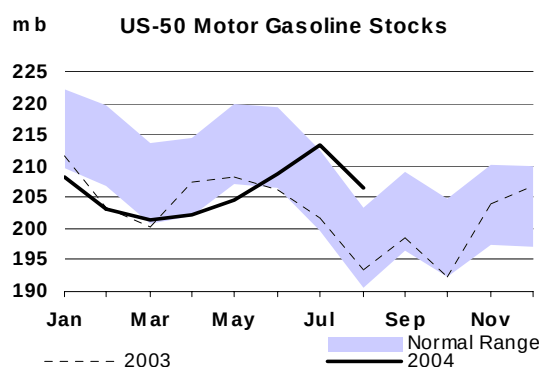
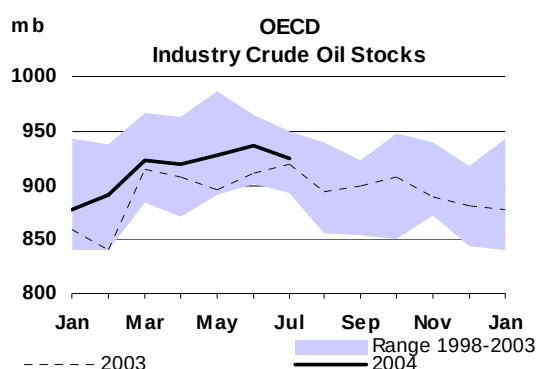
HIGHLIGHTS.....	1
TWO ENDS OF A LOOKING GLASS	3
DEMAND	4
Summary	4
OECD	5
Early Indications of Current Demand	5
Pacific.....	7
Europe	8
Taking the Heat off Heating Oil	9
North America	10
Non-OECD.....	10
China	10
FSU	12
Other Non-OECD	12
SUPPLY.....	13
Summary	13
OPEC	14
OECD	16
North America	16
North Sea.....	18
Asia Pacific.....	19
Former Soviet Union (FSU).....	19
Other Non-OPEC.....	20
Revisions to Other Non-OECD Supply Data	21
OECD STOCKS.....	22
Summary	22
OECD Industry Stock Changes in July 2004	23
Revisions to Preliminary OECD Stocks and Inventory Position at End-July	23
OECD Regional Stock Developments	24
North America	24
Europe	25
Pacific.....	25
Crude Inventories and Prices, Shifting Patterns?	26
Singapore Stock Developments in August.....	27
PRICES AND REFINERY ACTIVITY	29
Summary	29
Crude Oil Prices	30
Spot Crude Prices and Differentials	30
Crude Futures.....	31
Delivered Crude Prices in June.....	32
Product Prices.....	32
Spot Product Prices	32
Product Futures	36
End-User Product Prices in August.....	36
Freight.....	36
On the Scrap Heap.....	37
Refining Margins.....	37
Refinery Throughput.....	40
TABLES	42

TWO ENDS OF A LOOKING GLASS

A drop of over \$8 per barrel WTI over six trading days at the end of August followed by a ricochet of \$2 per barrel over the next two sessions suggests a number of things. First, the market remains jittery and is seeking direction. Second, short-term phenomena are driving the market as fundamentals do not change that quickly.

Analysts are divided in their view of the market. Some argue that the market is faced with a new paradigm; a shift to sustained higher prices driven by a lack of investment in upstream and downstream capacity and by structural shifts in non-OECD demand. As a consequence of limited spare production and refining capacity and surging Chinese demand, the market is seen to be stretched tight and unyielding as a “taut piano wire”.

Chatter about Saudi reserves, peak-oil and missed company production targets feed into this view. Geopolitical tensions and the reluctance of IEA countries to release strategic stocks are seen to provide further support to prices. Consequently, it is argued that \$40-plus oil reflects the underlying realities of an exceptionally tight market. With a seasonal rise in demand and uncertainty surrounding key producers, it is argued that the market can only get tighter as we move forward into the winter.



The counter view, and our position, while not underestimating the realities of limited spare production and refining capacity, argues that today's market is well supplied with crude. In fact, OECD crude stocks are in the middle of their historic range while US gasoline stocks are trending above their five-year range. With the end of the summer driving season, high gasoline stocks provide a cushion for refinery maintenance and support a switch to distillate production.

While demand is rising, so too is global supply, almost 1.4 mb/d of non-OPEC oil including OPEC other liquids by end-year. This Report expects a further 1.7 mb/d non-OPEC supply increase next year. In addition, OPEC capacity will increase by 400 kb/d over the remainder of 2004 and more capacity expansions are coming next year. Refinery expansions and new ship-buildings are also coming on stream later this year and over the next few years.

Light sweet crude has been in short supply, but the demand for light sweet barrels declines with the end of the summer driving season. Sweet-sour differentials suggest an ample supply of heavy, sour barrels which are of greater value to refiners maximizing distillate yields. With the shift from gasoline to distillate production, one would expect an easing of pressure on sweet crude prices and supply. In addition, US natural gas storage levels are high, suggesting less substitution into oil at the margin later this winter.

Geopolitical risks remain real but they are no greater today than they were in the past. And despite the ongoing rhetoric over Yukos, Russian production keeps rising month after month, a further increase of 45 kb/d in August, 675 kb/d year-on-year.

Suggestions of sustained \$40-plus prices assume that supply and demand do not respond to price, that technology has run its course, that governments are helpless in pursuing energy policies, that recessions are a thing of the past and that Chinese oil demand will grow unchecked forever. Perhaps, but we have our doubts. What is clear for now is that supply is running ahead of demand and stocks are building.

DEMAND

Summary

- **The projection of global oil product demand for 2004** is unchanged from last month's Report, at 82.16 mb/d. The 2005 forecast has been adjusted marginally lower, to 83.92 mb/d. Demand growth is seen to be about steady from last month, at 2.52 mb/d for 2004 and 1.77 mb/d for 2005.

Global Oil Demand from 2003 to 2005

	Demand (mb/d)	Annual Change* (%)	(mb/d)	Changes from last month's Report (mb/d)
1Q03	80.2	3.0	2.3	-
2Q03	77.2	1.3	1.0	0.1
3Q03	79.2	2.0	1.6	-0.1
4Q03	82.0	2.4	1.9	-
1Q04	82.3	2.6	2.1	-
2Q04	81.0	5.0	3.8	-0.1
3Q04	81.5	2.9	2.3	0.1
4Q04	83.8	2.2	1.8	-
1Q05	84.2	2.4	1.9	-0.1
2Q05	82.6	1.9	1.5	-
3Q05	83.3	2.2	1.8	-
4Q05	85.6	2.2	1.8	-0.1
2003	79.6	2.2	1.7	-
2004	82.2	3.2	2.5	-
2005	83.9	2.1	1.8	-

* year-on-year change

- **Global demand growth for the second quarter** was exceptionally robust at 5%, or 3.84 mb/d, reflecting both strong, synchronous economic growth and the impact of last year's Severe Acute respiratory Syndrome (SARS) outbreak. The second-quarter estimate has been trimmed marginally, in light of latest data showing weaker-than-expected deliveries in Brazil and Japan. Stronger FSU exports than initially estimated also trim the assessment of FSU implied demand. However, those cuts were partly offset by stronger-than-forecast oil deliveries in Europe, notably the UK and Spain.
- **Demand projections for the second half of 2004** have been adjusted slightly upwards. This reflects, in the OECD, stronger-than-expected Japanese utility demand and an upward adjustment in UK demand and, in the non-OECD region, an increase in the preliminary assessment of Chinese implied demand for July. Global demand growth is forecast to slow down in the second half of this year compared to the first half.

Estimated Annual World Oil Demand Growth 2000-2005

	(million barrels per day)					
	00-99	01-00	02-01	03-02	04-03	05-04
North America	0.26	-0.06	0.10	0.46	0.46	0.25
Latin America	0.00	0.00	-0.04	-0.10	0.14	0.11
FSU	0.08	0.00	-0.20	0.12	0.08	0.14
Europe	-0.12	0.21	-0.02	0.11	0.30	0.17
OECD Pacific	-0.04	-0.07	-0.04	0.14	-0.12	-0.04
China	0.26	0.12	0.30	0.55	0.84	0.48
Other Asia	0.09	0.18	0.26	0.19	0.42	0.27
Subtotal, Asia	0.31	0.23	0.52	0.88	1.15	0.72
Middle East	0.12	0.17	0.17	0.20	0.34	0.28
Africa	0.00	0.13	0.08	0.04	0.06	0.09
World	0.66	0.68	0.61	1.72	2.52	1.77

- Although **record-high oil prices** have shown no clear sign of denting demand, sustained high prices may hit consumption with a lag. In China and India, income gains and government measures, such as price controls and tax cuts, have shielded end-users from the full effect of crude price increases. But such measures can only work for so long. In China, product prices have been adjusted upwards, albeit with a delay, and crude price gains are thus being partly passed on to consumers. Price subsidies also cut into government budgets, potentially slowing oil consumption growth through reduced public spending. Price effects will also be felt more or less acutely depending on the state of the broader economy; the steeper the Chinese economy's slowdown, the stronger price effects are likely to be.

Global Oil Demand by Region

(million barrels per day)

	(million barrels per day)						
	Demand	Annual Change			Annual Change (%)		
	2004	2003	2004	2005	2003	2004	2005
North America	25.02	0.46	0.46	0.25	1.9	1.9	1.0
Europe	16.40	0.11	0.30	0.17	0.7	1.9	1.0
OECD Pacific	8.66	0.14	-0.12	-0.04	1.7	-1.4	-0.4
China	6.36	0.55	0.84	0.48	11.0	15.3	7.6
Other Asia	8.49	0.19	0.42	0.27	2.4	5.2	3.2
Subtotal Asia	23.51	0.88	1.15	0.72	4.1	5.1	3.1
FSU	3.66	0.12	0.08	0.14	3.6	2.2	3.8
Middle East	5.90	0.20	0.34	0.28	3.8	6.1	4.8
Africa	2.80	0.04	0.06	0.09	1.7	2.2	3.3
Latin America	4.86	-0.10	0.14	0.11	-2.1	2.9	2.2
World	82.16	1.72	2.52	1.77	2.2	3.2	2.1

- **Heating oil demand** has been weak ahead of winter across the OECD, with deliveries contracting by 4.7% in the first quarter and 8% in the second quarter. While the drop may reflect delayed buying, notably in Europe, potentially leading to stronger demand later on, it may also stem in part from efficiency gains and a long-term trend towards fuel switching out of oil for winter heating. Signs of slowing demand growth for gasoline, and a counter-seasonal build in US gasoline stocks, bode well of refiners' ability to boost distillate output and meet heating demand, while high US natural gas inventories should also dampen substitution into oil at the margin this winter.

OECD

Early Indications of Current Demand

Monthly oil statistics for June leave the aggregate estimate of second-quarter OECD oil demand unchanged from last month's Report, at 48.16 mb/d, representing a year-on-year gain of 760 kb/d. Preliminary estimates for June have been revised marginally downwards by 20 kb/d. That drop, along with a 10 kb/d cut for April, was offset by a 30 kb/d upward adjustment for May.

Broken down by key markets, the June data show somewhat steeper (though mutually offsetting) regional adjustments. Demand in the Asia-Pacific region was revised downwards by 250 kb/d, with Japan accounting for the bulk of the decrease. In contrast, European demand was revised upwards by 280 kb/d, with most of the gains in the UK (+140 kb/d) and Spain (+100 kb/d). Preliminary estimates for Italy were also revised up by 40 kb/d, though assessments for France and Germany were adjusted downwards, by 60 kb/d and 30 kb/d, respectively. North America was a mixed bag, with Canada raised by 135 kb/d and the US cut by 190 kb/d.

Overall, June OECD demand expanded at a steep rate of 1.2 mb/d year-on-year. Diesel demand led the gain (+580 kb/d), followed by LPG (+400 kb/d) and "other products" (+320 kb/d). The increase appears consistent with continuing recovery in the global economy, including a pickup in trucking activity to ferry finished goods and raw materials and strong manufacturing activity, notably in chemicals.

While most products showed stronger demand on an aggregate basis, heating oil bucked the trend. In contrast with OECD demand for road diesel, which surged in June, heating oil demand contracted steeply across the region. June heating oil deliveries declined by 160 kb/d in North America, 130 kb/d in Europe and 60 kb/d in the Asia-Pacific region. In total, OECD heating oil demand

contracted by 350 kb/d year-on-year. Residual fuel oil demand also fell, but more slowly, as a 40 kb/d gain in North America partly offset drops of 110 kb/d in Asia and 20 kb/d in Europe. For the second quarter as a whole, OECD heating oil demand contracted by 8%, after declining by 4.7% in the first quarter.

The same pattern continued in July. Although preliminary data for eight of the largest OECD economies show generally stronger oil deliveries in July than expected, heating oil deliveries were significantly below forecast. Based on those preliminary statistics, heating oil deliveries contracted across the region except in Canada, averaging 3.7% below last year (see table below). Residual fuel oil deliveries fell even faster, led by double-digit percentage drops in Europe and Mexico, and smaller declines in Japan and Korea. While July demand for those eight economies was revised upwards, by an aggregate 210 kb/d, demand for heating oil was adjusted downwards, by roughly 70 kb/d.

Preliminary Inland Deliveries – July 2004¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	9.20	0.1	1.63	0.7	3.09	8.6	0.81	-3.1	0.78	0.4	4.85	0.5	20.36	1.3
Canada	0.74	0.1	0.12	7.0	0.43	1.9	0.04	6.1	0.14	3.0	0.28	1.1	1.74	1.5
Mexico	0.64	4.9	0.06	10.9	0.31	1.0	0.00	na	0.34	-17.6	0.38	-6.5	1.72	-3.3
Japan	1.15	9.5	0.30	2.0	0.67	3.2	0.45	-0.2	0.48	-3.0	1.53	5.6	4.58	4.4
Korea	0.18	1.2	0.09	44.1	0.33	0.3	0.03	-19.4	0.23	-2.1	0.96	-4.0	1.81	-1.2
France	0.29	-7.0	0.14	4.4	0.65	-1.7	0.24	-16.1	0.05	-13.9	0.46	-0.5	1.83	-4.3
Germany	0.59	-4.9	0.16	2.3	0.60	-3.2	0.50	-0.5	0.11	-8.4	0.51	8.7	2.47	-0.8
Italy	0.36	-7.0	0.09	10.0	0.52	7.9	0.08	-3.4	0.21	-29.5	0.42	-5.3	1.68	-5.4
Total	13.15	0.5	2.59	3.0	6.60	4.5	2.14	-3.7	2.33	-7.6	9.38	0.6	36.20	0.6

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

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

1 excludes refinery fuel and bunkers (except US)

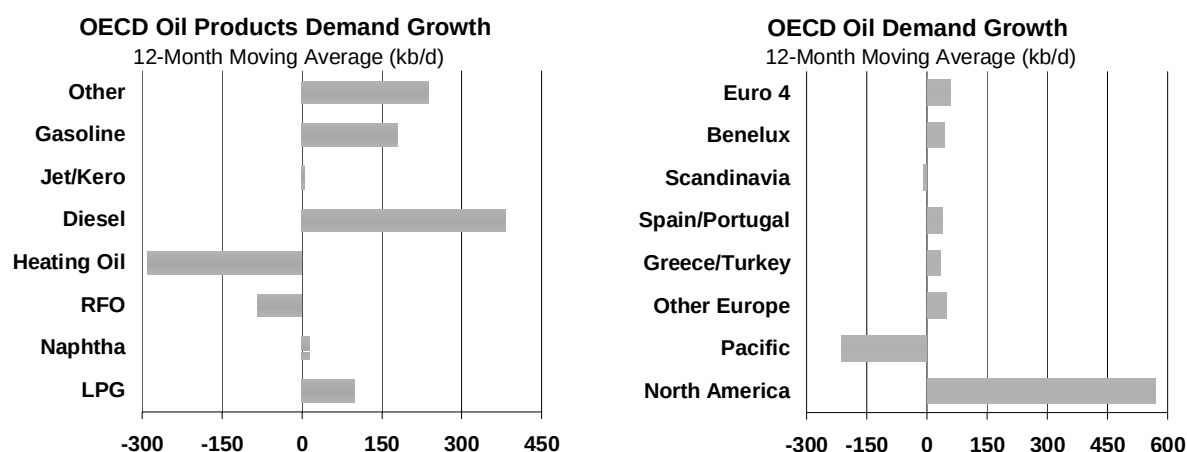
2 includes direct use of crude oil

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

In the run-up to the peak heating demand season, the recent weakness in heating oil deliveries lends itself to conflicting interpretations. A “bearish” view would suggest that weak heating oil and residual fuel oil demand, at a time when the market seasonally refocuses on heating fuels, sets the stage for a weak winter oil market and, potentially, reflects a slowdown in the pace of global demand growth. Demand for transportation fuels, which had strongly contributed to overall growth in OECD oil demand, should be less of a factor with the end of the driving season and of the peak air travel season.

In contrast, a “bullish” take on heating fuel demand might emphasise that any delays in heating fuel deliveries can only lead to stronger demand later on when end-users scramble to rebuild stocks ahead of winter or meet current heating requirements. Weak deliveries thus might not reflect weak underlying demand, but rather a price-driven deferment of necessary purchases, leading, in time, to an offsetting demand surge.

Should the recent weakness in heating oil deliveries be seen as presaging weak or robust winter fuel demand? The answer probably is a little bit of both, depending on the region. In the US and Asia, where oil competes with natural gas and coal as boiler fuel at the margin during the winter peak in electricity demand, high natural gas storage seems to limit the likelihood – barring unusually severe winter weather or an early cold snap – of heating fuel demand playing catch up in a big way. US natural gas inventories are both higher than last year and above their five-year range, and natural gas seems likely to stay competitive as boiler fuel against heating oil and residual fuel oil. Meanwhile, lower natural gas prices in the US have helped divert LNG shipments from the US to Asia, boosting LNG availability in Korea and Japan, and further undermining residual fuel oil and crude oil demand for power generation there. Though in Japan, this will be partly offset by continuing issues surrounding nuclear power generation.



Europe is another story. Although natural gas, there too, has substantially encroached upon heating oil's share of the heating fuel market, there is anecdotal evidence that end-users in Germany, France, Switzerland and Belgium have postponed refilling their residential tanks in hope of an elusive price drop. But those tanks will eventually need to be replenished. Low European second-quarter and summer heating oil demand might indeed lead to a later rebound.

Moving Annual Average Change in Oil Demand* – July 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	3.4%	-5.2%	2.0%	1.9%	6.0%	-6.6%	3.5%	2.0%	2.1%	421
Canada**	11.3%	3.8%	1.3%	5.5%	-3.7%	6.8%	14.4%	5.2%	5.0%	107
Mexico	2.3%	-5.5%	5.6%	3.3%	2.7%	2.7%	-11.3%	24.1%	1.8%	35
Japan	-6.7%	1.7%	1.6%	-5.8%	-1.4%	-3.8%	-9.9%	-9.6%	-3.6%	-206
Korea	-4.3%	2.2%	-6.9%	-9.8%	4.1%	-8.7%	-0.8%	-15.9%	-1.3%	-29
France	4.9%	16.6%	-7.5%	5.1%	0.8%	-1.0%	-0.9%	12.8%	2.4%	47
Germany	0.8%	8.3%	-3.4%	2.2%	5.6%	-19.7%	0.2%	21.9%	-2.3%	-62
Italy	1.6%	-1.1%	-1.0%	12.5%	13.7%	-22.0%	-5.5%	3.4%	0.9%	17
UK	14.3%	0.1%	-3.6%	5.0%	3.7%	3.7%	8.8%	10.5%	3.2%	56
Total	2.3%	2.9%	1.2%	0.2%	4.6%	-7.0%	-2.7%	2.9%	1.0%	387
kb/d	96	77	158	8	277	-251	-88	111	387	

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

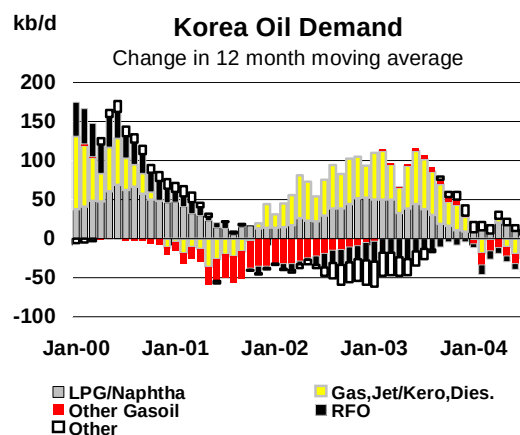
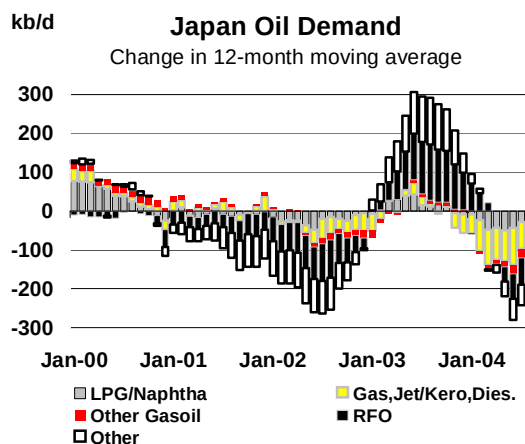
** near-month data are estimated

Pacific

OECD Asia-Pacific demand contracted in the second quarter for the fourth consecutive quarter. The decline, which averaged 200 kb/d year-on-year, followed a 375 kb/d drop in the first quarter and was particularly pronounced in May (-330 kb/d) and, based on latest delivery data, June (-230 kb/d). Japanese demand for June, having been adjusted upwards last month in light of provisional delivery data, has been trimmed back to previously forecast levels as preliminary estimates were adjusted downwards. Decreased Japanese utility demand for residual fuel oil and crude oil for direct burn, following the restart of several nuclear power generation units that had been temporarily idled by Tokyo Electric Power Co. (Tepco), led the decline.

But demand rebounded in July on the back of warmer-than-usual summer temperatures. Preliminary data suggest that Japanese demand expanded by close to 4% in July, reversing a drop of about 5% in May and June. Hot temperatures continued into August, boosting cooling demand and spurring sustained oil burn by electric utilities. On 9 August, an accident at a Kansai Electric Power Co. (Kepco) nuclear unit led to several new shutdowns of nuclear plants for inspection, further boosting power-sector demand as Kepco increased operations at its oil-fired plants. At the time of writing, seven of Kepco's 11 nuclear units were reportedly down for special inspections or previously scheduled maintenance, while six of Tepco's 17 plants remained idled.

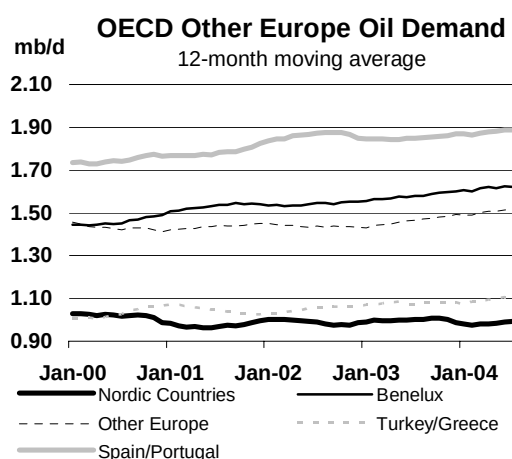
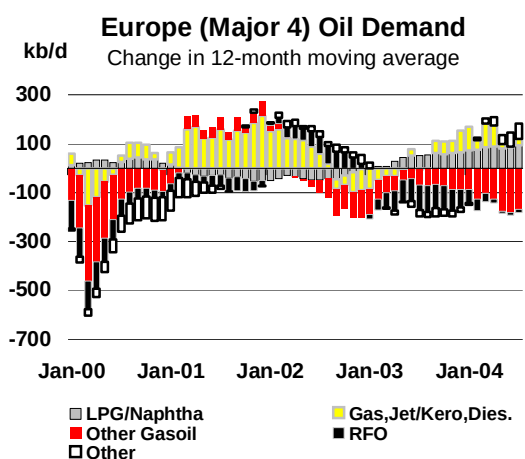
On average, Japanese demand is now forecast to show overall growth of 2.7% in the third quarter, following dips of 4.9% in the first quarter and 4.2% in the second quarter. While this should help shift regional demand back into growth of nearly 200 kb/d for the period after four consecutive quarters of contraction, the effect of nuclear outages on fourth-quarter oil demand is expected to be less pronounced. While it is difficult to predict how long Kepco's unplanned outages may last, their impact will, in any event, be muted by the seasonal fourth-quarter downturn in Japan's electricity demand. Incremental oil demand from the power generation sector will also be offset by heightened regional availability of LNG.



With above-range levels of pre-winter natural gas inventories in the US, North American natural gas prices have been easing relative to oil. But while LNG prices track those of natural gas in the US, in Asia they are tied to crude prices. Higher LNG prices in Asia than in North America have thus helped redirect eastward a stream of LNG imports initially headed to the US. Higher LNG supplies in Asia should in turn undermine oil demand from electric utilities. Recent improvements in coal logistics problems may also increase the supply of coal available to the Asian market, boosting operating rates at coal-fired plants at the expense of oil-fired ones.

Europe

European demand growth has been surprisingly robust in the first half of this year. Over that period, deliveries expanded by an average 300 kb/d year-on-year, including gains of 360 kb/d in the first quarter and 245 kb/d in the second quarter. This followed a 100 kb/d increase in 2003. Yet heating oil deliveries have been in a nosedive.

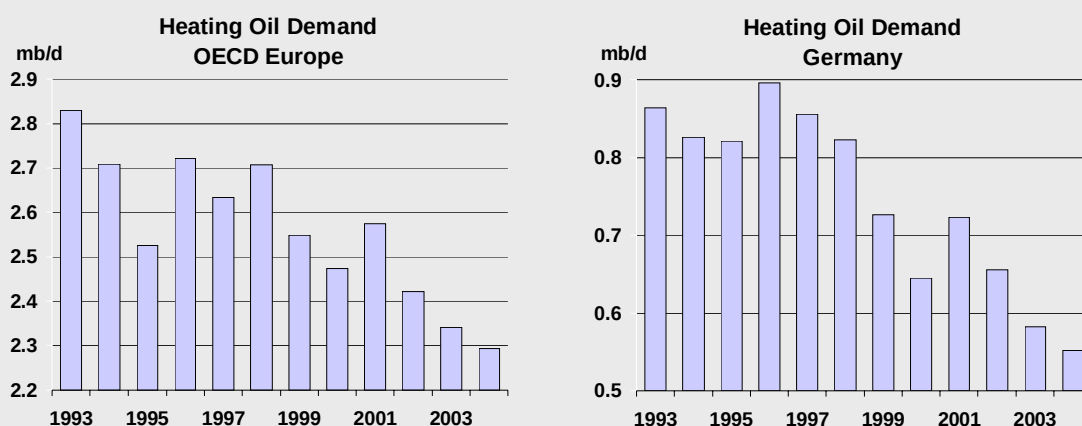


In the first half of this year, heating oil deliveries contracted by an average 150 kb/d, including a 230 kb/d dip in the second quarter, after having declined by an average 230 kb/d in the second half of last year. Falling heating oil deliveries have reportedly left consumer reserves at low levels ahead of winter. Looking forward, that delivery deficit could support second-quarter demand growth, when homeowners and other consumers re-enter the market to rebuild their winter reserves.

Taking the Heat off Heating Oil

Concerns over a looming spike in European heating oil demand should not be overblown. Comparisons to prior-year storage fill levels are partly misleading in that they assume steady storage capacity and refilling requirements from year to year; whereas baseline demand varies with new construction, conversion to natural gas and efficiency gains.

Technology advances have enabled substantial fuel savings not only at natural gas-fired residential boilers but also for oil-fired ones. In the absence of boiler sales statistics, measuring their impact is difficult. But it is clear that European heating oil demand has steadily fallen over the past twelve years, from a peak of 2.83 mb/d in 1993 to a low of 2.34 mb/d in 2003. Projected demand for this year is even lower at 2.29 mb/d, assuming 50 kb/d growth in the second half of this year.



Much of the drop reflects declining demand in Germany, Europe's largest heating fuel market. German demand peaked at 900 kb/d in 1996, but has since fallen to 580 kb/d in 2003 and may further dip to 550 kb/d this year. German heating oil demand has contracted in eight of the last ten years, including dips of 70 kb/d each in 2002 and 2003. But the pace of contraction has picked up momentum, to an average 140 kb/d in the last four quarters, including a 160 kb/d in the second half of last year and a further 130 kb/d in the first half of 2004.

While it is possible that the regular replacement of old, worn-out boilers with more efficient furnaces has been compounded by consumer concerns that high oil prices may be here to stay, it seems more likely that many buyers have simply been postponing their fuel purchases in hope of a price drop.

What makes this a potential concern is that European demand has otherwise been extremely robust. This is notably the case of demand for other middle distillates, spurred by economic recovery and fuel switching from gasoline to diesel for road transportation. This could limit the market's ability to boost regional heating oil output and meet a potential demand spike, thereby heightening Europe's growing dependence on distillate imports. Indeed, despite the 230 kb/d drop in heating oil deliveries, overall European distillate demand expanded in the second quarter, as diesel demand gained 180 kb/d and jet fuel/kerosene deliveries expanded by another 65 kb/d. European diesel demand gained nearly 200 kb/d in 2003 and another 190 kb/d in the first half of this year, extending the rise of the previous 10 years. In the last 12 years, diesel demand has grown from a low of 2.15 mb/d in 1993 to 3.47 mb/d in 2003 – a gain of 1.3 mb/d, or 62% – and is forecast to rise to 3.62 mb/d this year.

UK demand has been adjusted upwards looking forward in light of what appears to be a structural shift in "other products" demand since early this year. Further upward adjustments may be implemented pending the outcome of a review of recent UK delivery data.

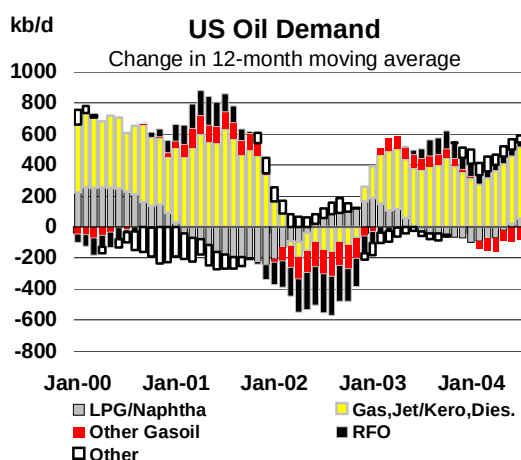
North America

As in Europe, recent patterns of North American demand are characterised by a discrepancy between robust overall demand growth and a sustained contraction in heating oil deliveries. But the implications for future demand trends appear markedly different than in the European case.

North American demand increased by an average 560 kb/d in the four quarters to end-June, led by increases of 220 kb/d for gasoline, 160 kb/d for diesel, 130 kb/d for “other products” and 30 kb/d for jet fuel/kerosene. Heating oil bucked the trend, contracting steadily through the period by an average 70 kb/d. The divergence was even more pronounced in the US, where total demand expanded by 400 kb/d over the four-quarter period, but heating oil deliveries contracted by 90 kb/d. Transportation fuels led the demand increase, with gains of 180 kb/d for gasoline, 160 kb/d for diesel and 70 kb/d for jet fuel. In contrast, heating oil deliveries contracted for five quarters in succession.

US heating oil deliveries were particularly weak in June, when demand contracted by 22% year-on-year. At 700 kb/d, June demand was sharply below forecast, and accounted for the bulk of a 190 kb/d downward adjustment from preliminary demand estimates for the month. Demand for LPG was also revised sharply downward, while diesel demand was raised.

Despite a pattern of weak deliveries, however, the potential for a heating oil supply crunch triggered by a late demand spike appears less than in Europe. Helped by cool weather and modest cooling demand, natural gas inventories have steadily rebuilt over the summer and now look poised to start the winter heating period well above both year-earlier levels and their five-year range. At the same time, baseline natural gas demand appears to have edged lower due both to efficiency gains at natural-gas fired power plants and some amount of permanent demand destruction in the last two years, when record-high natural gas prices forced some industrial users to shut down their US operations. This suggests that there will be limited scope for fuel-switching into oil by electricity generators and industrial users.



Meanwhile, heating oil inventories appear relatively comfortable, and above-range gasoline stocks, along with an apparent slowdown in gasoline demand growth, will give refiners enhanced flexibility to maximise gasoil yields if needed. US statistics for June suggest gasoline demand growth eased to 0.6% from steeper gains earlier in the year, while preliminary data for July and August point to even slower growth of 0.1%.

Non-OECD

China

Chinese demand growth remained, by any standard, extremely robust in July, but slowed markedly in comparison to the record-breaking rate of the first half of 2004. According to preliminary estimates, July apparent demand – defined as the sum of domestic product output and net product imports plus adjustment factors – expanded by about 14%, to 6.32 mb/d, down from a growth of 25% in the second quarter and 19% in the first quarter.

Although July apparent demand exceeded expectations, directionally the trend was in line with our forecast. If preliminary assessments are confirmed, July demand will show a contraction of 260 kb/d month-on-month, from a record 6.58 mb/d in June. The drop reflects both lower refinery throughputs and decreased net product imports. According to the National Bureau of Statistics, refinery throughputs fell by about 140 kb/d in July on the month, partly on the back of refinery maintenance. Meanwhile, net imports appear to have slid to a four-month low of 620 kb/d, down 210 kb/d on the month and 370 kb/d below April's peak. Net imports of residual fuel oil retreated to a six-month low, while those of diesel eased to a four-month low and naphtha net exports surged to a 13-month high. That was partly offset by a surge in net LPG imports to a 13-month high of nearly 250 kb/d (see table on next page).

While apparent demand growth is expected to further slow down in the second half of this year, uncertainties surrounding the broader economy continue to cloud the oil outlook. GDP and IP data

suggest that the government is scoring some success in its goal of steering the economy towards a soft landing. But other data, including signs of a rebound in foreign direct investment and in copper demand in July, fail to fully dispel concerns over the risks of overheating. Conventional wisdom has it that any failure in engineering a soft landing this year would boost the risk of a hard landing later on. Under such a scenario, oil demand might exceed expectations for the second half of 2004, only to show slower growth than forecast in 2005. Steep income gains this year, along with product price controls, helped the Chinese economy cope with a sharp run-up in international crude prices. But Chinese consumers might no longer enjoy that protection in the event of a hard landing.

China Crude & Product Trade

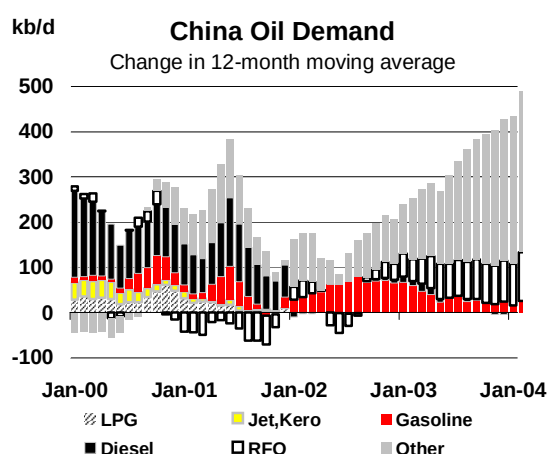
(thousand barrels per day)

	2002	2003	3Q03	4Q03	1Q04	2Q04	May 04	Jun 04	Jul 04	Latest month vs. Jun 04 Jul 03	
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1731	1716	2290	2371	2101	2623	2185	-438	708
Products & Feedstocks	361	442	586	445	600	849	728	831	620	-211	25
Gasoil/Diesel	-16	-28	-42	-9	22	50	60	58	29	-29	79
Gasoline	-142	-175	-184	-151	-95	-141	-125	-141	-122	19	60
Heavy Fuel Oil	281	407	531	361	448	653	531	651	446	-205	-99
LPG	197	202	211	203	172	227	233	219	248	29	27
Naphtha	-16	-22	-22	-24	-21	-11	-5	-23	-39	-16	-18
Jet & Kerosene	9	1	15	-6	21	15	-5	17	2	-16	5
Other	48	58	77	70	54	56	39	50	55	6	-29
Total	1609	2106	2317	2161	2890	3220	2829	3454	2805	-649	733

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

Independent of the broader economy, the effect of recent government measures more directly targeted at oil consumption appears equally unclear. Credit restrictions for automobile purchases may slow vehicle sales, and thus, indirectly, gasoline consumption. But a recent crackdown on truck overloading, after having initially reduced diesel demand, may now be stimulating it. Road transport demand growth reportedly eased in May and June, as reduced truckloads forced a sharp increase in road freight costs. But the market appears to have since adjusted, leading to higher, rather than lower, diesel sales, as more trucks are required to ferry the same amount of goods. Conversely, a long-delayed increase in product prices, enacted in late August, means that crude price increases will be partly passed on to consumers, thereby increasing the potential for demand responses. However, the timing of such price effects is typically lagged and may not be felt for months. A closer alignment of domestic prices with international markets might also pave the way to a rebound in product imports, thereby boosting apparent demand.

Seasonal consumption patterns point to a rebound in end-user demand for oil from September to the end of the year, due, in part, to the end of the Fujian province fishing ban and a harvest-related rise in agricultural diesel demand. That may lead to a rebound in diesel imports in September. Nevertheless, apparent demand growth remains expected to ease in the second half. This reflects continuing refinery maintenance activity through end-September and beyond, for which an increase in diesel imports may only serve to compensate. Also, there are offsetting factors. A holiday week in early October is expected to dent end-user demand, possibly leading to temporary product stock-builds in the run-up to that occasion. There are also signs that diesel demand was boosted earlier this year by widespread end-user precautionary stock-building, to be used for stand-alone power generators in the event of power shortfalls. Those stocks may not have been fully drawn, as demand-side measures helped improve summer electricity supply and, at least in some cases, kept the recourse to back-up generator relatively low.



FSU

The assessment of FSU apparent demand for 2004 was adjusted marginally downwards, following an upward reassessments of exports. Higher estimates of export capacity also partly offset upward adjustments in the longer-term supply forecast. However, there were reports of Russian government concerns that crude oil output had recently been underreported. Any potential increase in the assessment of Russian production would in turn lead to corresponding upward adjustments in the implied domestic demand estimate. But global supply and demand balances would be unaffected, as supply and demand would be adjusted by a like amount.

Other Non-OECD

A truckers' strike in India has led to a downward adjustment to the assessment of Indian third-quarter consumption. Diesel demand accounts for the bulk of the adjustment, though a dip in industrial output resulting from the strike is expected to affect other product as well. However, the demand impact of this year's labour action is expected to be less than during the truckers' strike of April 2003. At that time, the effect of the strike had been compounded by other factors, such as distortions in the timing of demand due to previously announced product price increases, and inventory draws following precautionary stock-building ahead of the confrontation in Iraq.

Indian June demand growth slowed markedly in June, to 1.9%, from steep growth rates of 11.3% in March, 15.7% in April and 9.6% in May. The slowdown may partly reflect a lower base in April and May 2003, when demand contracted by 6.3% and 3%, respectively. Recent delivery data also appear to have been partly inflated by a build-up in refiners' product stockholdings, in connection with the country's plans to build a strategic petroleum reserve

India Crude & Product Trade

(thousand barrels per day)

	2002	2003	3Q03	4Q03	1Q04	2Q04	Apr 04	May 04	Jun 04 ¹	Latest month vs. May 04 Jun 03	
Net Imports/(Exports) of:											
Crude Oil	na	1863	1801	1943	1938	2090	1736	1917	2623	706	780
(by Public Oil Cos)	1088	1243	1137	1379	1105	1312	1170	1087	1687	600	478
Products & Feedstocks	-83	-152	-205	-91	-132	-173	-143	-234	-140	95	141
Gasoil/Diesel	-53	-119	-144	-99	-137	-135	-157	-145	-103	42	73
Gasoline	-48	-72	-88	-62	-77	-67	-63	-85	-53	31	17
Heavy Fuel Oil	6	5	13	-8	-12	13	35	4	-1	-5	-18
LPG	22	55	38	79	90	39	43	23	51	28	29
Naphtha	4	-1	-3	30	19	10	19	5	5	1	57
Jet & Kerosene	10	-22	-28	-42	-29	-44	-33	-50	-47	3	-25
Other	-23	1	7	11	14	12	13	13	8	-5	6
Total	1005	1091	1596	1852	1807	1917	1592	1683	2483	801	921

¹ Preliminary

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

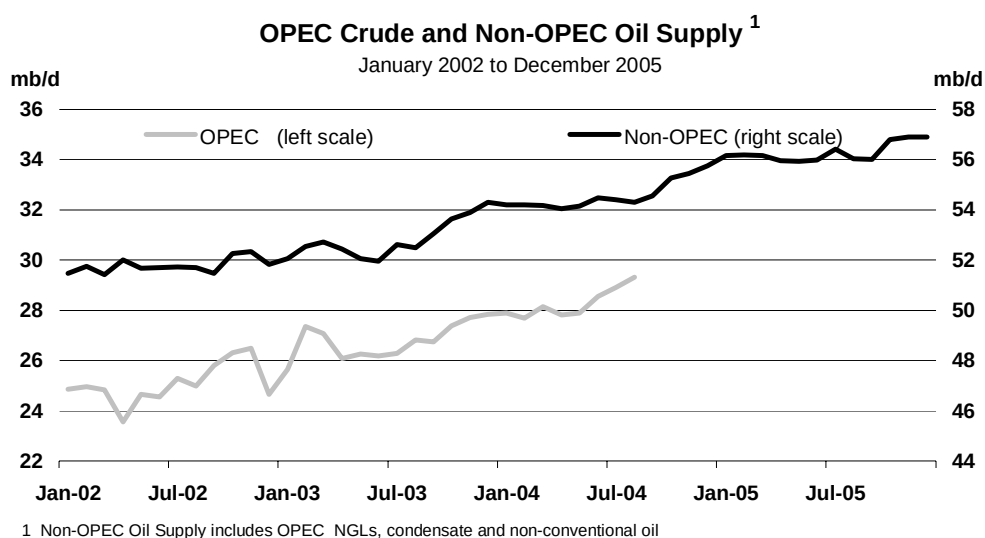
Yearly data for net imports of crude oil for 2002 are not available.

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

SUPPLY

Summary

- **World oil supply** increased by 300 kb/d in August, similar to July's downward-revised increment. Although non-OPEC supplies declined for the second month running, by 150 kb/d, this was offset by a 410 kb/d rise in OPEC crude and 40 kb/d of OPEC NGL, condensate and non-conventional oil. World supply reached 83.6 mb/d, some 4.3 mb/d higher than a year ago. OPEC crude stood 2.5 mb/d higher than in August 2003, while non-OPEC production was up by 1.4 mb/d. OPEC other liquids also stood 350 kb/d above 2003's level.
- **The non-OPEC supply** fall of 150 kb/d in August was driven by the North Sea and USA, where production was off by a combined 330 kb/d. Norwegian and Alaskan summer maintenance accounted for the bulk of this decline. In contrast, non-OECD output increased by 135 kb/d, with the bulk of the rise coming from the FSU. August data for Russia showed oil production reaching 9.35 mb/d, 45 kb/d up on July and 675 kb/d higher than in August last year. Production from Azerbaijan also increased by an estimated 55 kb/d. The forecast increase in non-OPEC supply for 2004 is now 1.28 mb/d, with non-OPEC supply and OPEC other liquids increasing by 1.4 mb/d between August and December 2004. Non-OPEC growth of 1.25 mb/d is expected for 2005.
- **OPEC crude supply for August** averaged 29.3 mb/d, up by 410 kb/d compared to July. Saudi Arabia increased supply by 300 kb/d to 9.5 mb/d, while increases of around 50 kb/d each were seen from Iran, UAE and Nigeria. Iraqi supply net of deliveries into storage fell by 100 kb/d to 1.8 mb/d as southern exports were disrupted once more around mid-month. Pipeline deliveries to Ceyhan in Turkey recommenced in the final third of August but were curtailed once again on 2 September after renewed sabotage on the pipeline.
- **OPEC-10** (excluding Iraq) supplied an average of 27.5 mb/d in August, an increase of 510 kb/d versus July and 1.5 mb/d above the production target in effect from 1 August. Spare production capacity continues to erode to very low levels, at least when measured on a sustainable basis. However a combination of surge capacity and expected capacity additions by end-year mean that short term flexibility may be 1.9 mb/d more than suggested purely in terms of sustainable capacity. An OPEC meeting is scheduled for 15 September during which possible changes in production targets and the organisation's price band are reported as being up for discussion.
- **The 'call on OPEC crude and stock change'** is unchanged at 27.6 mb/d for 2004 and is seen holding at that level for 2005. The peak demand 4Q 'call' now stands at 28.3 mb/d this year and 28.8 mb/d next year. The 'call' for the current quarter is adjusted up to 27.1 mb/d, due to upward revisions to Chinese and OECD demand. By way of comparison, actual OPEC production has averaged 29.1 mb/d during July and August.



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

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

OPEC

OPEC crude production rose by 410 kb/d in August, reaching 29.3 mb/d compared to a downward-revised 28.9 mb/d in July. The increase in August derived from a 300 kb/d boost from Saudi Arabia (production reaching 9.5 mb/d) together with a 150 kb/d increase from Iran, UAE and Nigeria combined. Net supply from Iraq fell by 100 kb/d amidst disrupted exports from the south of the country around the middle third of the month. Production estimates for Iran and Iraq for July have been revised down by 100 kb/d each in light of indications of lower export volumes for that month. Initial indications are that near-capacity output will be maintained through September by key producers, with incremental volumes possible from Saudi Arabia. Export volumes from Iraq could also rise if pipeline supplies to southern terminals remain uninterrupted.

This Report's estimate of OPEC sustainable capacity has changed only modestly from last month, and averages 30.3 mb/d. Based upon a combination of assessed actual production and field development plans, capacity for **Kuwait** has been revised up by 50 kb/d to 2.4 mb/d and for **Libya** by 10 kb/d to 1.59 mb/d. Setting aside notional spare capacity for Iraq, OPEC-10 spare capacity has receded to 300 kb/d. This however excludes extra capacity likely available in the short term on a surge basis which may amount to a further 1.85 mb/d. Such capacity can be activated fairly quickly but is unlikely to be sustainable for more than three months, for reasons of best reservoir practice, a desire to limit gas flaring or for other logistical reasons. Key in this regard is Saudi Arabia's reported capability to reach 10.5 mb/d, compared to this Report's assessment of 9.5 mb/d sustainable capacity (attainable within 30 days *and* immediately sustainable for 90 days or more). Iran, Kuwait, Libya, Qatar and UAE are also thought capable of surging production above the levels shown below by a collective 850 kb/d.

OPEC Crude Production

(million barrels per day)

	1 Aug 2004 Target	Aug 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs Aug 2004 Production	Production vs. Target
Algeria	0.83	1.23	1.25	0.02	0.40
Indonesia	1.35	0.95	1.00	0.06	-0.40
Iran	3.82	3.95	4.00	0.05	0.13
Kuwait ²	2.09	2.37	2.40	0.03	0.28
Libya	1.39	1.59	1.59	0.00	0.20
Nigeria	2.14	2.45	2.50	0.05	0.31
Qatar	0.67	0.80	0.80	0.01	0.12
Saudi Arabia ^{2, 3}	8.45	9.50	9.50	0.00	1.05
UAE	2.27	2.48	2.55	0.07	0.21
Venezuela ⁴	2.99	2.22	2.25	0.03	-0.77
Subtotal	26.00	27.53	27.84	0.31	1.53
Iraq ⁵		1.79	2.50	0.72	
Total		29.32	30.34	1.03	

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

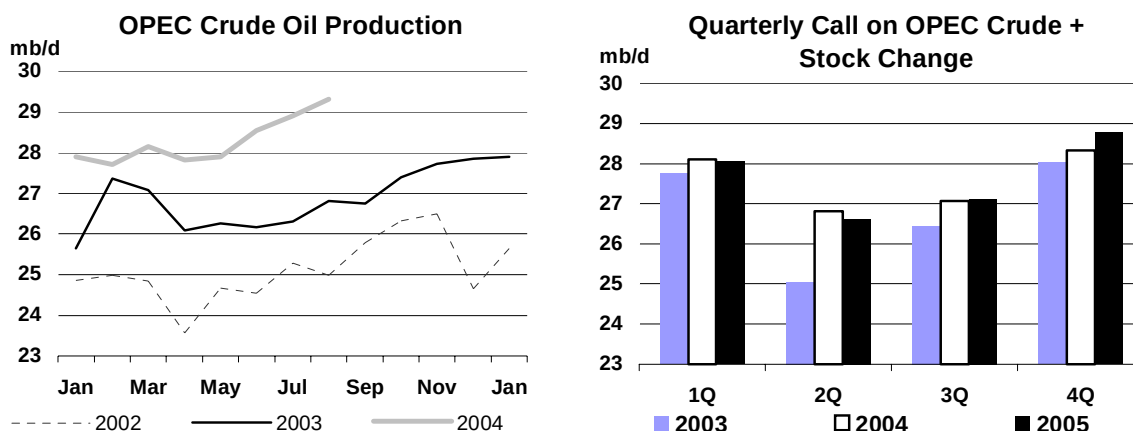
2. Includes half of Neutral-Zone production

3. Saudi Arabia indicates it can surge to 10.5 mb/d at short notice, but requires incremental drilling to sustain this level over 90 days

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

Of course the dividing line between sustainable and surge capacity is somewhat blurred. Depending on the duration of OPEC's current ramp-up in production, adjustments to sustainable capacity estimates may materialise. Evidence of production being maximised for three months or more may cause analysts to further adjust their assessments of capacity, upward for some producers, downward for others. Notwithstanding, the current spare capacity position can be best characterised as tight, albeit likely to ease over time as OPEC capacity additions materialise in the second half of 2004 and into 2005 (last month's Report highlighted a net 1.0 mb/d of new OPEC capacity additions by end-2005).

OPEC-10 produced 1.5 mb/d above the 26.0 mb/d target in place from 1 August. The 15 September OPEC meeting is believed likely to address the alternatives of maintaining the existing target, raising it closer to recent production levels or suspending the production target temporarily. Press reports in recent days have suggested that calls for a raising of OPEC's target price band may also be on the agenda.

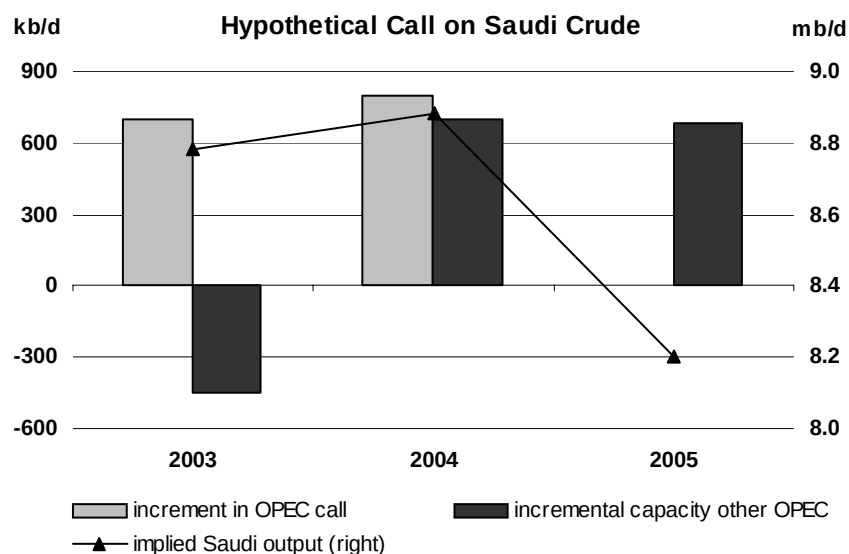


Saudi Arabian crude supply for August is estimated up by 300 kb/d from July at 9.5 mb/d. Moves to boost production have been accompanied by increased discounts for cargoes of heavier/sourer grades for September and October lifting. Recent wide sweet-sour crude price differentials suggest not only ample prompt supply but also that higher volumes could be sustained into this month and next. While outside estimates vary as to sustainable capacity (the Saudis themselves put capacity at 10.5 mb/d), production of 9.5 mb/d-plus on a prolonged basis has not been tested since the early-1980s in the aftermath of the Iranian revolution.

The next couple of months will go a long way to resolving the conundrum (outside the Kingdom) of Saudi sustainable capacity. If Saudi Arabia sustains production above 9.5 mb/d, increasing production from new fields such as Qatif and Abu Safah while simultaneously maintaining output from more mature infrastructure, then the more conservative (including this Report's) capacity estimates face upward revision. Third party estimates for Saudi capacity currently vary from this Report's 9.5 mb/d at the bottom of the range, to some 11.0 mb/d at the higher end. The question however is more one of timing than of physical capability. Put simply, can Saudi Arabia produce 10.5-11.0 mb/d within one month and sustain this for three months? Or will it take more in the way of drilling and infrastructure investment before these higher levels can be considered to be sustainable? This Report errs on the side of the latter, more cautious view, but recent indications that Saudi output is now headed above 9.5 mb/d could begin to test that set of assumptions.

However, Saudi capacity cannot be looked at in isolation. Other OPEC countries are also adding capacity (see graph on next page). 2003 saw non-Saudi OPEC capacity fall by around 450 kb/d, while the call on OPEC crude and stock change increased by 700 kb/d, providing room for a substantial rise in Saudi production (to 8.8 mb/d for the year on average). Neglecting stock change, the call on OPEC crude this year rises by 800 kb/d, but other OPEC producers are adding 700 kb/d of capacity in 2004. If utilisation of that 700 kb/d of capacity were to be maximised, and Saudi Arabia were to play a swing-supplier role, this theoretically implies space in the market in 2004 for 100 kb/d of extra Saudi supply. This in turn suggests a 2004 production level from Saudi Arabia of 8.9 mb/d on average. First half production averaged 8.6 mb/d, with 9.35 mb/d so far in 3Q. On paper, Saudi Arabia would need to curb output to around 8.8 mb/d in 4Q if it wanted to restrict stock build in consuming countries.

Next year, the call on OPEC crude remains flat but other OPEC producers are adding 680 kb/d of capacity. In this simplified scenario, this implies a 680 kb/d fall in demand for Saudi oil and annual average output of 8.2 mb/d. In reality of course, other OPEC producers besides Saudi Arabia will come under pressure to curb supply if the requirement for OPEC crude becomes constrained henceforward. Saudi output could well be correspondingly higher than this scenario suggests. But the recent surge in OPEC production may equally prove temporary, and Saudi Arabia, alongside other producers, may in the months ahead curb production if it sees a constraint in the demand for its oil.



The production assessments for **Iraq** cited in this report exclude deliveries into storage at the oilfields themselves, at Basrah or via pipeline to Ceyhan. Net production therefore represents the sum of export liftings and internal crude consumption. This is assessed to have declined from 1.89 mb/d in July to 1.79 mb/d in August, in line with a 100 kb/d fall in exports. Gross wellhead production is assessed to have remained relatively unchanged at 1.97 mb/d.

Exports for August are estimated at 1.32 mb/d compared to a downward-revised 1.42 mb/d in July. In fact, exports and net production for May, June and July have all been revised downwards by 100 kb/d, after a review of export data. Southern exports via Basrah and Khor al-Amayah began August at just under 1.6 mb/d. However, renewed sabotage on the southern export pipelines on 9 August resulted in a cut in exports to around 900 kb/d through 21 August. Southern liftings then recovered into a 1.5-2.0 mb/d range through early September. In total, southern exports averaged 1.27 mb/d for August, a drop of 130 kb/d versus July. Deliveries of 15 kb/d by pipeline to Syria and a 1 mb cargo lifted from Ceyhan on 31 August push the monthly export total to 1.32 mb/d.

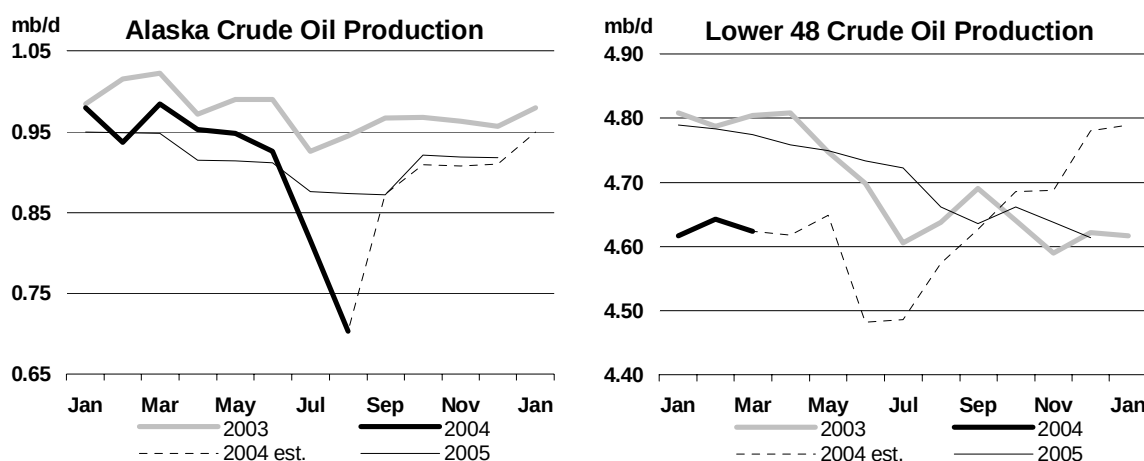
Regular pumping on the pipeline to Turkey resumed on 21 August, ceased on 27 August but started again briefly on 30 August. However a further sabotage attack on 2 September shut off pipeline flows once more and the resultant pipeline blaze was reported still to be ongoing on 6 August, with repairs estimated likely to take another week after the fire is extinguished. However, crude in storage at Ceyhan was reported at around 7 mb in early September, suggesting that pipeline flows averaged 145 kb/d in August. After Vitol's end-August cargo lifting from Ceyhan, a further three cargoes of one mb each are scheduled for lifting by Vitol, Tupras and Total in the first ten days of September, despite ongoing problems with the Kirkuk-Ceyhan pipeline. Petrogal is also due to lift a cargo in the second half of the month. These exports would add 130 kb/d to the country's total for September. Prior to the latest pipeline disruption, Iraq's state oil marketing concern SOMO signalled an intention to re-institute term liftings of Kirkuk from Ceyhan running through December and involving volumes of up to 300 kb/d. Tupras of Turkey has reportedly signed up for term pipeline supplies, but whether additional term buyers will be forthcoming after the latest attack on the Ceyhan line is uncertain.

OECD

North America

US – August Alaska actual, others estimated: Monthly June data and weekly indications for July and August suggest a marked fall in US crude output from May's 5.6 mb/d to less than 5.3 mb/d in August. The decline in crude has however been partly offset by indications of higher July and August NGL supply. August total output now looks to have been 195 kb/d below expectation, largely due to extended maintenance outages in Alaska. While this factor is likely to prove a temporary phenomenon, together with downward revisions to US Gulf of Mexico production and NGL supply, it results in a 25 kb/d reduction in forecast US supply for 2004 and 10 kb/d for 2005.

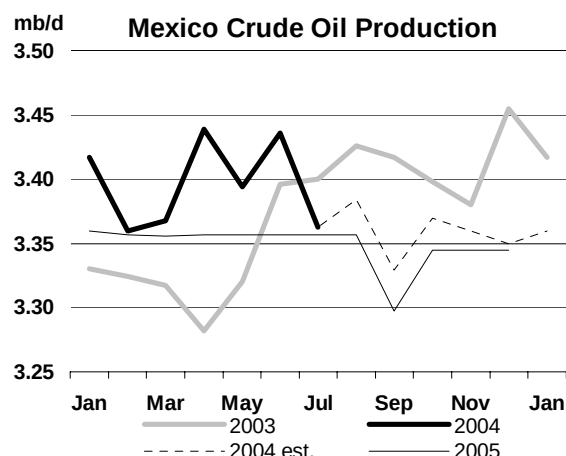
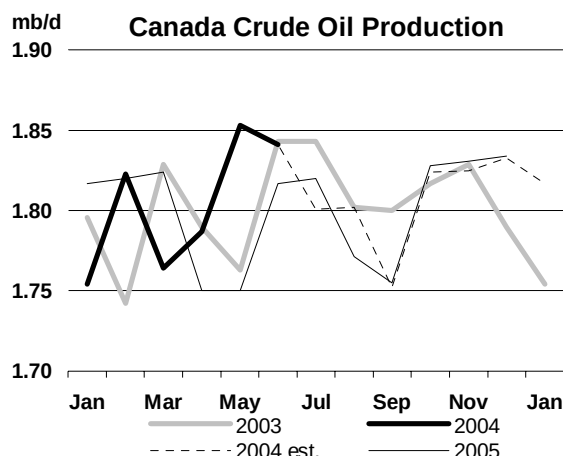
Final July Alaskan data lead to a 15 kb/d downward revision to the estimate contained in last month's Report. However this pales by comparison with a 190 kb/d downward revision for August. Crude output in August fell to just over 700 kb/d on average compared to a 1Q average of 970 kb/d. Maintenance at the Alpine field, which produces 100-110 kb/d, ran from 19 July through to 17 August. The 80 kb/d Northstar field also suffered two outages in August, the first being the result of a compressor failure. The 25 kb/d Endicott field was closed for maintenance for most of second-half August and maintenance on the Trans Alaska Pipeline System (TAPS) reduced Alaskan North Slope production in both months. While lower 3Q production feeds through to reduce forecast Alaskan crude output by 20 kb/d, supplies in the second half of 2005 have been revised up to account for expected completion of the Alpine Capacity Expansion Project from 3Q-2005.



Data for aggregate US output in June and July have led to modest upward revision to US Gulf of Mexico (GOM) production. However, the region lost 1.25 mb of production over August 10-13 as producers shuttered facilities as a precautionary measure against Hurricane Charley and Tropical Storm Bonnie. This equates to a loss of 40 kb/d for August as a whole. Modest shut-ins were also recorded in early-September as Hurricane Frances approached. Forecasts for GOM production are in any case made with an assumption that around 50 kb/d of production may be lost in the peak hurricane months. Further downward revisions to forecast GOM production derive from planned maintenance at the Mars tension leg platform in November and also two-month deferral of start up at both the Mad Dog and Thunder Horse fields (now scheduled for January and August 2005 respectively).

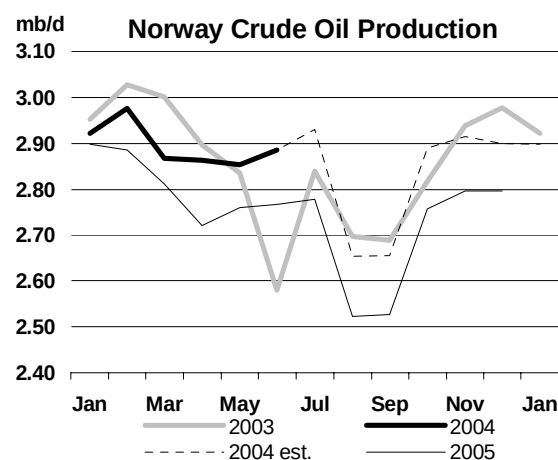
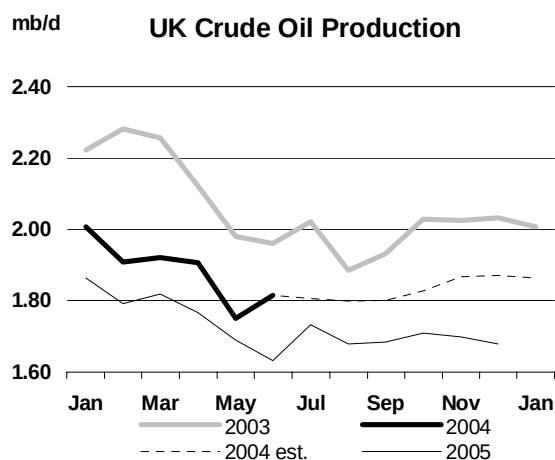
Canada – July Newfoundland actual, others June actual: Data through June show Canadian liquids supply in first-half 2004 averaging 3.1 mb/d, a 200 kb/d increase from the same period in 2003. While conventional crude and NGL production are both running 10 kb/d ahead of last year, the bulk of the growth derives from synthetic crude production. This trend is expected to continue through 2004 and 2005, with syncrude expansions accounting for most of the 120 kb/d oil supply rise seen for 2004 and 80 kb/d for 2005. However, lower syncrude production was seen in June and July due to outages at the Suncor and Shell facilities respectively, before output is thought to have rebounded in August. Prospects for more diversified production growth longer term received a boost in August. Husky Energy announced successful completion of testing at one of four production wells at the White Rose field offshore Newfoundland. White Rose is due to add 100 kb/d to existing Newfoundland production (a combined 350 kb/d from the Hibernia and Terra Nova fields) when it comes onstream in 2006.

Mexico – July actual: Crude oil production fell by more than 70 kb/d in July to 3.8 mb/d, and once again heavy crude accounted for the bulk of this. NGL production was also 15 kb/d lower at some 445 kb/d. Exports too were down by 40 kb/d at 1.81 mb/d as heavy/sour Maya deliveries, and notably those into the US and other American markets, fell. However, this Report's already-conservative forecast for Mexican production, with crude averaging 3.35-3.40 mb/d through 2005, has not been changed. State-owned Pemex announced in August that untapped deepwater Gulf of Mexico hydrocarbon reserves amount to 54 billion barrels of crude equivalent. Earlier estimates suggested that the region contains 25-30 billion bbl of oil. This in turn compares to current Mexican proven oil reserves of nearer 16 billion bbls. However, the future ability of Mexico to exploit deepwater reserves, to offset declining Cantarell field output, remains in doubt so long as constraints on Pemex' investment programme, and the exclusion of foreign upstream participation remain in place.



North Sea

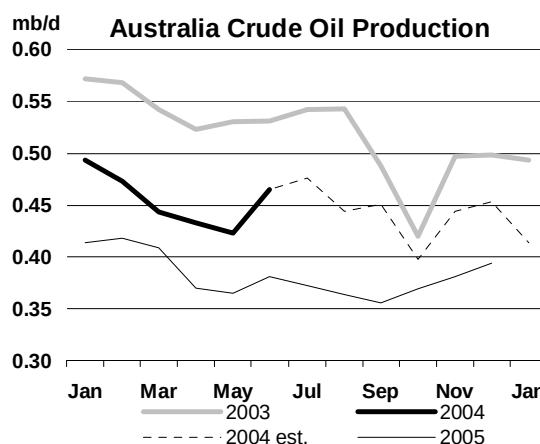
UK – June actual: Offshore crude production increased from a May low of 1.75 mb/d to reach 1.8 mb/d in June but remained below a 1Q average of 1.95 mb/d. Summer maintenance, and indications from North Sea loading schedules through September suggest that third quarter production is likely to have remained close to 1.8 mb/d but could regain 1.9 mb/d by end-year. August did see production start at Talisman's North Tartan satellite and at Lundin's Broom field, which could add a combined 30 kb/d to production in 2005. However, recent performance from fields in the Forties and West of Shetlands systems has led to a combined downward revision of 45 kb/d for 2004 and 35 kb/d for 2005. NGL supply for 2005 has also been revised down 30 kb/d, in parallel with lower expectations for crude production. Total UK oil supply is now envisaged to fall by 170 kb/d in 2004 and by 160 kb/d in 2005, reaching 1.93 mb/d by 4Q-2005.



Norway – June actual, July provisional: In contrast to the UK, Norwegian supply has been revised up by 45-50 kb/d for both 2004 and 2005, giving average output of 3.25 mb/d and 3.20 mb/d respectively. Final June production came in 30 kb/d above provisional indications from last month, with higher than expected output from the Oseberg/Troll and Statfjord/Gullfaks systems. July production is thought to have increased by some 55 kb/d and, at 3.32 mb/d, was 100 kb/d higher than anticipated in last month's Report. Scheduled maintenance in August is likely to have cut Norwegian liquids supply by a total 300 kb/d. Gas infrastructure problems at Exxon's Jotun field and at Norsk Hydro's Heimdal complex also cost 10 kb/d in lost oil production. Ongoing maintenance will constrain September output at close to August's 3.0 mb/d before supply recovers to 3.3 mb/d by year-end. A two-month strike by drilling workers came to a head in early-September as employers instigated a lock-out from 3 September. However, even if prolonged, the impact on Norwegian oil production in the short term will be modest, with only the 30 kb/d Glitne field directly affected.

Asia Pacific

Australia – June Actual: Total Australian crude and condensate production rebounded to 465 kb/d in June, its highest level since February. A rebound in production from the Carnarvon Basin offshore northwest Australia accounted for the recovery. But while production in the Basin, responsible for over 50% of total Australian output, is thought likely to remain in a 270-300 kb/d range through September, a renewed dip could occur in October. Condensate and LPG volumes are likely to fall back that month due to construction work associated with the new fourth train of the North West Shelf LNG project. Condensate export schedules suggest a drop of some 60 kb/d in condensate output before extra volumes allow production to recover thereafter. Australian liquids output has been adjusted upwards by 20 kb/d for 2005 to reflect incremental volumes deriving from the LNG project. However, this is insufficient to stem underlying Australian oil production decline, now set at 70 kb/d in 2004 and 45 kb/d in 2005.



Former Soviet Union (FSU)

Russia – July final, August provisional: July and August data suggest that Russian oil production growth is slowing. August output averaged 9.35 mb/d which was 45 kb/d up from July and 675 kb/d above August 2003. In percentage terms, year-on-year growth has slowed to just under 8% compared to a recent peak of 10.6% in January and 11-12% last summer. However, the very strength of last summer's growth acts as a warning against reading too much into the recent slow-down. Russian output is still well on course to match the 700 kb/d annual growth envisaged by this Report for 2004. Production for 2005 is forecast at just over 9.6 mb/d, an increase of 400 kb/d from 2004.

There were even suggestions in August that official production data may be under-stating true production levels. The Russian Natural Resources Ministry is to head an investigation into the monitoring of company production reports. This is to ensure that producer companies are not understating the domestically-consumed portion of production in order to avoid taxes. The study is scheduled for completion by end-2004.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2002	2003	3Q03	4Q03	1Q04	2Q04	Revised Jun 04	Prelim. Jul 04	Latest month vs. Aug 04	Latest month vs. Jul 04	Aug 03
Black Sea Exports	2.52	2.81	2.96	2.69	2.85	2.76	2.68	2.98	3.05	0.07	0.13
Baltic/Arctic Exports	2.02	2.43	2.57	2.61	3.02	3.12	3.07	3.18	3.02	-0.17	0.50
Total Seaborne	4.54	5.24	5.52	5.30	5.87	5.88	5.75	6.16	6.07	-0.09	0.63
Druzhba Pipeline	1.04	1.05	1.02	1.08	1.09	1.04	1.04	1.07	1.07	0.00	0.06
Other	0.35	0.46	0.51	0.49	0.48	0.52	0.71	0.54	0.54	0.00	-0.03
Total Exports	5.93	6.75	7.05	6.87	7.44	7.43	7.50	7.77	7.68	-0.09	0.66
Imports	0.01	0.01	0.01	0.01	0.01	0.02	0.04	0.02	0.01	-0.01	0.00
Total Net Exports	5.92	6.73	7.04	6.86	7.43	7.41	7.46	7.75	7.67	-0.08	0.66
Crude	4.04	4.68	4.85	4.82	5.14	5.18	5.27	5.36	5.35	-0.01	0.50
of which: Russian Crude	3.02	3.38	3.36	3.38	3.65	3.82	3.84	3.84	3.83	-0.01	0.41
Products	1.89	2.07	2.20	2.05	2.30	2.25	2.23	2.41	2.33	-0.08	0.16

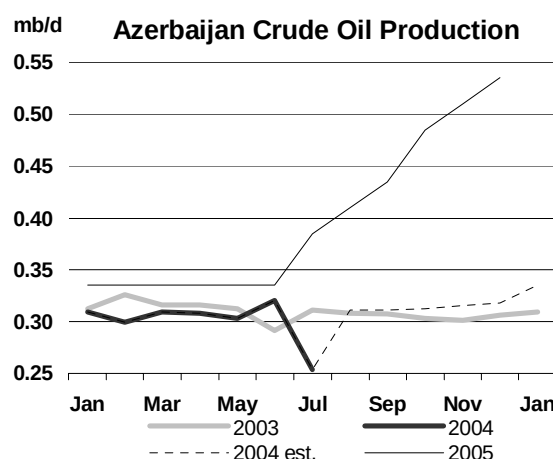
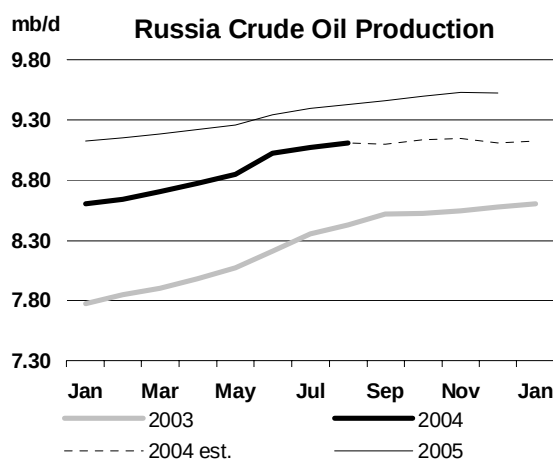
Sources: Petro-Logistics, IEA estimates

Uncertainty over the prospects for Yukos production remained a factor in August. However, despite ongoing concerns over its financial stability, Yukos managed to post a modest production increase in August, averaging 1.74 mb/d compared to 1.69 mb/d in the fourth quarter of last year. The company announced a cut in its production target for 2004 to 1.72 mb/d, although this Report had already been assuming production lower than Yukos' original targets. Early September saw statements from Yukos that a freeze on its bank accounts threatens its ability to continue production. Furthermore, tax

arrears for 2001 were upgraded to \$4.1 billion, with a payment deadline of 4 September having been missed, as was the end-August deadline for the \$3.4 billion owed for 2000.

Despite the seemingly bleak financial outlook for the company, most industry watchers believe that the government is unlikely to begin selling off Yukos' key producing assets for at least another month. September export dues have reportedly been paid and the company is active in seeking finance to sustain production and exports beyond that time. Moreover, the government has been at pains to insist that Russian production and export volumes will not be affected by the Yukos case, raising the likelihood that it would intervene to ensure Russia's reputation as a reliable source of supply. And while the Yukos case has been gathering headlines, it does not appear to be materially impacting foreign company interest in the Russian oil sector. ConocoPhillips are widely reported to be bidding for a stake in Russia's second largest producer Lukoil.

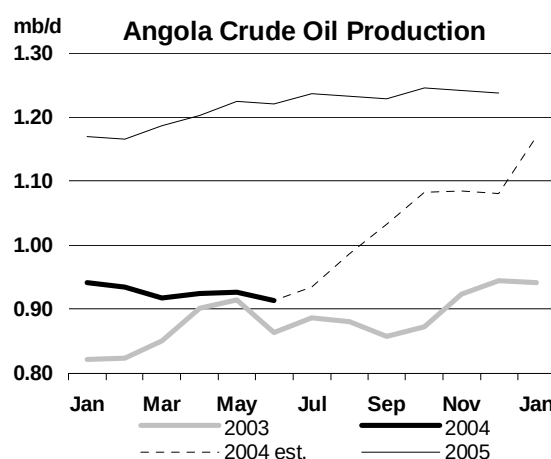
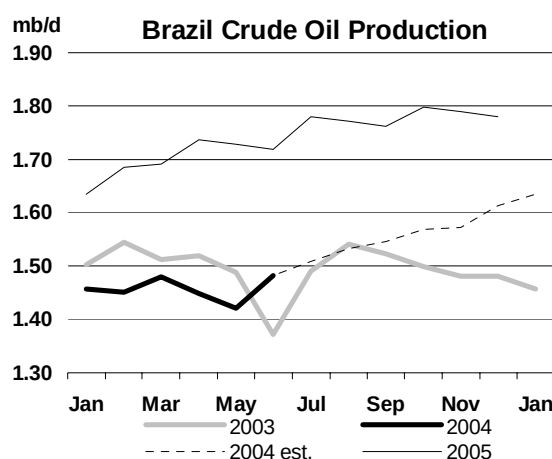
Estimated FSU net exports of crude and products for August continued to show sharp year-on-year growth, averaging some 7.67 mb/d, 660 kb/d above August 2003. However, this was 80 kb/d off the revised 7.75 mb/d total for July. Seaborne exports were down by 90 kb/d compared to the previous month as a rise in Black Sea volumes was eclipsed by lower exports from northern ports. Products exports also fell, while crude exports remained broadly stable at July levels. Russian crude oil export duty is to rise again by \$18/tonne on 1 October, an incentive for exporters to maximise September volumes. However, scheduled Russian seaborne exports are reported at or marginally below August volumes, with lower Black Sea exports counteracting higher volumes from the newly-expanded port of Primorsk (at around 1.0 mb/d). Further limits on Black Sea exports could materialise post-September if winter restrictions on tanker traffic in the Turkish straits impede export liftings.



Azerbaijan – July actual: Production fell by 65 kb/d in July, more sharply than expected, to average 260 kb/d. This followed work on the production platform for the offshore Chirag field which increased capacity by 15% to 165 kb/d. It now appears that work was concentrated in July, rather than spread through the third quarter as previously assumed, so higher August/September output counteract lower than expected July production, leaving 3Q production unchanged from last month's Report. Chirag output will be augmented by up to 300 kb/d of production from the associated Azeri field, with operator AIOC reporting in August that the Azeri production platform is scheduled to be floated in September and the field should enter production in early-2005.

Other Non-OPEC

Brazil – June actual: June Brazilian crude production increased by 60 kb/d to reach 1.48 mb/d. Re-instated production from the offshore Campos Basin Roncador field, disrupted in May, and start-up at the 100 kb/d Marlim Sul field account for June's increase. Provisional data from Petrobras suggest a further rise in Brazilian crude output to 1.51 mb/d in July. Production should continue to rise over the remainder of 2004, with start up of the deepwater Barracuda field in October. This could be followed by the Caratinga field in December. Last month's Report also envisaged start-up of the 175 kb/d Albacore Leste facility in October 2004, but following the latest estimates from Petrobras, this has now been pushed back to February 2005. This has the effect of reducing forecast Brazilian output by 50 kb/d in 4Q 2004 and by 15 kb/d in 1Q 2005.



Angola – June actual: Production from ExxonMobil's deepwater Kizomba A field began on 9 August. Loading schedules for the field's Hungo crude suggest a more rapid build-up in production than assumed previously, reaching 150 kb/d in October and 225 kb/d next March. Angolan output has accordingly been adjusted up by 35-50 kb/d for 3Q 2004 through 1Q 2005. Two later phases of Kizomba development will add a further 500 kb/d of production from 2006/2007. French oil major Total received approval in August to begin awarding contracts for development of the deepwater Rosa field which is expected to begin production in 2007 and eventually attain 250 kb/d output.

Revisions to Other Non-OECD Supply Data

In total, non-OPEC supply has been revised up by around 30 kb/d for 2004 and 40 kb/d for 2005. There are increased expectations now for non-OECD supply, which counteract lower forecast output from OECD producing countries (primarily the US and UK). Aside from the non-OECD producers mentioned above, recent output from **Kazakhstan**, notably of Karachaganak condensate, has exceeded expectation. Kazakh production has been revised up by around 15 kb/d for both 2004 and 2005. Production from **Vietnam** is revised up by 5-10 kb/d for 2004 and 2005 on the basis of reported output through July this year. Provisional estimates from Vietnam, traditionally published before the end of the month in question, have tended to be subsequently upgraded and we have reflected recent upgrades in this revision for 2004 and 2005.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last month's OMR			This month's OMR			This month vs. last month		
	2004	2005	05 vs. 04	2004	2005	05 vs. 04	2004	2005	05 vs. 04
North America	14.75	14.92	0.18	14.72	14.92	0.20	-0.02	0.00	0.02
Europe	6.21	6.02	-0.19	6.22	6.01	-0.21	0.01	-0.01	-0.02
Pacific	0.57	0.51	-0.06	0.57	0.53	-0.04	0.01	0.02	0.01
Total OECD	21.52	21.45	-0.07	21.51	21.46	-0.05	-0.01	0.01	0.02
Former USSR	11.13	11.74	0.61	11.15	11.76	0.61	0.02	0.01	-0.01
Europe	0.17	0.16	-0.01	0.17	0.16	-0.01	0.00	0.00	0.00
China	3.45	3.49	0.03	3.46	3.49	0.03	0.01	0.01	0.00
Other Asia	2.72	2.72	-0.01	2.74	2.73	-0.01	0.01	0.01	0.00
Latin America	4.05	4.35	0.30	4.03	4.35	0.32	-0.02	0.00	0.02
Middle East	1.89	1.85	-0.04	1.89	1.86	-0.03	0.00	0.00	0.00
Africa	3.41	3.80	0.39	3.43	3.80	0.37	0.02	0.00	-0.02
Total Non-OECD	26.83	28.11	1.28	26.87	28.15	1.28	0.04	0.04	-0.01
Processing Gains	1.83	1.86	0.03	1.83	1.86	0.03	0.00	0.00	0.00
Total Non-OPEC	50.18	51.43	1.24	50.21	51.47	1.25	0.03	0.04	0.01

OMR = Oil Market Report

OECD STOCKS

Summary

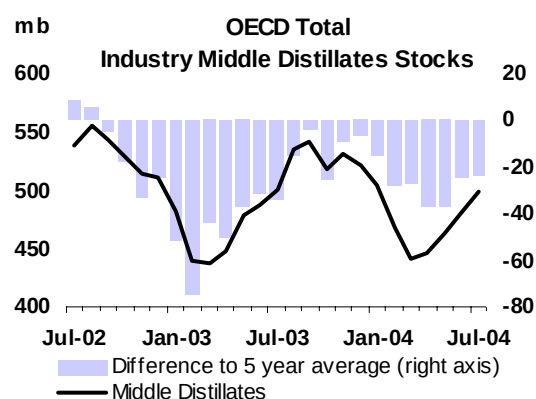
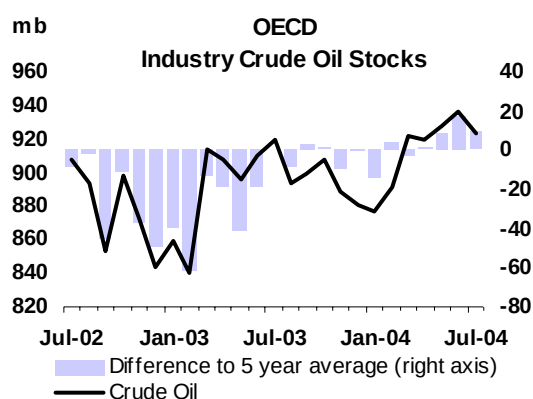
- **OECD industry total oil stocks** reached an estimated 2580 mb at end-July, rising 18 mb against June and closing 8 mb above last year. A rise in product stocks, dominated by distillates and 'other products', outpaced a fall in crude. Crude stocks drew on high refinery activity in the Atlantic Basin, but on a regional basis, closed in the upward middle of their five-year range. Days of forward demand cover by OECD oil stocks came to 53 days in July, flat from upwardly revised June cover.

Preliminary Industry Stock Change in July 2004 and Second Quarter 2004

	(million barrels per day)							
	July (preliminary)				Second Quarter 2004			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	-0.22	-0.54	0.37	-0.38	0.08	0.04	0.02	0.14
Gasoline	0.13	-0.01	-0.04	0.08	0.08	-0.05	0.00	0.02
Distillates	0.38	0.17	0.05	0.60	0.19	0.18	0.07	0.44
Residual Fuel Oil	-0.16	0.01	-0.02	-0.16	-0.02	-0.01	0.03	0.00
Other Products	0.40	-0.01	0.07	0.46	0.30	0.00	0.08	0.38
Total Products	0.75	0.17	0.06	0.98	0.55	0.12	0.17	0.84
Other Oils ¹	-0.02	-0.02	0.03	-0.01	0.04	-0.02	0.03	0.05
Total Oil	0.52	-0.39	0.46	0.58	0.67	0.13	0.22	1.03

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** declined 380 kb/d or nearly 12 mb in July, the draw occurring in the Atlantic Basin as throughputs held significantly above historical trends. Pacific stocks saw gains both in Korea and Japan with countries rebuilding stocks ahead of higher August runs. Crude stocks in the US declined from July to August closing at the lower end of their 5-year range. But the apparent tighter position was mitigated by September scheduled maintenance and cash market differentials suggesting ample supplies of sour crude for late September and October delivery.
- **OECD industry distillate stocks** rose 600 kb/d in July or 19 mb, in line with seasonal averages. The Pacific region lagged seasonal trends with delayed building of kerosene stocks in Japan and tighter diesel stocks. Distillate stocks rose mainly in the US and to a lesser extent in Europe. In both cases, the rise was from an upwardly revised June base. In the Amsterdam-Rotterdam-Antwerp (ARA) area, independent storage of gasoil reached seasonal levels in August on thin end-user demand and arrivals of material from the FSU, Germany and the US.
- **US-50 total gasoline stocks** built contra-seasonally in July from an upwardly revised June base. They fell back 2 mb by the last week of August to 206.6 mb or about 13 mb above last year. US imports peaked in mid-July before pulling back in August, but demand growth eased and domestic supplies were ample on higher production and a large stockpile of blending components. As US supplies grew, weakening prices relative to Europe, spot arbitrage was discouraged during August. This led gasoline to back-up unusually in ARA independent storage into early September.



OECD Industry Stock Changes in July 2004

OECD industry total oil stocks rose 18 mb in July to an estimated 2580 mb, closing 8 mb above the previous year. Changes in the inventory mix in July point to further easing in the OECD's crude position, with stocks closing in the middle of their five-year range. Product inventories in comparison have yet to fully reflect the high levels of throughputs. July, however, continued to see a seasonal rise in distillate stocks in line with seasonal averages. However, more gains in North American 'other product' stocks, as a by-product of high refinery runs, suggests (as for June) potential upward revision to July's preliminary estimates of distillate and gasoline numbers.

OECD industry crude oil stocks fell 12 mb in July to 924 mb, with declines seen in Europe and the US on high refinery runs. Yet, inventories in Europe closed at the top of their range on ample supplies of sour crude and regionally confined Brent-related light-sweet grades. The US saw stocks tighten through August, as in addition to high runs, crude purchases fell ahead of scheduled maintenance in September. Steep discounts for sour grades against WTI in the US cash market for October delivery suggested high physical availability, favouring a replenishing of stocks as refiners exit turnaround. Price cuts by Saudi Arabia to US and European customers for October loading barrels will help to offload extra-volumes of heavy sour grades. In contrast, crude stocks built in Japan and Korea in July (a period where refinery activity hits a seasonal low), the increases being made in preparation of higher runs in August.

OECD industry gasoline stocks closed higher in July, due to a counter seasonal build in US gasoline inventories. US demand growth eased by the second half of the driving season while domestic production and imports buttressing blending components rapidly loosened supplies. US gasoline stocks only fell about 2 mb by the closing week of August. The weaker US market closed spot arbitrage flows, and the number of European cargoes heading transatlantic fell from July's peak volumes. Unusually as a result, independent storage of gasoline in the ARA rose into early September.

OECD industry distillate stocks rose 19 mb to close at 499 mb or 2 mb below year-ago levels. The Atlantic Basin saw the US lead with gains in heating oil, diesel and jet fuel. Additions to storage were supported by a contango in NYMEX heating oil futures. Gains in Europe tracked year-ago trends, but the pace of build was mitigated by backwardation IPE gasoil futures. Independent storage of gasoil rose in August in the ARA area on arrival of Russian and German material and weak end-consumer demand to refill home heating oil tanks. Gains in the Pacific were modest though additions to kerosene stocks accelerated in Japan. Pacific distillate stocks closed down on export-driven draws of diesel in Korea. The build in Japanese kerosene stocks has been delayed this year as refiners' output during the June period of low runs favoured higher valued jet fuel. However, the pattern of Japanese crude procurement for August and September delivery shows more aggressive bidding for Abu Dhabi grades such as Murban and Lower Zakum on top of term volumes and less interest for additional offers of heavier grades. The combination of higher runs and these high distillate yield grades should favour a quick return to more seasonal levels of distillate inventories.

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

Revisions to OECD industry oil stocks raised June levels by 27 mb, of which 8 mb was in crude oil, 11 mb in products and 7 mb in NGLs and feedstocks. Main revisions in crude came in Europe (15 mb). As expected in last month's Report, Norwegian stocks were revised higher (7 mb) but the remainder of the upward revision was accounted mainly by Germany (10 mb). German holdings under bilateral agreement have been underreported. (Revisions for Germany were carried back to January 2004). Revisions to Atlantic Basin distillates dominated product revisions, stocks being raised 9.5 mb. Gasoline stocks were mainly revised up in the US (4 mb) and to a lesser extent in Europe.

Revisions Versus 11 August 2004 Oil Market Report
(million barrels)

	North America		Europe		Pacific		OECD	
	May 04	Jun 04	May 04	Jun 04	May 04	Jun 04	May 04	Jun 04
Crude Oil	-1.4	-2.0	6.0	14.8	0.1	-4.4	4.7	8.4
Gasoline	-1.0	4.3	0.2	2.5	0.0	-0.6	-0.8	6.2
Distillates	-3.2	4.0	0.0	5.5	0.0	-0.4	-3.3	9.1
Residual Fuel Oil	-0.7	-0.9	-0.1	1.5	0.3	0.4	-0.5	1.0
Other Products	0.0	-0.7	-0.3	-1.7	-0.1	-2.4	-0.4	-4.9
Total Products	-4.9	6.7	-0.2	7.8	0.2	-3.1	-5.0	11.4
Other Oils ¹	0.0	6.8	-0.8	-0.4	0.0	0.8	-0.8	7.3
Total Oil	-6.4	11.6	5.0	22.2	0.2	-6.7	-1.2	27.1

¹ other oils includes NGLs, feedstocks and other hydrocarbons

OECD total oil stocks closed July at 2580 mb, or 8 mb above last year. Year-on-year comparisons point to higher total oil stocks in North America, a modest surplus in Europe but a deficit in the Pacific. Europe and the Pacific's lower positions owe to middle distillate inventories building more slowly. Crude stocks on the other hand were comfortable across all regions, within or at the top of their five-year range. Days of forward demand cover by OECD oil stocks was 53 days by end-July, flat from June. Cover in North America came to 49 days, 59 days in Europe and 53 days in the Pacific.

Year-on-Year Industry Stock Comparisons for July 2004

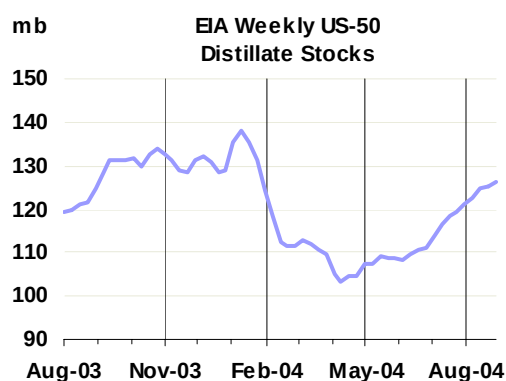
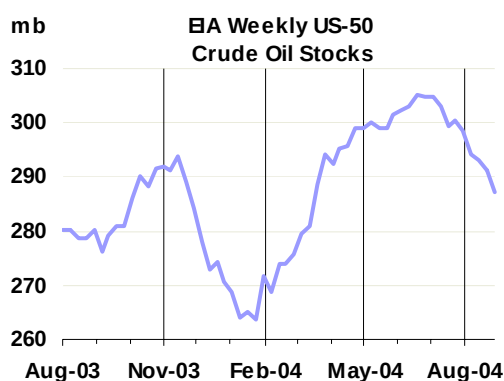
	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	8.3	0.0	-4.5	3.8	Total Oil	0.7	-0.4	-3.4	-0.4
Total Products	27.8	5.3	-20.6	12.4	Versus 2002	-3.3	-2.4	-0.9	-2.6
Other Oils ¹	-6.5	0.7	-2.4	-8.3	Versus 2001	-2.9	0.1	-3.5	-2.1
Total Oil	29.6	6.0	-27.6	8.0	Total Products	0.8	-0.1	-2.5	0.0
Versus 2002	-34.7	-15.7	-9.3	-59.7	Versus 2002	-1.8	-2.6	-2.2	-2.1
Versus 2001	-21.3	9.3	-21.8	-33.9	Versus 2001	-1.3	-1.8	-3.4	-1.8

1 other oils includes NGLs, feedstocks and other hydrocarbons

OECD Regional Stock Developments

North America

US-50 crude stocks fell nearly 7 mb in July to 298 mb as refinery activity was high, slightly off average runs of 16.2 mb/d in June. Stocks fell again in August with declines more pronounced at end-month. Contrary to expectations, refinery runs did not appear to ease markedly in August despite rising product inventories. They averaged around 15.9 mb/d while imports, though sustained above 10 mb/d, slipped from July levels. Sustained refinery activity came mainly on the Gulf Coast, the region accounting for most of the 8 mb national draw. However, the decline was also partly motivated by a reduction of stocks ahead of seasonal maintenance in September and October. In association with wider backwardation in the front month contracts for WTI futures in early to mid August, crude procurement slowed, with refiners likely running more fuel oil instead of crude oil at the end of the month. The dissipation of the backwardation in the near months on NYMEX WTI futures by end-August and weak heavy sour differentials against WTI on physical markets, however, point to higher crude availability for September and October delivery. During this time, with weaker crude demand, crude stocks should rebuild.

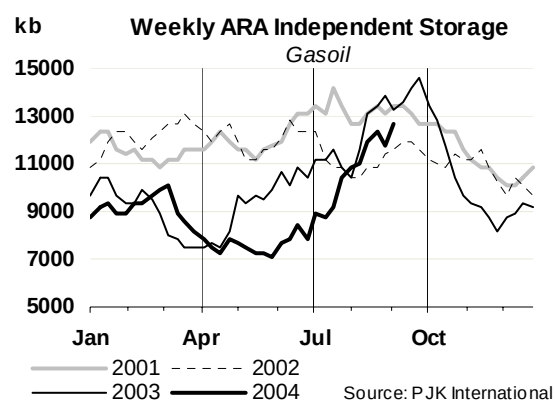
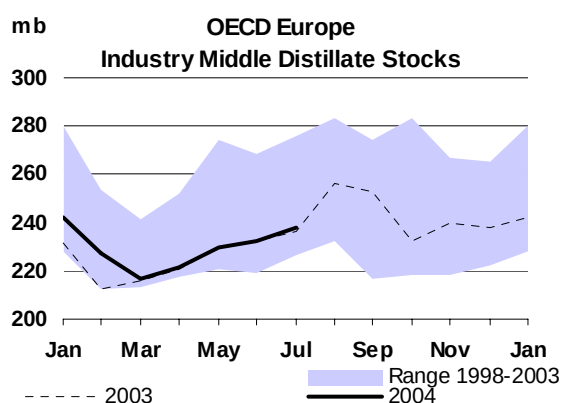


Upward revisions to end-June gasoline stocks and a preliminary contra-seasonal stock change implied by weekly July figures suggests a recent underestimating of gasoline inventories. If so, closing stocks in the last week of August may be higher than implied by the 2 mb draw in that month. Blendstocks were level, despite slipping imports (mainly in reformulated gasoline) while domestic production rose. Gasoline demand over the July-August period in turn posted only marginal growth against last year's high levels.

Distillate (diesel and heating oil) stocks built in July and August to reach 126.4 mb, encouraged by a contango in NYMEX's No 2 heating oil futures contract and likely weaker downstream interest due to high outright prices. Building middle distillates (including jet fuel) stocks was facilitated by product yields maximised earlier this year. US distillate demand in turn has probably been overstated in weekly numbers (which include exports) due to sales of diesel to Europe. Heating oil stocks in the main consuming Northeast region topped year-ago levels by end-August, and with gasoline now looking at a surplus, refiners can comfortably keep building product ahead of winter demand.

Europe

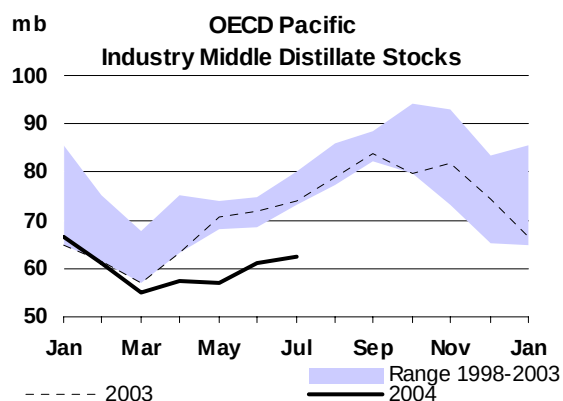
European industry crude stocks fell 17 mb in July to 330 mb. Despite the drop, July crude stocks closed at the top of their five-year range. Refinery activity was high in Europe, leading to declines in the major refining centres. However, the draw was dominated by a fall in Norwegian stocks of 12 mb. Offshore stocks in Norway likely fell ahead of field maintenance, and some additional volumes may have been made available for sale following a fire-related interruption of a crude distillation unit at Statoil's Mongstad refinery. August is likely to see crude stocks head lower with runs remaining relatively high on a yearly basis and some de-stocking occurring ahead of planned September refinery maintenance. The likely decline in August may however prove softer compared to previous years. Sour crude availability remained high, as seen in weak differentials of Urals against dated Brent. High loading volumes of the grade faced a lack of arbitrage outlets and competition from additional Iranian and Saudi supplies. In sweet grades, arbitrage of North Sea and related West African crude to the US was limited over the period. August and September loading Norwegian barrels were actively bid by European refiners, pushing the forward cash Brent market into backwardation in July and August.



Industry gasoline inventories closed July at 110 mb, marginally lower from an upwardly revised June base. July exports to the US peaked between 1.4 and 1.7 million tonnes, but regional demand outside the UK was lacklustre and refinery output high. The closure of spot arbitrage to US in August led supplies to accumulate in independent storage in the ARA area. In all probability, we can reasonably expect industry stocks to follow the same path in August. Industry distillate inventories tracked year-ago levels, closing at 238 mb in July. Gains were made mainly in France and Germany in heating oil and jet fuel. Despite backwardation in IPE gasoil futures, linked to diesel tightness, more stock builds are expected in August ahead of scheduled September maintenance aimed at meeting lower 50 ppm sulphur specifications beginning next year. Builds in storage are expected to be more pronounced in France and in the Mediterranean, which still use 350 ppm sulphur products, as maintenance is expected to be heavier. More surprisingly, industry distillate stocks held flat in the Netherlands in July, in stark contrast to a build up of gasoil in independent ARA storage through August. ARA storage rose amid still relatively weak end-user demand in Germany and Switzerland, supplied by FSU and German gasoil as well as additional US cargoes in August. Also, Russian gasoil supplies built in storage as desulphurisation of the product to make diesel met with muted interest, refiners preferring to keep runs high instead.

Pacific

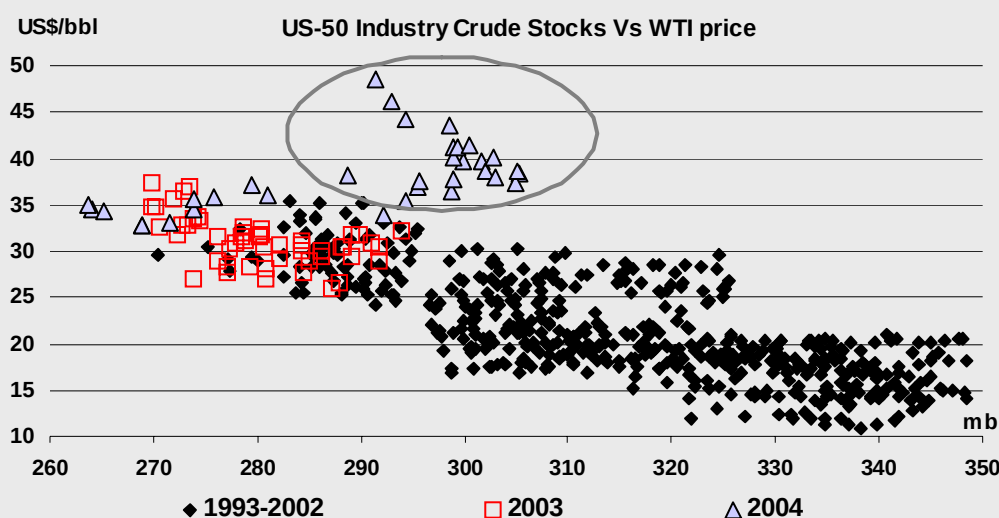
Tight product stocks in the Pacific contrasted with comfortable levels of crude oil in July, the main product categories falling below their normal range. Absolute levels of distillate stocks lagged seasonal norms and fuel oil inventories fell on Korean exports aiming to meet higher utility demand in Japan and elsewhere in Asia. Building of kerosene (used as a heating fuel) had been initially delayed in Japan due to higher margins on jet fuel. Distillate stocks in Japan rose 3.5 mb in July to 38 mb, but closed 8 mb below year-ago levels. Gains were made in jet fuel and kerosene, production in both fuels rising rapidly. Offsetting draws occurred in Korea. Kerosene inventories there rose on a dip in demand, but gasoil stocks fell. The decline in diesel stocks came with exports rebounding strongly and reduced refinery output. Weakness in runs was compounded by a strike-related interruption of operations at LG Caltex, Korea's second largest refiner.



Crude Inventories and Prices, Shifting Patterns?

A number of relationships are monitored by the market. Amongst these is that between crude stocks and price levels, matching inventory data with the market where prices are quoted. Putting aside questions of causality, empirical observation suggests that WTI crude oil prices are highly correlated with US industry crude oil stock levels. As such, lower crude inventories are generally associated with higher crude prices and vice-versa. Although changes in technology, market structure and business practices have altered the amount of forward-cover industry is prepared to hold, this relationship has remained relatively stable over the years. Moreover, the relationship has also held reasonably well through political and economic events that have impacted upon the market.

Analysis of the stock-price relation relies on some basic assumptions. The most prominent of these is that changes in fundamental market conditions (the interaction of supply and demand) will ultimately be reflected in changes in the observed levels of inventory. Simplifying the argument, one can loosely associate a price level, representing a fundamental equilibrium in the market, to a given level of inventory. Attempts are then made to explain divergence away from this equilibrium price level through a number of other explanatory variables or factors.



Something appears to have empirically changed over recent months. Simple analysis of crude oil prices using linear regression models which focus on inventory levels yields poorer results. Crude oil prices have risen dramatically, whilst at the same time, crude inventory levels have been increasing. Confidence intervals have widened and correlation coefficients have fallen. Some argue that the 'disconnect' between crude prices and inventory levels is evidence of a speculative premium in the market. Perhaps. But the level of non-commercial length in NYMEX futures over the last six months, while at times large, is not exceptional.

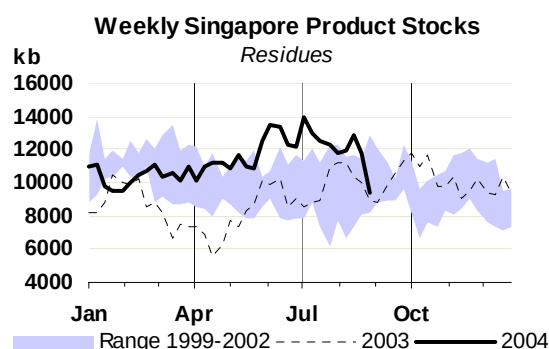
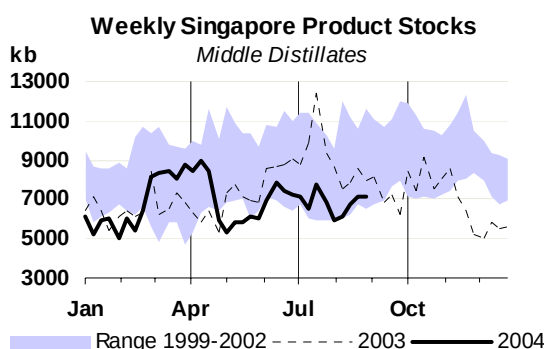
A first look would suggest that the 'disconnect' may be the result of a structural shift in the market – a scarcity premium. The price-stock relationship reflects supply-demand fundamentals at a point in time. Perceptions about the availability of supply, whether it be prompt such as stocks or future like spare capacity, is a key determinant in the demand for holding physical barrels. As such, when spare production capacity decreases, the market may ascribe a higher value to physical inventory, and raise its demand for paper barrels to hedge risk (perhaps more so for physically deliverable futures contracts), potentially placing upward pressure on price. Geopolitical uncertainty in turn can exacerbate this relationship. In effect, the equilibrium demand for physical and paper barrels can then be thought to increase as spare production capacity declines.

It will be interesting to see how the crude oil price-inventory relationship evolves over the rest of the year and whether it will revert back to its historical trend. Likewise, it would be interesting to see if 'supply of storage' curves, which relate the spread between prompt and forward markets to a given inventory level have been similarly affected. Clearly, more analysis needs to be done in this area to understand the nature of this phenomenon, and whether the disconnect represents speculative froth, an underlying structural shift or some other factors in the market.

Singapore Stock Developments in August

Product stocks in Singapore, surveyed by International Enterprise, fell by end-August on draws of fuel oil. Distillate stocks rose during the month but closed at the bottom of their five-year range as gasoil supplies remained tight. Light product stocks were high, supported by ample naphtha availabilities and weakening gasoline demand with the end of the North Asian driving season.

Residual fuel oil stocks held above their five-year range for most of August, before falling at end-month. Cracked high sulphur fuel oil supplies into the region were ample due to arbitrated cargoes from Europe and the Caribbean but also because of August spot offers from Saudi Arabia. Additionally, domestic availability rose with high refinery activity and a heavier crude slate. Chinese demand remained weak, discouraged by differences between domestic wholesale prices and imported Singapore prices. Chinese fuel oil demand focused on straight run material used as feedstock to produce diesel for use in small power generators. Remaining demand for high sulphur product favoured material from Japan and Korea over blended arbitrated product from Singapore. Given weak fundamentals, the late-month decline in fuel oil stocks was attributed to outflows to the bunker market where prompt tightness developed.



Middle distillate stocks rose in August despite tighter supply conditions. There was some easing in gasoil demand. Top importer Indonesia reduced August purchases against July while Chinese import demand was thin most of the month as domestic prices remained below Singapore prices. Gasoil supply tightened as exports from the Middle East were diverted to a stronger European market and regional refinery output favoured higher-priced jet fuel. The interruption of end-July and August gasoil exports from Korean refinery L.G. Caltex following a strike also reduced supplies. Ample prompt jet/kerosene supplies likely backed the August build with additions to storage supported by a contango in Singapore swap prices. Further stock builds will likely to be dominated by increases in jet/kerosene as the region builds up its stockpiles ahead of winter. Gasoil in turn could remain tight. Chinese demand is expected to resume in September as the gap between domestic wholesale and Singapore prices narrows while Middle Eastern supplies continue to head to Europe but also African destinations.

Light product stocks posted a small increase in August but absolute levels remained high. Though petrochemical demand was strong on high ethylene margins, naphtha availability was lifted by supplies from India and the Middle East. Also, demand was reportedly slack in Japan and Korea due to ample domestic stocks. Gasoline is expected to loosen, as suggested by the product's weakening premium over naphtha (or reforming margin). While Chinese exports are expected lower in September, the end of the driving season, both in Asia and the US, will lead to weaker demand.

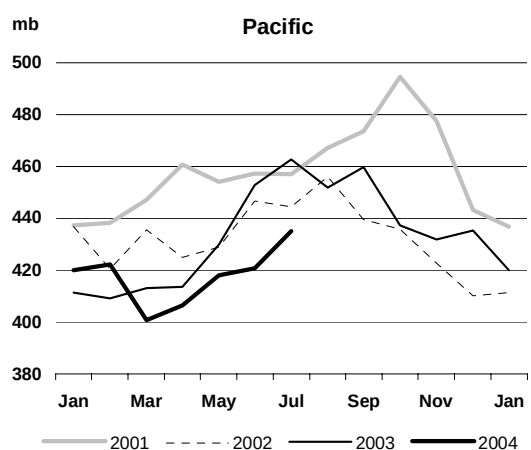
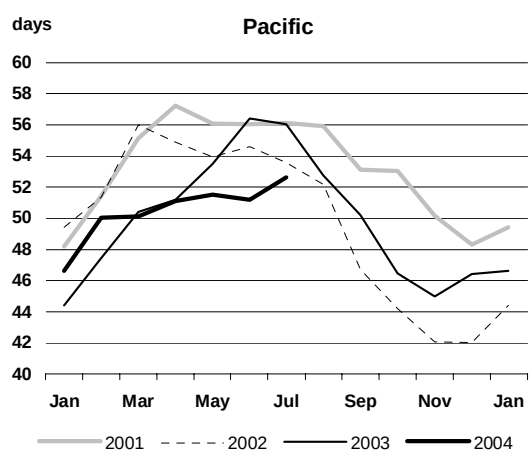
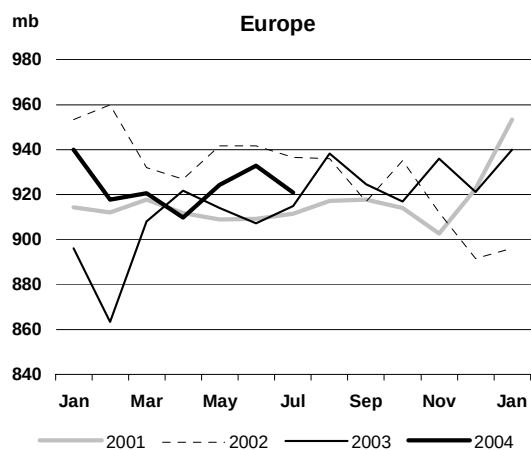
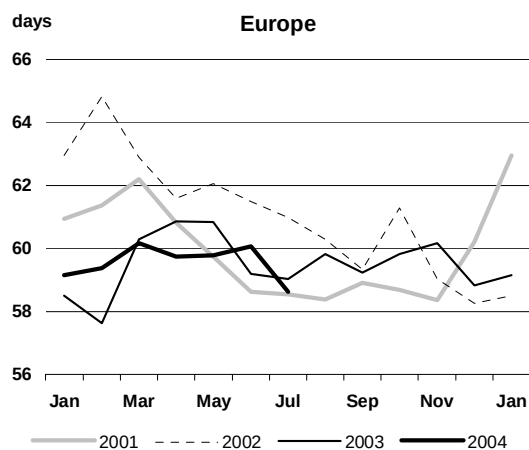
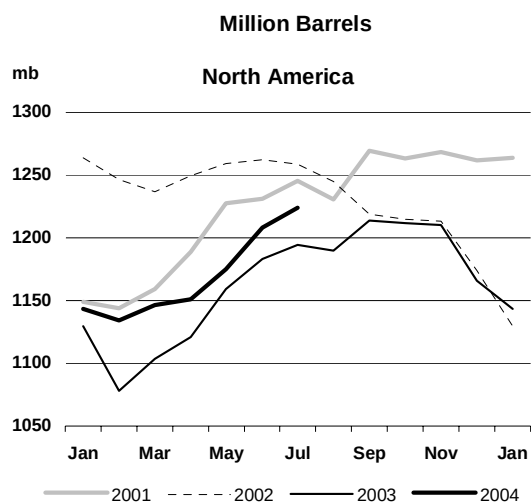
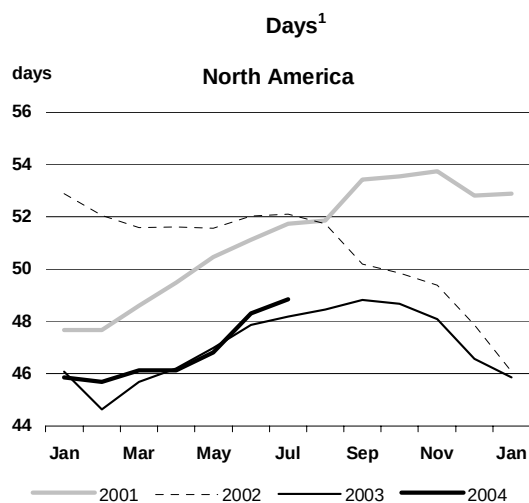
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	3Q03	4Q03	1Q04	2Q04	May 04	Jun 04	Jul 04	Latest month vs. Jun 04 July 03	
Crude Oil	819	755	593	654	777	696	802	697	613	-85	30
Products & Feedstocks	-35	-96	-93	-18	-64	-150	-60	-248	-215	33	-105
Gasoil/Diesel	-154	-170	-174	-161	-133	-206	-177	-190	-231	-41	-52
Gasoline	-81	-83	-67	-96	-88	-119	-117	-153	-66	87	2
Heavy Fuel Oil	334	320	323	341	304	289	287	217	206	-10	-123
LPG	-19	-22	-19	-19	-24	-21	-10	-25	-22	2	-3
Naphtha	6	13	5	49	38	24	21	18	56	37	67
Jet & Kerosene	-65	-99	-103	-77	-99	-50	-10	-38	-93	-56	8
Other	-57	-55	-58	-54	-62	-67	-54	-79	-65	14	-4
Total	784	659	501	636	713	546	742	449	398	-52	-75

Source: International Enterprise, IEA estimates

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

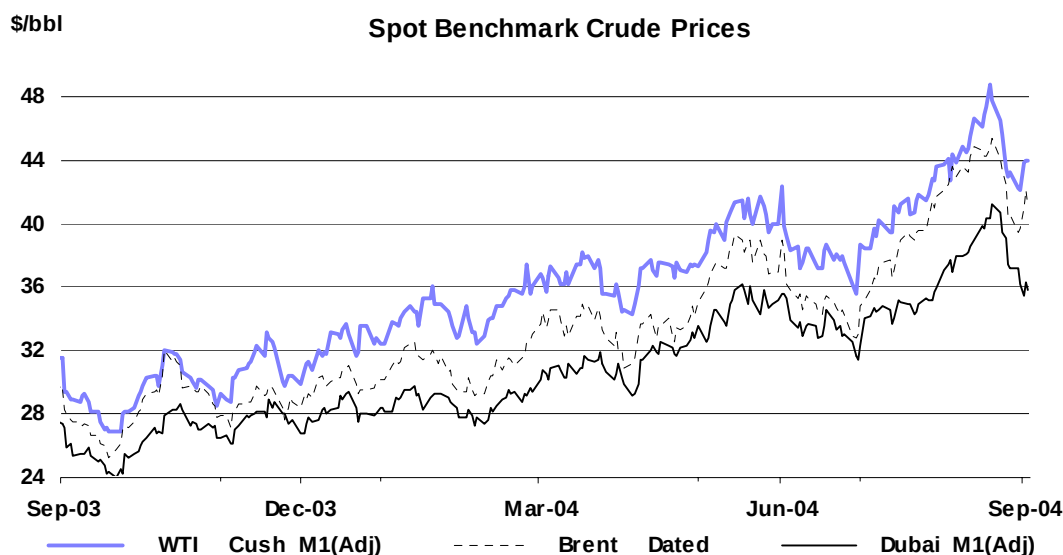


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **NYMEX light sweet crude futures** (WTI) breached \$50 in mid-August before falling by over \$8 as the oil market rapidly corrected from an over-extended position. Driving prices higher in early August were Iraqi output problems, seasonal North Sea maintenance and a tight European diesel market against a background of limited spare crude production capacity. Geopolitical considerations were also to the fore, centring around unrest in Iraq, Yukos output fears and concern over the presidential recall vote in Venezuela. However, prices came off sharply end-August as Iraqi output returned and high prices deterred buyers. Prices remain sensitive to supply disruptions and geopolitical tensions, but building product stocks should provide a cushion ahead of autumn refinery maintenance.
- **Speculative activity**, measured by the CFTC Commitment of Traders report, increased during the run-up in crude prices. But it remained at lower levels versus prior rallies. There was significant industry participation as well. In the rally to the near-\$50 price peak the net non-commercial long position in NYMEX WTI rose by 14,248 lots from end-July levels to 47,949 lots. This was, however, a relatively modest movement and around half of the 82,451 lot first quarter speculative peak. Commercial participation also rose: combined short and long positions jumped by 41,886 lots in the week leading up to the price spike.
- **The press exchanges between Yukos and the Russian government** continued to impact upon prices. However, despite comments by Yukos that production could be affected by the seizure of money from its accounts to pay back taxes, official figures show that Yukos output hit record levels in August as Russian output increased 45 kb/d over July levels.
- **Sour crude discounts to sweet crude benchmarks** WTI Cushing, LLS and Dated Brent reached near record levels as OPEC increased output. The extreme tightness in the Dated Brent market however eased by mid-August as post-maintenance September cargoes emerged in the paper markets and autumn maintenance programmes and weak hydroskimming margins lowered demand.
- **Spot gasoline prices** remained remarkably immune to the machinations of the crude market, as US stocks moved above the upper end of the five-year range. However, tightness in the diesel, jet and naphtha markets in August remained apparent, particularly in Europe. Prices have subsequently moderated along with crude.
- **OECD refinery throughput** remained at record levels in July and provisional indications suggest that robust runs were maintained in August. Some European refiners responded to lower hydroskimming margins in August by announcing run cutbacks for September. However, the subsequent recovery in margins (particularly for sour crude as Middle Eastern supplies increase) gives refiners the economic incentive to maintain throughput ahead of relatively high refinery maintenance in Europe in September and October. US maintenance is also expected to be relatively high in September and October, but well below first quarter peaks.



- **Dirty freight rates** fell as increased tanker supplies offset the rise in OPEC output and a pick-up in crude and fuel oil movement to Asia. However, there remain a large number of tankers that are expected to be scrapped over the coming months, which could tighten supplies rapidly if low returns persist.

Crude Oil Prices

Spot Crude Prices and Differentials

WTI Cushing peaked at \$48.76 on 19 August as insurgent attacks in Iraq spread outside the holy city of Najaf and one of the major pipelines feeding the southern export ports remained shut for over 10 consecutive days. However, the restart of the pipeline and the resumption of flows through the northern pipeline from Kirkuk to the Turkish port of Ceyhan provided an incentive to nervous longs to liquidate positions.

During the fall in prices, physical buyers held back from the market until there were clear signs a floor had been reached, exaggerating the retracement in crude prices (which exceeded \$6.55 on WTI Cushing and over \$8 on an intraday measurement on the futures markets). The development of such a “buying vacuum” is typical of an end to “bubble” market conditions. Bargain hunting was ultimately triggered by fresh Yukos claims that its production could be impacted by the seizure of funds to pay back taxes and further attacks on the northern Iraqi pipeline, prompting a \$4 intraday rebound in WTI futures prices.

Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

	Jun 04	Jul 04	Aug 04	Aug-Jul		Week Commencing:				
				Change	%	02 Aug	09 Aug	16 Aug	23 Aug	30 Aug
Crudes										
Brent Dated	35.04	38.32	43.04	4.71	12.3	42.84	43.85	44.64	42.22	40.66
WTI Cushing 1 month (adjusted)	38.00	40.79	44.90	4.11	10.1	43.75	45.21	47.35	44.38	43.22
Urals (Mediterranean)	32.43	35.24	38.82	3.58	10.2	38.44	39.52	41.10	37.72	36.18
Dubai 1 month (adjusted)	33.43	34.65	38.55	3.90	11.2	37.44	38.42	40.28	38.77	36.19
Tapis	38.13	41.24	47.47	6.23	15.1	45.42	47.08	49.04	48.55	47.38
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	2.95	2.46	1.86	-0.61		0.91	1.36	2.71	2.16	2.57
Urals (Mediterranean)	-2.62	-3.08	-4.22	-1.14		-4.40	-4.33	-3.54	-4.50	-4.48
Dubai	-1.62	-3.67	-4.49	-0.82		-5.40	-5.43	-4.36	-3.45	-4.47
Tapis	3.08	2.92	4.43	1.51		2.58	3.23	4.40	6.33	6.72
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.07	0.35	0.28	-0.07		0.37	0.30	0.14	0.18	0.18
WTI Cushing 1mth-2mth (adjusted)	-0.12	0.12	0.51	0.06		0.52	0.79	0.30	0.10	0.10

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

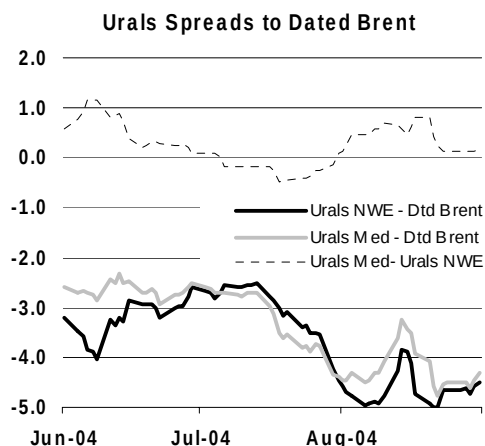
While crude prices are likely to continue to respond to exchanges in the press concerning Yukos, the fact that the company managed to expand output to record levels in August has tempered the impact. On 2 September, Yukos announced that a court had authorised the seizure of funds from the accounts of a subsidiary and Iraq's northern pipeline suffered sabotage. The market responded initially by rallying sharply, but then settled virtually unchanged. Traders are generally skeptical of comments from those with a stake in market developments.

The extreme tightness of Brent crude oil that had dominated the sweet crude markets from mid-July (due to lower field maintenance-related supplies and strong refinery demand) led the WTI/Brent spread into negative territory in early August for the first time in over two years. That position swiftly reversed as US crude stocks declined and the fighting in Iraq raised concerns over supply tightness, re-opening arbitrage opportunities for September loading barrels.

The discount of sour crudes to sweet benchmarks in both Europe and the US Gulf Coast increased sharply in early August, with Urals discounted to near-record levels of \$5 relative to Dated Brent in NWE. The spreads narrowed briefly when flows on Iraqi pipelines were halted in mid-August. Increased volumes of competitively priced Saudi Arabian output helped to partly offset these supply losses over the month and the widening trend in the Brent/Urals differentials returned even before Iraqi pipelines had resumed pumping.

Term buyers have indicated they will receive increased volumes of Saudi crude in September, which will further increase the availability of sour crude. Saudi Arabia appears to be pricing its heavy crudes very competitively in order to ensure its additional volumes are absorbed in the light of very weak fuel oil markets.

West African crude differentials to Dated Brent rallied sharply from mid-August as Asian buying picked up (particularly of distillate-rich grades). Asian consumers were (once more) in direct competition with US refiners looking for alternative sweet crudes while the Brent arbitrage was closed in both directions. Trade estimates suggest that Asian buyers took around 1.5 mb/d of West African crudes in August and around 1.3 mb/d in September. The high price of Asian regional sweet crudes due to tight naphtha and distillate markets and static regional crude supply encouraged strong buying of West African sweet crudes earlier in the month, but heavier grades saw demand improve as August progressed. Direct burn crudes were also sought after to meet Japanese thermal power requirements following a hotter-than-normal summer and nuclear power issues at Japan's KEPCO.



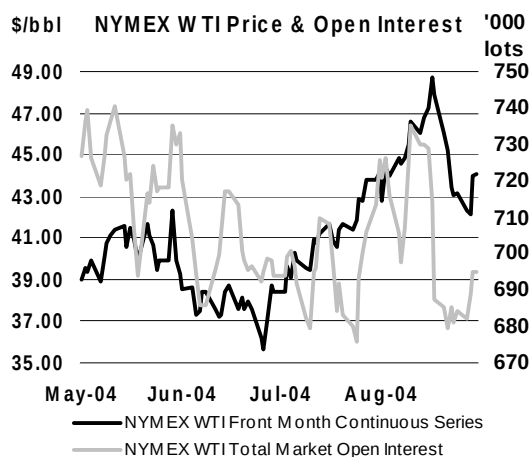
Crude Futures

While it is easy to ascribe the mid-August price rise to geopolitical fundamentals and reduced liquidity due to summer vacations, explaining the fall (and in particular the magnitude of the fall) in prices is less simple. Sometimes rising (and falling) prices can create their own momentum.

WTI futures volumes generally moved in the same direction as prices, but open interest (the total number of futures contracts or option contracts that have not yet been exercised, expired, or fulfilled by delivery) showed a divergent pattern. After prices moved above \$44.50 open interest increased sharply, but started to decline after the rally hit \$46.50 - a week ahead of the peak in prices. The fall in open interest accelerated as the \$8 slump in futures prices was seen.

The data from the CFTC commitment of traders report shows that there was considerable commercial activity (both short and long) after the rise in prices over \$44.50, followed by a decline thereafter in the total number of net long and short positions held in the non-commercial and commercial categories. Together the data suggest that the run up in prices above \$44.50 triggered an increase in the level of forward cover by the trade, and that both the trade and speculators were squaring books in the final surge in prices to near \$50.

The nature of futures markets is such that they offer a zero-sum gain – for every long (bought) position that is taken there has to be an offsetting short position. It is the relative strength or interest of buyers and sellers at any point in time that determines price direction.



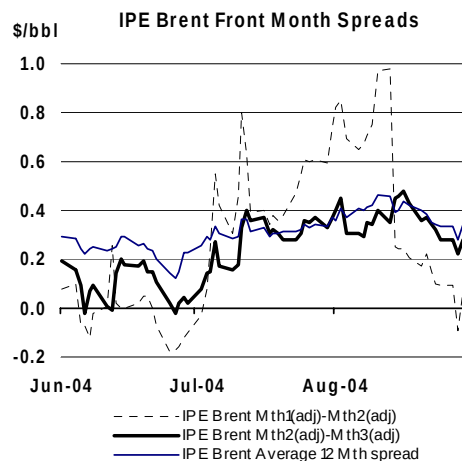
Subject to price, there are always potential sellers and buyers in any market. However, their desire to buy and sell differs. In a situation where there is a “consensus” that prices are moving higher (perhaps caused by a price trigger or a dominant fundamental) the natural sellers (producers and holders of long positions) are more reluctant to sell and demand higher prices. Those looking to buy (consumers and holders of short positions) might be more willing to conduct a transaction at a higher price. In extremes this can lead to significant upward pressure on price. But when that buying has been sated, demand can dry up in a rapid reverse. Then it is the sellers who become anxious to place positions and the buyers hold back from the market.

Such a situation would appear to have been in place in August. Newswire reports and anecdotal comments suggested that many market participants believed that prices were moving higher and that there seemed to be no limit to the upside. This sentiment was reinforced by buy signals from technical analysis (study of price movements) over \$44.50 and occurred in an environment of lower

vacation induced liquidity. Prices moved up sharply, but after making a new peak on Friday 20 August they swiftly reversed. Traders came in the following Monday to find that Iraqi pipeline flows had been restored. Prices fell for eight consecutive days before rebounding by \$4. Traders reported an “absence of buyers” as a broad range of participants took profits. It was classic bubble behaviour, with an overbought situation turning into an oversold situation before some sort of equilibrium was re-established.

This shakeout has not dramatically altered the overall increase in participation that has been seen in futures markets in the past year. WTI open interest remains nearly 200,000 lots higher than at this time last year, the non-commercial long position is four times higher than it was on 23 September 2003 CFTC Commitment of Traders report, while combined commercial short and long positions are nearly 300,000 lots higher than at the same point last year. High volatility and prices driven by limited supply-side flexibility increase the need for commercial hedging and open increased trading opportunities generally.

Aside from helping to explain the recent price swings, futures markets are showing signs of a weaker light, sweet crude market. Front month minus the second month spreads of NYMEX light crude (WTI) and IPE Brent futures were extremely volatile in August, tightening to the highest level since the first quarter as prices rose near \$50/barrel and then collapsing close to parity.



Brent dipped briefly into contango in the nearby paper markets, reflecting the increase of supplies in the second half of September as facilities come out of maintenance and the easing of demand as refineries head towards heavy maintenance schedules in September and October. While the Brent contract for difference (CFD) market shows a marginal contango between dated and the first forward month, the October/November futures are in a modest backwardation. Dubai first and second month swaps are also in a small contango, highlighting the greater availability of sour crudes.

Delivered Crude Prices in June

Delivered prices for crude oil imported into IEA countries fell by 49 cents in June from May to \$34.80, with gains in IEA Europe and IEA North America offset by a sharp fall in IEA Pacific. European delivered crude prices fell by \$1.50 to \$34.33 in June, and by 64 cents in North America in line with trends in Brent and WTI respectively. IEA Pacific prices rose by \$1.66, to \$36.79 reflecting delivery times lags over the Atlantic Basin markets.

Product Prices

Spot Product Prices

Spot product prices were broadly dictated by crude price movements in August. Gasoline prices remained well below their July peaks and saw cracks narrow considerably in mid-August when WTI rallied above \$45. Product tightness however remained in the naphtha, diesel and jet/kerosene product markets, particularly in Europe. Low sulphur waxy residue prices in Singapore rallied sharply on strong Japanese and regional thermal power demand, but high sulphur fuel oil remained relatively depressed.

Despite August being generally the peak gasoline demand month in the northern hemisphere, few arbitrage opportunities were open as regional prices converged. US gasoline prices rallied along with sweet crude prices and improved demand in late July/early August. But the combination of high refinery throughput, high seasonal stocks and the pending end of summer driving season helped gasoline prices to peak on 13 August, declining even as crude prices continued to surge for a further week.

Spot Product Prices

(monthly and weekly averages, \$/bbl)

	Jun	Jul	Aug	Aug-Jul		Week Commencing:					Jun	Jul	Aug
				Change	%	02 Aug	09 Aug	16 Aug	23 Aug	30 Aug			
Rotterdam, Barges FOB											Differential to Brent		
Premium Unleaded (Cargo)	46.67	52.97	51.97	-0.99	-1.9	52.07	51.76	53.99	50.89	49.86	11.63	14.64	8.94
Regular Unleaded	45.99	52.24	51.29	-0.95	-1.8	51.38	51.08	53.28	50.21	49.11	10.95	13.92	8.25
Naphtha	38.46	41.12	46.24	5.13	12.5	45.44	45.84	48.33	45.96	43.80	3.41	2.79	3.21
Jet/Kerosene	45.38	50.02	55.89	5.87	11.7	54.68	55.25	58.01	56.13	55.24	10.34	11.69	12.85
Gasoil	42.34	46.91	50.78	3.88	8.3	50.51	50.62	52.54	50.14	49.85	7.30	8.58	7.74
Fuel Oil 1.0%S	25.18	25.25	24.67	-0.58	-2.3	25.68	25.09	24.75	23.68	22.91	-9.87	-13.08	-18.37
Fuel Oil 3.5%	24.39	25.48	25.67	0.19	0.7	26.47	26.02	25.92	24.68	24.50	-10.66	-12.84	-17.37
Mediterranean – Basis Italy, Cargoes FOB											Differential to Urals		
Premium Leaded (0.15 g/l)	46.16	50.97	50.35	-0.62	-1.2	50.84	49.72	52.19	49.46	48.46	13.74	15.73	11.54
Premium Unleaded	45.44	50.26	49.64	-0.62	-1.2	50.12	49.00	51.47	48.74	47.74	13.02	15.01	10.82
Naphtha	37.23	40.09	45.63	5.54	13.8	44.74	45.20	47.82	45.37	43.13	4.80	4.85	6.81
Jet/Kerosene	43.70	48.35	53.81	5.45	11.3	52.78	53.09	55.64	54.23	53.20	11.27	13.11	14.99
Gasoil	42.59	46.61	50.20	3.59	7.7	49.93	50.34	52.14	49.13	49.38	10.16	11.37	11.38
Fuel Oil 1.0%S	27.60	27.52	26.48	-1.04	-3.8	26.46	26.65	26.95	26.18	26.11	-4.83	-7.72	-12.34
Fuel Oil 3.5%S	21.97	24.01	24.60	0.58	2.4	24.88	24.69	25.15	24.00	23.60	-10.46	-11.23	-14.22
NY Harbour, Barges											Differential to WTI		
Super Unleaded *	55.60	58.12	56.94	-1.18	-2.0	56.04	56.99	60.02	56.30	54.42	17.60	17.33	12.04
Regular Unleaded *	48.27	51.51	50.60	-0.92	-1.8	49.90	51.51	52.76	49.62	48.82	10.27	10.72	5.70
Jet/Kerosene	44.07	49.49	52.50	3.01	6.1	51.83	51.75	54.19	52.62	52.98	6.07	8.70	7.61
No.2 Heating Oil	41.72	45.86	48.89	3.03	6.6	48.53	48.78	50.69	48.44	48.04	3.72	5.07	3.99
Fuel Oil 1.0%S (Cargo)	29.76	27.95	27.97	0.02	0.1	27.87	27.78	28.74	27.78	27.68	-8.23	-12.84	-16.93
Fuel Oil 3.0%S (Cargo)	25.42	24.88	25.09	0.21	0.9	24.56	25.38	25.38	25.14	25.10	-12.58	-15.91	-19.80
Singapore, Cargoes											Differential to Dubai		
Premium Unleaded 95	45.19	46.52	51.50	4.98	10.7	50.81	51.44	53.37	51.39	48.63	11.76	11.87	12.95
Naphtha	37.18	38.60	44.19	5.59	14.5	43.37	44.06	45.54	44.39	42.23	3.76	3.95	5.64
Jet/Kerosene	43.17	48.08	52.29	4.21	8.8	51.25	51.36	53.93	53.07	51.35	9.74	13.43	13.74
Gasoil	41.21	45.40	50.36	4.97	10.9	49.30	49.73	51.91	51.01	49.44	7.78	10.74	11.81
LSWR (0.3%S)	30.25	32.75	39.74	6.99	21.3	37.22	38.98	41.55	41.19	39.44	-3.18	-1.90	1.19
HSFO (3.5%S 180cst)	28.31	28.62	29.76	1.14	4.0	29.91	29.77	30.08	29.55	29.04	-5.12	-6.03	-8.79
HSFO 4%S	28.17	28.28	29.54	1.27	4.5	29.76	29.56	29.76	29.35	28.84	-5.26	-6.37	-9.00

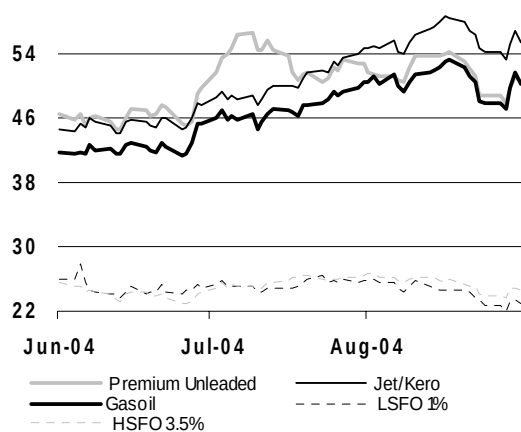
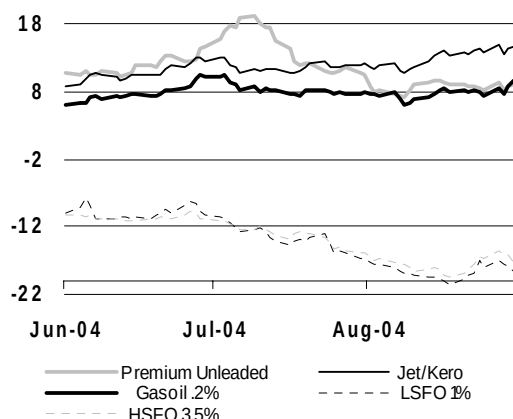
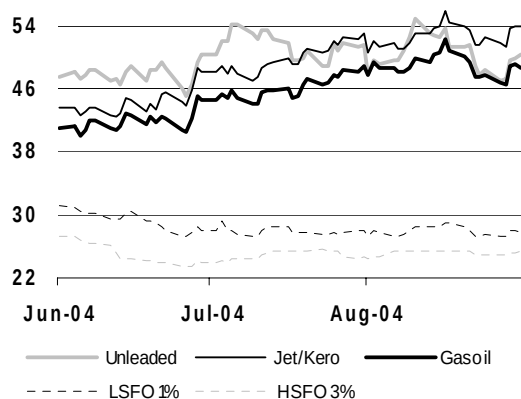
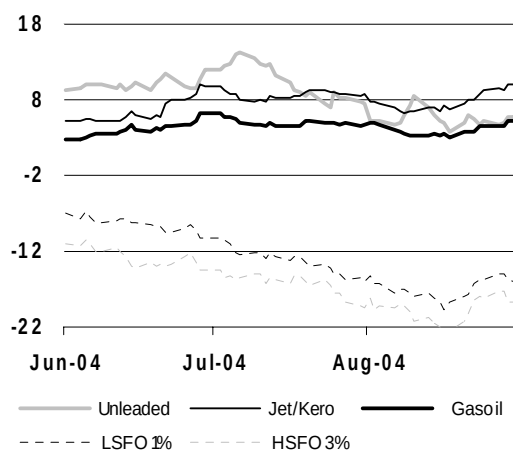
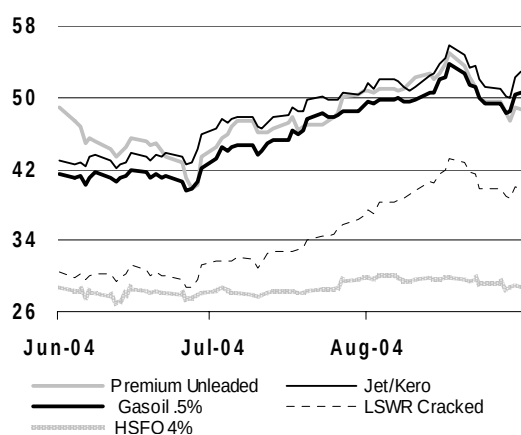
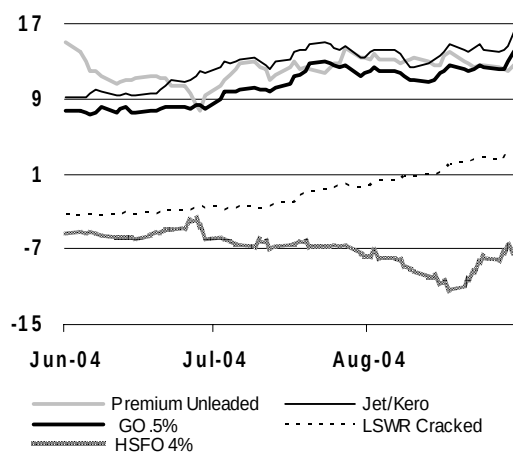
* From 1 November 2003 assessments for NYH are for Max 0.3% MTBE

NWE gasoline briefly resumed its position as the highest priced regional market as the transatlantic arbitrage closed, but stocks then started to build in the region. Asia swiftly took on the high-price mantle as lower Chinese exports helped to maintain values relative to other regions. Although lower Chinese exports are expected to be repeated in September and refiners will be running a maximum distillate bias, the end of the regional driving season and lower Indonesian imports should act as an offsetting factor. In each region, weaker crude prices dragged spot gasoline prices lower at the end of August.

Naphtha tightness in Europe eased following a full restart of Algeria's Skikda refinery and imports from the Caribbean and Red Sea improved supplies. However, this was partly offset by stockpiling ahead of refinery maintenance and deliveries into the gasoline pool. High propane prices also prompted petrochemical buyers with flexible units to switch to naphtha feeds. The Asian naphtha market was generally well supplied, but the movement of Middle East cargoes to Europe served to tighten availability.

European diesel remained extremely tight, reflecting strong primary demand. This also contributed to a tight jet/kerosene market. Supplies of the 50 ppm sulphur grade of diesel (which are mandatory in Europe next year) are particularly tight. It is unclear how much diesel has been moved into secondary storage ahead of high refinery maintenance schedules in Europe in September and October, and how much reflects stronger demand. However, the second and largest phase of the harvest season is now underway and should bolster demand through to the end of September.

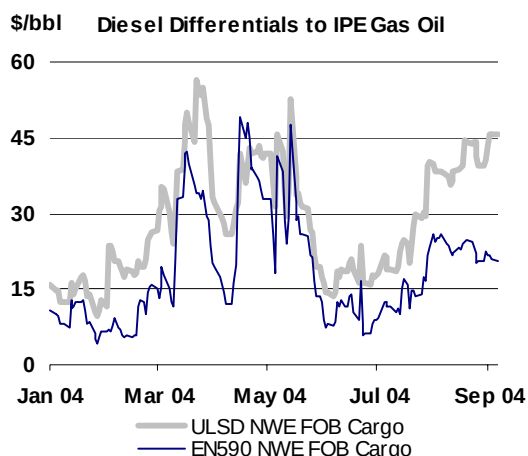
Anecdotal reports and surveys would appear to suggest that there has been a lower-than-normal rate of pre-winter filling of domestic heating tanks across Europe, with consumers reluctant to pay recent high prices. However the recent price dip has helped to revive some interest. The danger is that an early cold spell over the next two months, coupled with heavy refinery maintenance could tighten the

\$/bbl Rotterdam Spot Product Prices**\$/bbl Rotterdam Spreads to Dated Brent****\$/bbl New York Harbour Spot Product Prices****\$/bbl New York Harbour Spreads to WTI****\$/bbl Singapore Spot Product Prices****\$/bbl Singapore Spreads to Dubai**

market. This is also the seasonal period where low water levels could restrict barge movement along the Rhine and other waterways, exacerbating inland tightness.

Tight distillate markets were similarly apparent in the Mediterranean where good demand for gasoil into the south east of the region and for Middle East countries was relatively strong. Diesel was particularly stretched, attracting transatlantic arbitrage cargoes and movement from NWE.

Diesel demand in the US remains strong ahead of the harvest, but distillate stocks are building in the key Padd 1 northeast heating oil region. There are some reports of diesel exports from the US Gulf Coast to Europe, but there were reports of parallel movement of heating oil from Europe to the US Atlantic Coast. Price differentials between the two markets did not appear to favour west-bound movement, but there are frequent contractual movements in many products which are not spot price sensitive.



Asian distillates also tightened considerably from the end of August as Chinese gasoil demand improved and national oil companies resumed imports. Regional kerosene tightness also resulted in increased emphasis on jet over gasoil, further tightening the market.

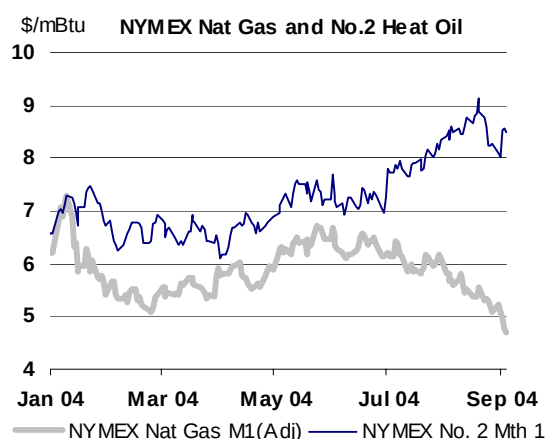
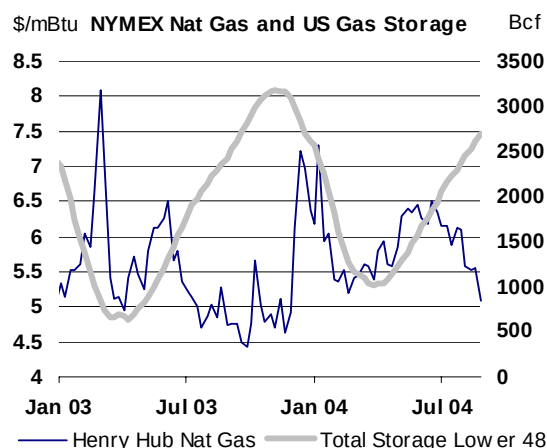
Jet/kerosene retained its premium over gasoline and gasoil prices in Asia, Europe and US. Strong aviation demand, stockpiling ahead of maintenance and maximisation of diesel output kept the Northwest European market the tightest region. The high jet price in Europe has also opened up arbitrage movement from the Middle East Gulf, US Gulf Coast and Caribbean. While traders report that supplies are now building Europe, there remains concern that fresh tightness will evolve during the refinery turnaround season.

In Asia jet/kerosene remains tight following a heavy second quarter refinery maintenance programme which left Japanese domestic stocks relatively low. However, with refineries now concentrating on kerosene output, it is expected that these stocks should be replenished in the coming months. However, there is the possibility that the normal regional autumn surplus will be partly diverted to Europe to meet needs during the turnaround period.

Fuel oil remains depressed. A mild summer in northern Europe reduced utility demand for low sulphur fuel oil (LSFO), while supplies continued to balloon. Baltic exports remained heavy and high refinery utilisation (particularly of fuel oil-producing hydroskimmers) leading to a glut (particularly of high sulphur cracked material) in the region. Most of the surplus has been moved to Asia, where regional demand for straight-run fuel oil as a feedstock and bunker demand has recently picked up. This is being offset by higher refinery throughput and the ever-open arbitrage from Europe. Asian LSFO demand remains firm, particularly from Japan, to meet increased thermal power generation needs. Problems with nuclear facilities are a further supportive feature, but are likely to prove short-lived. Global utility demand for fuel oil is likely to decline further in the autumn, the shoulder season between summer cooling and winter heating demand. However, in Europe this will be largely offset by lower output as refinery maintenance bites.

Natural gas prices moved to parity with year ago equivalents in early September, having spent most of the year at a premium to 2003 levels. Prices have lost around \$1.80/mBtu since the end of July as a mild summer and a hurricane season (which has so far battered Florida rather than the Gulf of Mexico) have resulted in stocks of 2,695 Bcf: 276 Bcf above year ago levels and 7.3% above the five-year average. Futures prices remain in the normal seasonal steep contango, which will continue to attract injection into storage and is likely to alleviate supply tightness this winter.

High natural gas prices have contributed to higher demand for gasoil and fuel oil in recent years encouraging fuel switching at the margin. However, the ratio of natural gas prices to heating oil is currently at the lowest level since the beginning of 2000 and even against the depressed low sulphur fuel oil market it is at its lowest ratio since Q1 2003. This should encourage substitution to natural gas at the margin, particularly for heating oil, reversing the trend of recent winters and increasing relative distillate availability.

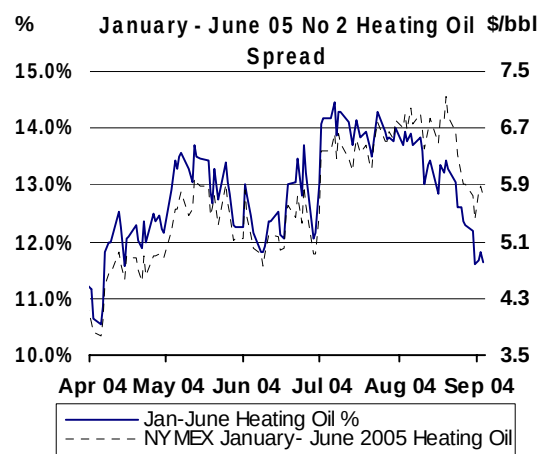


Product Futures

The shift in gasoline prices to well above year-ago levels has narrowed the October/November backwardation to minimal levels and left the inter-months spreads from November to April 2005 either flat or in contango. This reflects the shift in US gasoline inventories from below the five-year average to above the upper-end of that range over the summer months as US refineries ran at full capacity and on maximum gasoline yield.

High US refinery throughput has also helped distillate inventories to build at a faster-than-normal rate over the past few months, pushing inventories above the five-year average. US heating oil inventories have long reflected the normal seasonal curve, but the shape of the forward curve has been flattening, indicating a growing confidence in winter supplies along with lower natural gas prices.

Typically, the US heating oil price peaks around December or January, and this is reflected in the backwardation in the forward curve beyond that point. With such seasonality the general tightness of the heating oil market tends to be discounted in the spot (first futures month) contract. But the steepness of the post winter peak backwardation highlights the extent of any anticipated tightness.



It is therefore interesting to note that not only has the January-June 2005 spread narrowed sharply over the past few weeks in dollar terms, but that it has fallen even more steeply as a percentage of the front month contract price. This suggests increasing confidence that there will be sufficient heating oil stocks to meet winter demand. Such expectations could start to exert pressure on nearby prices if relative inventory levels can be maintained during the autumn maintenance period.

End-User Product Prices in August

End user prices for petroleum products were broadly higher in August, reflecting wholesale product supply tightness and rising crude prices. European markets generally saw the highest price rises in gasoline, diesel and domestic heating oil. However, the lower-than-normal seasonal decline in US gasoline stocks contributed to a net fall in retail gasoline prices in the US and Canada in August. Fuel oil prices were broadly lower in Europe, reflecting the glutted wholesale market as refineries maximise output of lighter products. German low sulphur fuel oil prices however rose slightly in convergence with levels in other European countries. German low sulphur fuel prices are the lowest of any of the European countries covered.

Freight

Despite increasing volumes of OPEC output, dirty freight rates have been trending lower as fresh supply comes on stream. VLCC rates from the Middle East to Japan and US Gulf have moved to the lowest level since May, and Suezmax and Aframax rates have followed. Trade activity has been quite

brisk, with Urals and heavy fuel oil cargoes moving to Asia from northwest Europe and increased eastward volumes of West African crude. The US has also been importing in excess of 10 mb/d all summer, although quantities are tapering off slightly ahead of the autumn maintenance season. European refiners will also be tapering off requirements ahead of a heavy turnaround schedule in September and October. The high volatility of the crude market in August will also tend to have caused players to postpone shipments where possible. If this is the case, a rush of fixtures could be seen in the near future.

On the Scrap Heap

Dirty freight rates have been strong for most of the past two years, bolstered by the strong growth in global oil demand and the increased crude supplies at a time of modest crude tanker fleet growth. However, the situation could have been tighter in the first half of 2004 and current dirty freight rates are showing surprising weakness in the face of higher OPEC output.

SSY estimates that the VLCC fleet will see growth of 5.1 mt of deadweight capacity in 2004 (around 20 ships), with deliveries spread evenly across the year. The Suezmax fleet is expected to see net additions of between 13-14 ships. This is higher than generally expected at the start of the year, but removal of older tonnage has been somewhat muted despite the strong scrap prices, due to the high earnings available on the spot chartering market.

More scrapping is expected next year, when tighter International Maritime Organisation (IMO) regulations from 2005 will mean the mandatory phasing out of a large number of ships. Many of those now likely to be scrapped in 2005 were initially expected to have been phased out this year, which implies that current tanker availability is higher-than-expected, along with higher oil demand, but scrapping rates should increase next year.

The rate of newbuild tankers is currently high from a historical perspective and the crude tanker fleet is expected to grow again next year despite the anticipated heavy scrapping. New tanker orders, however, have a relatively long time-lag to completion at present due to the very full shipyards and competition with gas and dry-bulk sector for the limited additional spaces.

The end of the autumn refinery maintenance season in late October will lead to increased crude demand. This also coincides with daylight transit restrictions along the Turkish straits, which increase journey times and therefore reduce the availability of tankers on the market. These factors contribute to the seasonal rise in freight rates from October onwards. This year, there is also the added factor that there are a large number of ships that are likely to be scrapped over the next 16 months. Should dirty freight rates fall too low, and steel prices remain at near-record levels, then tanker supply could be removed from the market very rapidly.

Clean freight rates have remained relatively static, with high US refinery runs and building product stocks reducing the need for product imports. Product movement to Europe and Asia is likely to be seen over the next two months as refinery maintenance and pre-winter heating fuel stock building increases product import demand.

Refining Margins

Refining margins in the six centres were volatile and often divergent in August. The early August trend was a sharp decrease in margins as product prices failed to keep pace with soaring crude prices. This situation was reversed in the second half of August, followed by a recovery as crude prices moderated. Similarly sour crudes failed to keep pace with the light-sweet benchmarks, leading to sour crude refining margins to outperform sweets. US cracking margins also underperformed those in Europe, where the product market was much tighter, and sour margins improved relative to sweets.

Key Refining Margins

(\$/bbl)	Monthly Average			Aug 04		Week Ending:				
	Jun 04	Jul 04	Aug 04	Change	06 Aug	13 Aug	20 Aug	27 Aug	03 Sep	
NW Europe										
Brent (Cracking)	4.54	5.50	2.88	-2.62	2.55	2.05	3.02	3.00	3.97	
Urals (Cracking)	6.90	7.42	6.59	-0.83	6.62	5.87	6.66	6.69	7.48	
Brent (Hydroskimming)	0.86	0.66	-1.95	-2.62	-2.26	-3.08	-2.08	-1.34	-0.61	
Urals (Hydroskimming)	1.42	0.83	-0.04	-0.87	0.21	-1.01	-0.44	0.44	0.99	
Mediterranean										
Es Sider (Cracking)	4.35	5.44	4.26	-1.18	4.06	3.58	3.75	4.74	6.10	
Urals (Cracking)	5.71	6.82	5.49	-1.33	5.30	4.66	5.11	6.02	6.72	
Es Sider (Hydroskimming)	0.50	0.39	-1.22	-1.60	-1.35	-2.16	-2.13	-0.32	1.22	
Urals (Hydroskimming)	0.12	0.44	-1.06	-1.50	-1.13	-2.23	-1.88	-0.10	0.35	
US Gulf Coast										
Brent (Cracking)	2.88	2.13	-2.38	-4.51	-3.56	-1.45	-3.28	-1.61	-0.24	
LLS (Cracking)	3.49	3.41	-0.28	-3.69	-0.59	0.64	-1.53	-0.10	0.69	
Mars (Cracking)	2.81	2.50	-0.48	-2.98	-0.53	0.38	-2.44	0.60	1.56	
Mars (Coking)	6.54	7.26	4.71	-2.54	4.33	6.17	3.22	5.58	7.00	
Maya (Coking)	8.40	10.13	8.08	-2.05	7.00	10.06	7.96	8.09	9.50	
US West Coast										
ANS (Cracking)	7.97	6.63	2.09	-4.54	1.61	0.25	1.52	4.07	4.05	
Kern (Cracking)	6.37	5.49	1.81	-3.68	0.77	1.44	-0.08	4.99	4.52	
Oman (Cracking)	6.62	6.46	2.52	-3.94	1.81	2.53	1.53	3.93	4.75	
Kern (Coking)	13.69	14.56	9.62	-4.94	8.42	8.55	8.67	12.54	12.93	
Singapore										
Dubai (Hydroskimming)	-1.15	-0.44	-0.81	-0.37	-0.34	-1.40	-1.51	-0.07	1.65	
Tapis (Hydroskimming)	-1.76	-2.06	-3.17	-1.11	-2.72	-3.48	-2.76	-4.00	-4.70	
Dubai (Hydrocracking)	1.42	2.62	3.08	0.46	3.36	2.52	3.07	3.68	5.52	
Tapis (Hydrocracking)	-0.15	-0.42	-1.76	-1.34	-1.16	-2.03	-1.35	-2.77	-3.36	
China*										
Cabinda (Hydroskimming)	-1.79	-1.17	1.36	2.53	0.80	-0.09	2.09	2.63	2.23	
Daqing (Hydroskimming)	-3.92	-1.55	-0.79	0.76	0.40	-1.06	-0.70	-1.92	-2.39	
Dubai (Hydroskimming)	-1.50	-0.81	-1.02	-0.21	-0.61	-1.65	-1.71	-0.19	1.59	
Daqing (Hydrocracking)	-0.32	1.76	2.13	0.37	3.57	2.01	2.19	0.66	0.09	
Dubai (Hydrocracking)	1.14	2.31	2.95	0.64	3.17	2.36	2.96	3.64	5.54	

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.

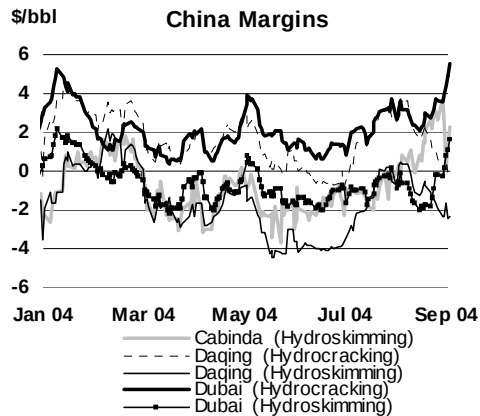
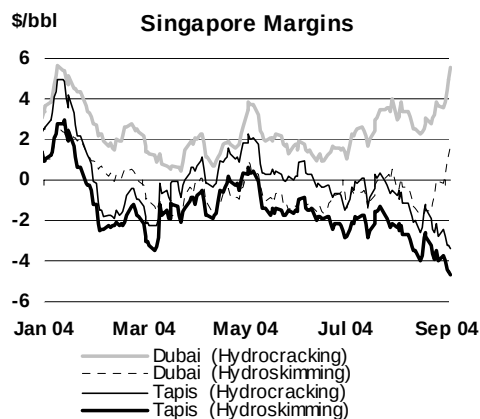
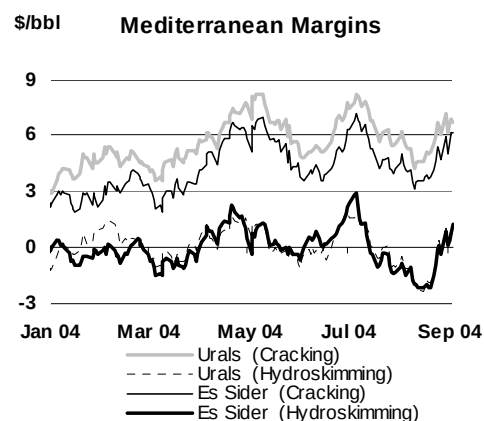
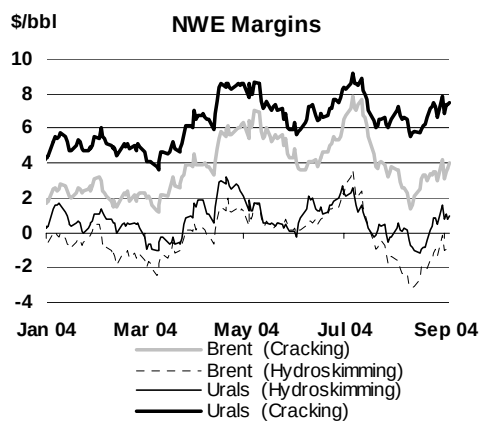
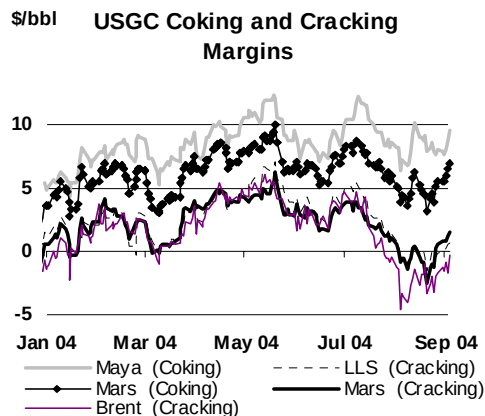
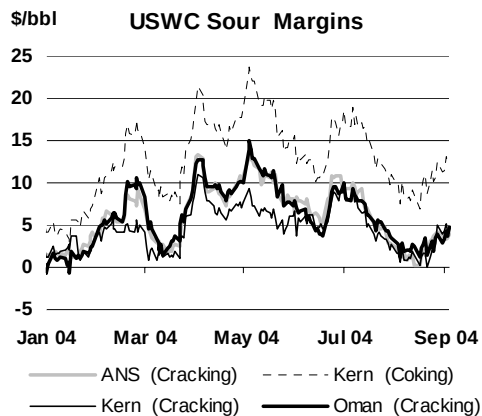
A full list of refining margins and gross product worth can be found on table 15 on www.oilmarketreport.org.

In Northwest Europe, the extreme tightness of the Brent market during the summer North Sea field maintenance period led to a sharp deterioration in Brent cracking and hydroskimming margins. The volatility in Urals margins was much less extreme, and led to cracking margins at around \$4 over Dated Brent cracking in early August and late August, while Urals hydroskimming margins over the two periods exceeded Dated Brent equivalents by over \$2. Urals hydroskimming margins were also positive for the second half of August, in contrast to the marginal returns on (full cost) Brent margins and despite the continued weakness of the fuel oil market.

In the Mediterranean, Urals weakness and tight diesel markets helped to keep cracking margins firm. With the bulk of Mediterranean refinery capacity of a hydroskimming nature, it is unsurprising that Urals crude is increasingly the price setter for Libyan Es Sider crude (via a product netback). While it is unusual for a heavy crude to determine the price of a light/sweet crude, Es Sider also tends to produce high quantities of residue. Therefore, it tends to follow Urals crude prices rather than those in the Brent market.

Coking margins on the US Gulf and West Coasts remained very attractive throughout August, in marked contrast to weakening cracking margins. While the strength of Brent was a feature in pushing full cost Gulf Coast cracking margins negative, it should be noted that gross product worth for Light Louisiana Sweet rose by only 1.1% in August over July, compared with a 10% gain in crude prices.

Refinery Margin Charts



Cracking margins have now returned to a positive level (on a full-cost basis), but remain low in relation to returns earlier this year. Although Gulf Coast cracking margins are unlikely to warrant economic throughput restraint, with US gasoline and distillate stocks at relatively high levels, those refiners that have some flexibility in their maintenance programme (which is normally very little) might try to bring work forward.

In Singapore, there was a sharp divergence between sweet and sour margins as the high price of light/sweet Tapis pushed calculated hydro cracking and skimming margins much lower, while the regional product market was bolstered by the strength of low sulphur fuel oil and a tight gasoil and jet/kerosene market. Sour margins in China followed a similar path, but the strength of low sulphur fuel oil helped Cabinda margins to outperform Dubai for most of the month.

Refinery Throughput

OECD throughput rose to 39.66 mb/d in July as European and US refineries maximised runs to take advantage of continued strong demand and high margins on light products. June throughput was also subject to large individual country revisions, raising the monthly total by 356 mb to 39.3 mb/d. Large upward revisions to US (193 kb/d), Canada (105 kb/d) and smaller upward changes to Italy, Spain, Sweden and the UK were only partly offset by a 119.5 kb/d downward revision to Japan.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day						Change from Jul 03		Utilisation rate ²	
	Feb 04	Mar 04	Apr 04	May 04	Jun 04	Jul 04	mb/d	%	Jul 04	Jul 03
OECD North America										
US ³	14.71	14.80	15.55	15.96	16.24	15.97	0.42	2.7	94.5	92.8
Canada	1.82	1.82	1.88	1.74	1.89	1.78	0.02	1.0	89.4	88.7
Mexico	1.31	1.25	1.26	1.30	1.29	1.30	0.01	0.9	77.0	72.0
Total	17.84	17.86	18.68	19.00	19.42	19.04	0.45	2.4	92.6	91.0
OECD Europe										
France	1.86	1.72	1.87	1.63	1.64	1.83	0.00	-0.3	93.7	96.4
Germany	2.30	2.07	2.24	2.28	2.25	2.39	0.42	21.3	101.7	83.9
Italy	1.88	1.85	1.77	1.83	1.86	1.80	-0.04	-2.2	78.0	80.2
Netherlands	1.15	1.10	1.11	1.13	1.13	1.12	0.04	3.3	91.5	89.7
Spain	1.09	1.19	1.16	1.24	1.22	1.15	-0.05	-4.3	90.6	91.1
UK	1.65	1.70	1.73	1.68	1.60	1.73	0.24	16.2	95.0	83.1
Other OECD Europe	3.75	3.81	3.74	3.94	4.00	3.97	-0.08	-2.0	87.7	89.3
Total	13.67	13.44	13.64	13.74	13.71	13.98	0.51	3.8	90.5	87.5
OECD Pacific										
Japan	4.40	4.26	4.01	3.36	3.36	4.00	0.10	2.5	85.0	81.8
Korea	2.37	2.32	2.29	2.18	2.10	1.92	-0.17	-7.9	75.6	81.6
Other OECD Pacific	0.70	0.73	0.74	0.66	0.70	0.71	0.02	2.7	82.9	72.7
Total	7.47	7.31	7.04	6.20	6.16	6.63	-0.05	-0.7	81.8	80.7
OECD Total	38.98	38.61	39.36	38.94	39.30	39.66	0.91	2.4	89.9	87.8

1 Estimate

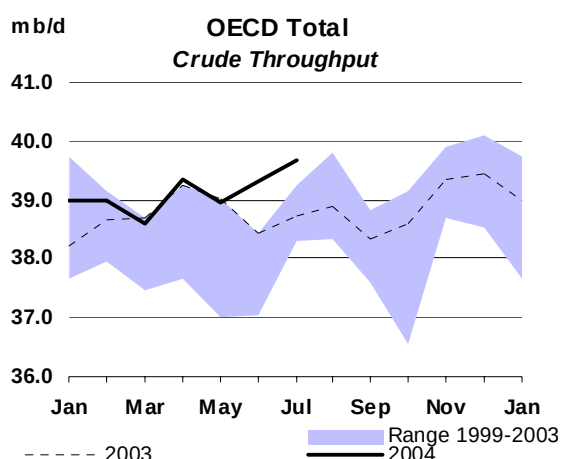
2 Based on crude throughput and current operable refining capacity

3 US\$0

US refiners maintained throughput at close to 16 mb/d for the fourth consecutive month in August (according to preliminary data), running effectively at capacity for the entire driving season. The US is now heading into the maintenance season, and estimates remain mixed. Early trade estimates of a relatively high level of fall maintenance concentrated in October have been revised as work has been brought forward a few weeks to a more even split between September and October. Lower refining margins certainly provide an economic incentive to bring forward maintenance work into September, resulting in a more even level of maintenance between September and October. This is expected to average around 800,000 b/d. The exact split over the two months is unclear, but if October retains its earlier predicted concentration of work it will probably not be by a large margin.

European refiners have also been working flat out, with July capacity utilisation rising to 90.5%, 3% higher than a year ago, and the highest monthly throughput rate since December 2000. Utilisation of 90.5% in July was the highest level since November 2001. This is likely to be a slight overestimate of utilisation as refineries in several countries (Germany and Sweden in particular) are running above

In mid-August, several European refiners noted plans to cut runs in September due to deteriorating margin conditions. However, the improvement in returns since that point and the expectation of heavy autumn maintenance is likely to lead to these decisions being reversed. Just under 1 mb/d of refinery capacity is expected to be under maintenance over September and October, falling to minimal levels in November. Given the throughput levels that have been seen in the past few months, the reduction in runs is likely to be quite marked. However, refineries have clearly been building up product reserves over the past month or so, where possible, helping to mitigate some of the tightness.



In OECD Pacific, the downward revision in Japanese refinery throughput in June, coupled with a modest level of runs in July coincides with published refinery maintenance programmes. Provisional data for the end of August shows that refineries have since cranked up to around 4.4 mb/d, or over 91% of capacity. A similar picture is likely to be shown in Korea as the region rebuilds jet/kerosene stocks from a low level to meet winter domestic heating demand.

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

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	24.0	24.1	24.5	24.1	24.7	24.9	24.6	25.0	24.9	25.0	25.2	25.0	25.3	25.1	25.3	25.4	25.3
Europe	15.3	15.2	15.3	15.1	15.3	15.6	15.3	15.7	15.3	15.5	15.9	15.6	15.8	15.5	15.7	16.0	15.8
Pacific	8.7	8.6	9.8	8.2	8.0	9.2	8.8	9.4	8.0	8.2	9.0	8.7	9.3	7.9	8.2	9.1	8.6
Total OECD	47.9	48.0	49.6	47.4	48.1	49.6	48.7	50.1	48.2	48.8	50.2	49.3	50.5	48.5	49.1	50.6	49.7
NON-OECD DEMAND																	
FSU	3.7	3.5	3.8	3.2	3.4	3.9	3.6	3.5	3.7	3.6	3.9	3.7	3.8	3.7	3.7	4.0	3.8
Europe	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.9	0.8	0.7	0.8	0.8	0.9	0.8	0.8	0.8	0.8
China	4.7	5.0	5.2	5.2	5.8	5.9	5.5	6.2	6.5	6.3	6.4	6.4	6.6	6.9	6.8	7.0	6.8
Other Asia	7.6	7.9	7.9	7.9	8.0	8.5	8.1	8.4	8.5	8.3	8.8	8.5	8.7	8.8	8.6	9.0	8.8
Latin America	4.9	4.8	4.5	4.7	4.8	4.9	4.7	4.7	4.8	5.0	5.0	4.9	4.8	4.9	5.1	5.1	5.0
Middle East	5.2	5.4	5.5	5.3	5.7	5.7	5.6	5.8	5.8	6.0	6.0	5.9	6.1	6.1	6.3	6.2	6.2
Africa	2.6	2.7	2.8	2.8	2.7	2.8	2.7	2.8	2.8	2.7	2.9	2.8	2.9	2.9	2.8	2.9	2.9
Total Non-OECD	29.4	29.9	30.6	29.8	31.1	32.4	31.0	32.2	32.9	32.7	33.6	32.9	33.8	34.1	34.1	35.1	34.3
Total Demand¹	77.3	77.9	80.2	77.2	79.2	82.0	79.6	82.3	81.0	81.5	83.8	82.2	84.2	82.6	83.3	85.6	83.9
OECD SUPPLY																	
North America	14.4	14.5	14.6	14.4	14.6	14.7	14.6	14.8	14.7	14.5	14.9	14.7	15.1	14.9	14.8	14.9	14.9
Europe	6.7	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	6.0	6.3	6.2	6.2	6.0	5.8	6.0	6.0
Pacific	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Total OECD	21.8	21.8	22.1	21.3	21.3	21.8	21.6	21.7	21.5	21.1	21.7	21.5	21.8	21.4	21.1	21.5	21.5
NON-OECD SUPPLY																	
FSU	8.6	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.1	11.3	11.4	11.2	11.5	11.6	11.9	12.1	11.8
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Other Asia	2.4	2.5	2.6	2.6	2.6	2.7	2.6	2.7	2.7	2.7	2.8	2.7	2.8	2.7	2.7	2.7	2.7
Latin America	3.8	3.9	4.0	3.9	4.0	4.0	4.0	4.0	4.0	4.0	4.1	4.0	4.2	4.3	4.4	4.4	4.4
Middle East	2.1	2.1	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.9	1.9	1.9
Africa	2.8	3.0	2.9	3.0	3.1	3.2	3.0	3.3	3.4	3.5	3.6	3.4	3.7	3.8	3.8	3.9	3.8
Total Non-OECD	23.2	24.5	25.0	25.2	25.7	26.2	25.5	26.3	26.7	27.1	27.4	26.9	27.7	28.0	28.3	28.6	28.1
Processing Gains ²	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.9
Total Non-OPEC	46.8	48.1	48.9	48.3	48.7	49.8	48.9	49.9	50.0	50.1	51.0	50.2	51.4	51.2	51.3	52.0	51.5
OPEC																	
Crude ³	27.0	25.1	26.7	26.2	26.6	27.7	26.8	27.9	28.1								
NGLs	3.4	3.7	3.5	3.9	4.0	4.1	3.9	4.3	4.3	4.4	4.5	4.4	4.8	4.8	4.9	4.9	4.8
Total OPEC	30.4	28.8	30.2	30.0	30.6	31.8	30.7	32.2	32.3								
Total Supply⁴	77.2	76.9	79.1	78.3	79.3	81.6	79.6	82.1	82.3								
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.4	-0.6	1.3	0.6	-0.8	0.1	-0.6	1.0								
Government	0.0	0.2	0.2	0.0	0.2	0.3	0.2	0.1	0.1								
Total	0.3	-0.3	-0.5	1.3	0.8	-0.5	0.3	-0.5	1.1								
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.1	0.0	0.3	0.2	-0.2	-0.1								
Miscellaneous to balance ⁵	-0.4	-0.8	-0.9	-0.3	-0.6	-0.2	-0.5	0.5	0.3								
Total Stock Ch. & Misc	-0.1	-1.1	-1.1	1.1	0.2	-0.4	0.0	-0.2	1.3								

Memo items:

Call on OPEC crude + Stock ch. ⁶	27.2	26.1	27.8	25.0	26.4	28.0	26.8	28.1	26.8	27.1	28.3	27.6	28.1	26.6	27.1	28.8	27.6
Total Demand ex. FSU	73.7	74.5	76.4	74.0	75.7	78.1	76.1	78.8	77.4	77.9	79.9	78.5	80.4	78.9	79.5	81.6	80.1
Total demand exc. FSU (% ch) ⁷	0.9	1.1	2.7	1.3	2.0	2.5	2.1	3.2	4.6	2.8	2.3	3.2	2.1	2.0	2.1	2.1	2.1

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

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

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

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

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

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

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

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

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

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

Table 2
Summary of Global Oil Demand

	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
Demand (mb/d)																
North America	24.11	24.52	24.14	24.72	24.86	24.56	25.03	24.86	25.01	25.19	25.02	25.31	25.05	25.28	25.45	25.27
Europe	15.23	15.30	15.06	15.33	15.61	15.32	15.66	15.31	15.53	15.93	15.61	15.80	15.50	15.67	16.05	15.75
Pacific	8.63	9.76	8.19	8.03	9.15	8.78	9.38	7.99	8.22	9.04	8.66	9.34	7.94	8.15	9.06	8.62
Total OECD	47.97	49.58	47.40	48.08	49.62	48.67	50.06	48.16	48.76	50.16	49.29	50.45	48.50	49.11	50.56	49.65
FSU	3.45	3.81	3.19	3.45	3.87	3.58	3.47	3.65	3.63	3.87	3.66	3.80	3.65	3.75	3.99	3.80
Europe	0.77	0.84	0.77	0.72	0.78	0.78	0.85	0.79	0.74	0.81	0.80	0.88	0.81	0.76	0.83	0.82
China	4.97	5.23	5.20	5.75	5.87	5.52	6.24	6.49	6.32	6.39	6.36	6.64	6.88	6.84	7.00	6.84
Other Asia	7.88	7.93	7.88	7.99	8.47	8.07	8.39	8.48	8.34	8.77	8.49	8.65	8.76	8.63	9.03	8.77
Latin America	4.82	4.49	4.67	4.83	4.88	4.72	4.65	4.85	4.96	4.98	4.86	4.78	4.95	5.07	5.07	4.97
Middle East	5.36	5.54	5.31	5.69	5.70	5.56	5.82	5.80	6.01	5.98	5.90	6.13	6.10	6.28	6.22	6.18
Africa	2.70	2.77	2.76	2.66	2.78	2.74	2.80	2.83	2.73	2.86	2.80	2.90	2.93	2.81	2.94	2.89
Total Non-OECD	29.95	30.61	29.80	31.08	32.36	30.97	32.22	32.88	32.73	33.65	32.87	33.78	34.08	34.15	35.07	34.27
World	77.92	80.19	77.20	79.16	81.98	79.64	82.29	81.04	81.49	83.81	82.16	84.23	82.57	83.25	85.63	83.92
of which:																
US	19.76	20.02	19.65	20.21	20.25	20.03	20.36	20.25	20.45	20.56	20.41	20.62	20.47	20.68	20.78	20.64
Euro4	8.34	8.27	8.22	8.29	8.40	8.29	8.51	8.23	8.40	8.58	8.43	8.58	8.35	8.43	8.59	8.49
Japan	5.46	6.37	5.17	5.04	5.76	5.58	6.06	4.95	5.17	5.67	5.46	6.00	4.88	5.07	5.65	5.40
Korea	2.15	2.38	2.00	1.95	2.34	2.17	2.29	2.01	1.98	2.27	2.14	2.28	2.00	1.99	2.28	2.14
Mexico	1.94	1.98	2.03	2.02	2.03	2.02	2.02	2.02	2.00	2.04	2.02	2.05	2.02	2.02	2.05	2.03
Canada	2.08	2.17	2.15	2.16	2.24	2.18	2.27	2.26	2.22	2.24	2.25	2.27	2.24	2.24	2.27	2.25
Brazil	2.12	1.97	2.02	2.10	2.13	2.05	2.07	2.12	2.17	2.18	2.13	2.11	2.14	2.20	2.21	2.17
India	2.32	2.38	2.30	2.25	2.44	2.34	2.53	2.51	2.32	2.52	2.47	2.62	2.61	2.45	2.62	2.58
Annual Change (% per annum)																
North America	0.4	2.6	0.7	1.9	2.4	1.9	2.0	3.0	1.1	1.3	1.9	1.1	0.8	1.1	1.0	1.0
Europe	-0.2	-0.2	1.6	0.1	1.0	0.6	2.3	1.6	1.3	2.1	1.8	0.9	1.3	0.9	0.7	0.9
Pacific	-0.4	6.4	5.3	-1.9	-2.7	1.7	-3.8	-2.4	2.4	-1.2	-1.4	-0.4	-0.6	-0.8	0.2	-0.4
Total OECD	0.1	2.5	1.8	0.7	1.0	1.5	1.0	1.6	1.4	1.1	1.3	0.8	0.7	0.7	0.8	0.7
FSU	-5.5	9.3	2.7	2.1	0.6	3.6	-8.9	14.5	5.5	0.0	2.2	9.4	0.0	3.1	3.2	3.8
Europe	1.9	1.8	1.5	1.6	1.7	1.6	1.8	2.0	2.6	3.0	2.3	2.8	2.8	3.1	3.3	3.0
China	6.3	12.2	3.3	16.0	12.5	11.0	19.3	24.6	9.9	8.9	15.3	6.6	6.1	8.2	9.6	7.6
Other Asia	3.5	2.2	-0.5	2.4	5.4	2.4	5.8	7.5	4.4	3.5	5.2	3.1	3.3	3.5	3.0	3.2
Latin America	-0.9	-4.6	-3.2	-1.2	0.6	-2.1	3.5	3.7	2.6	2.0	2.9	2.7	2.1	2.3	1.7	2.2
Middle East	3.3	4.4	1.5	4.3	4.9	3.8	5.1	9.2	5.6	4.8	6.1	5.3	5.2	4.5	4.0	4.8
Africa	2.9	2.1	1.6	0.9	2.0	1.7	1.1	2.4	2.6	2.6	2.2	3.7	3.6	3.2	2.8	3.3
Total Non-OECD	2.0	3.9	0.7	4.2	4.8	3.4	5.3	10.3	5.3	4.0	6.1	4.8	3.6	4.3	4.2	4.3
World	0.8	3.0	1.3	2.0	2.4	2.2	2.6	5.0	2.9	2.2	3.2	2.4	1.9	2.2	2.2	2.1
Annual Change (mb/d)																
North America	0.10	0.63	0.17	0.46	0.57	0.46	0.50	0.71	0.28	0.33	0.46	0.29	0.19	0.28	0.26	0.25
Europe	-0.03	-0.02	0.24	0.01	0.15	0.10	0.36	0.25	0.21	0.32	0.28	0.14	0.20	0.13	0.12	0.15
Pacific	-0.04	0.58	0.41	-0.15	-0.26	0.14	-0.38	-0.20	0.19	-0.11	-0.12	-0.04	-0.05	-0.07	0.02	-0.04
Total OECD	0.03	1.19	0.82	0.32	0.47	0.70	0.48	0.76	0.68	0.54	0.62	0.39	0.34	0.35	0.39	0.36
FSU	-0.20	0.33	0.08	0.07	0.02	0.12	-0.34	0.46	0.19	0.00	0.08	0.33	0.00	0.11	0.12	0.14
Europe	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.02
China	0.30	0.57	0.17	0.79	0.65	0.55	1.01	1.28	0.57	0.52	0.84	0.41	0.39	0.52	0.61	0.48
Other Asia	0.26	0.17	-0.04	0.18	0.43	0.19	0.46	0.59	0.35	0.30	0.42	0.26	0.28	0.29	0.26	0.27
Latin America	-0.04	-0.22	-0.15	-0.06	0.03	-0.10	0.16	0.17	0.13	0.10	0.14	0.13	0.10	0.11	0.09	0.11
Middle East	0.17	0.23	0.08	0.23	0.27	0.20	0.28	0.49	0.32	0.28	0.34	0.31	0.30	0.27	0.24	0.28
Africa	0.08	0.06	0.04	0.02	0.06	0.04	0.03	0.07	0.07	0.07	0.06	0.10	0.10	0.09	0.08	0.09
Total Non-OECD	0.58	1.16	0.19	1.26	1.47	1.02	1.61	3.08	1.64	1.29	1.90	1.56	1.20	1.42	1.43	1.40
World	0.61	2.35	1.01	1.58	1.94	1.72	2.09	3.84	2.33	1.83	2.52	1.95	1.54	1.76	1.82	1.77
Changes from Last Month's Report																
North America	-	-0.02	0.08	-0.06	-0.01	-	-	-0.02	-0.04	-0.06	-0.03	-	-0.02	-0.04	-0.06	-0.03
Europe	-	-	-	-	-	-	-	0.11	0.07	0.05	0.05	-0.03	0.09	0.03	0.02	0.03
Pacific	-	-	-0.01	-	-	-	-0.01	-0.08	0.10	-0.02	-	-0.02	-0.06	-	-0.01	-0.02
Total OECD	-	-0.02	0.07	-0.06	-0.02	-0.01	-0.01	-	0.13	-0.04	0.02	-0.05	0.01	-	-0.06	-0.02
FSU	-	-	0.05	-	-	0.01	-	-0.03	-0.03	-	-0.02	0.02	0.02	0.01	-	0.01
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	0.06	-	0.01	-	-	-	-	-
Other Asia	0.03	-	0.02	-	-0.01	-	-0.01	0.03	-0.04	-0.01	-0.01	-0.03	0.02	-	-0.01	-0.01
Latin America	-	-	-	-	-	-	-	-0.05	-	-	-0.01	-	-0.06	-	-	-0.01
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	0.03	-	0.07	-	-0.01	0.01	-0.01	-0.06	-0.01	-0.01	-0.02	-0.01	-0.01	-	-0.02	-0.01
World	0.03	-0.02	0.14	-0.06	-0.03	0.01	-0.02	-0.06	0.12	-0.05	-	-0.06	-0.01	-	-0.07	-0.04

Table 3
WORLD OIL PRODUCTION

(million barrels per day)

	2003	2004	2005	1Q04	2Q04	3Q04	4Q04	1Q05	Jun 04	Jul 04	Aug 04
OPEC											
Crude Oil											
Saudi Arabia	8.48			8.21	8.39				8.81	8.90	9.19
Iran	3.78			3.92	3.95				4.00	3.90	3.95
Iraq	1.33			2.11	1.96				1.58	1.89	1.79
UAE	2.29			2.28	2.24				2.41	2.43	2.48
Kuwait	1.87			1.95	2.02				2.06	2.05	2.06
Neutral Zone	0.61			0.60	0.58				0.59	0.60	0.62
Qatar	0.74			0.75	0.78				0.79	0.79	0.80
Nigeria	2.15			2.33	2.33				2.38	2.40	2.45
Libya	1.42			1.47	1.51				1.54	1.58	1.59
Algeria	1.11			1.14	1.17				1.20	1.22	1.23
Venezuela	2.01			2.17	2.20				2.24	2.21	2.22
Indonesia	1.01			0.98	0.96				0.96	0.95	0.95
Total Crude Oil	26.78			27.92	28.08				28.55	28.91	29.32
Total NGLs¹	3.88	4.35	4.82	4.27	4.27	4.36	4.51	4.75	4.25	4.33	4.37
Total OPEC	30.67			32.19	32.35				32.80	33.23	33.68
NON-OPEC²											
OECD											
North America											
United States	7.82	7.78	7.91	7.83	7.72	7.64	7.92	8.02	7.57	7.59	7.55
Mexico	3.79	3.83	3.81	3.82	3.88	3.81	3.81	3.82	3.89	3.81	3.83
Canada	3.00	3.12	3.20	3.13	3.10	3.08	3.15	3.23	3.13	3.08	3.13
Europe											
UK	2.28	2.12	1.96	2.21	2.12	2.02	2.11	2.06	2.14	2.03	2.02
Norway	3.26	3.25	3.21	3.34	3.24	3.13	3.31	3.30	3.27	3.32	3.02
Others	0.79	0.85	0.84	0.83	0.86	0.86	0.86	0.84	0.87	0.85	0.86
Pacific											
Australia	0.65	0.57	0.53	0.59	0.57	0.59	0.55	0.55	0.61	0.60	0.57
Others	0.61	0.53	0.49	0.55	0.53	0.55	0.51	0.51	0.57	0.56	0.53
Total OECD	21.59	21.51	21.45	21.74	21.48	21.12	21.71	21.84	21.48	21.27	20.99
NON-OECD											
Former USSR											
Russia	8.49	9.20	9.62	8.93	9.14	9.34	9.40	9.43	9.26	9.31	9.35
Others	1.82	1.95	2.13	1.89	1.92	1.98	2.01	2.04	1.97	1.94	1.99
Asia											
China	6.03	6.21	6.22	6.17	6.17	6.23	6.26	6.26	6.20	6.23	6.22
China	3.41	3.47	3.49	3.43	3.47	3.49	3.49	3.50	3.51	3.49	3.49
Malaysia	0.83	0.84	0.81	0.87	0.83	0.83	0.82	0.82	0.80	0.84	0.83
India	0.79	0.80	0.77	0.81	0.80	0.81	0.80	0.79	0.81	0.81	0.80
Others	1.01	1.09	1.15	1.06	1.07	1.10	1.15	1.16	1.08	1.09	1.10
Europe											
Europe	0.17	0.17	0.16	0.17	0.17	0.17	0.17	0.16	0.17	0.17	0.17
Latin America											
Brazil	3.98	4.04	4.35	3.96	3.99	4.05	4.14	4.24	4.02	4.02	4.04
Brazil	1.77	1.79	2.03	1.75	1.74	1.82	1.87	1.96	1.77	1.80	1.82
Argentina	0.83	0.77	0.76	0.78	0.77	0.76	0.77	0.77	0.77	0.75	0.74
Colombia	0.55	0.54	0.53	0.53	0.55	0.54	0.54	0.53	0.55	0.54	0.54
Ecuador	0.43	0.53	0.58	0.51	0.53	0.53	0.55	0.56	0.54	0.53	0.53
Others	0.40	0.40	0.46	0.40	0.40	0.40	0.41	0.43	0.40	0.40	0.40
Middle East³											
Oman	2.00	1.89	1.86	1.92	1.90	1.88	1.86	1.85	1.90	1.89	1.88
Oman	0.82	0.76	0.75	0.78	0.77	0.76	0.74	0.75	0.77	0.77	0.76
Syria	0.53	0.51	0.48	0.52	0.51	0.50	0.50	0.49	0.51	0.50	0.50
Yemen	0.44	0.42	0.43	0.43	0.42	0.42	0.42	0.41	0.42	0.42	0.42
Africa											
Egypt	3.04	3.43	3.80	3.28	3.37	3.48	3.59	3.71	3.42	3.44	3.48
Egypt	0.75	0.72	0.74	0.73	0.71	0.71	0.73	0.74	0.71	0.72	0.70
Angola	0.88	0.98	1.22	0.93	0.92	0.98	1.08	1.18	0.91	0.94	0.99
Gabon	0.24	0.24	0.24	0.24	0.24	0.23	0.23	0.23	0.24	0.23	0.23
Others	1.17	1.50	1.61	1.38	1.50	1.56	1.56	1.56	1.55	1.56	1.57
Total Non-OECD	25.54	26.88	28.14	26.33	26.66	27.12	27.41	27.70	26.93	27.00	27.14
Processing Gains⁴	1.80	1.83	1.86	1.85	1.81	1.81	1.85	1.88	1.81	1.81	1.81
TOTAL NON-OPEC	48.93	50.23	51.46	49.92	49.95	50.06	50.98	51.42	50.22	50.09	49.94
TOTAL SUPPLY	79.60			82.10	82.30				83.02	83.32	83.62

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

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

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

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

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Mar2004	Apr2004	May2004	Jun2004	Jul2004*	Jul2001	Jul2002	Jul2003	3Q2003	4Q2003	1Q2004	2Q2004
North America												
Crude	404.7	412.6	411.6	412.2	405.5	417.8	412.6	397.2	0.01	-0.16	0.25	0.08
Motor Gasoline	232.3	233.7	234.4	239.3	243.2	238.1	246.3	231.9	-0.09	0.06	-0.02	0.08
Middle Distillate	169.8	166.6	176.2	187.4	199.3	203.5	205.2	190.6	0.26	0.04	-0.44	0.19
Residual Fuel Oil	47.5	44.8	45.1	46.1	41.1	47.6	43.4	39.0	-0.03	0.05	0.02	-0.02
Total Products ³	597.4	601.2	622.7	647.7	670.9	674.4	689.7	643.1	0.20	-0.11	-0.52	0.55
Total ⁴	1146.5	1150.9	1175.1	1207.8	1223.8	1245.1	1258.5	1194.2	0.33	-0.52	-0.21	0.67
Europe												
Crude	343.4	334.9	336.8	346.8	330.2	309.2	325.4	330.2	-0.08	0.01	0.27	0.04
Motor Gasoline	114.6	110.1	112.9	109.9	109.6	119.8	117.3	105.4	-0.02	0.08	0.00	-0.05
Middle Distillate	216.2	221.5	229.7	232.3	237.7	226.6	252.9	236.7	0.22	-0.16	-0.24	0.18
Residual Fuel Oil	74.4	71.3	72.6	73.3	73.7	78.4	71.3	67.0	0.05	0.08	-0.04	-0.01
Total Products ³	502.5	500.8	514.3	513.2	518.4	542.0	546.6	513.1	0.23	-0.02	-0.33	0.12
Total ⁴	920.7	909.8	924.2	932.9	920.8	911.5	936.5	914.8	0.19	-0.03	-0.01	0.13
Pacific												
Crude	174.5	171.9	179.1	176.6	188.0	175.8	169.8	192.6	-0.05	-0.04	-0.06	0.02
Motor Gasoline	25.4	27.2	25.0	25.0	23.8	25.8	25.4	26.2	-0.02	-0.02	0.03	0.00
Middle Distillate	55.0	57.4	57.1	61.0	62.4	78.5	80.0	73.9	0.13	-0.10	-0.21	0.07
Residual Fuel Oil	20.0	22.5	24.0	22.6	22.0	23.7	23.7	26.2	-0.02	0.00	-0.03	0.03
Total Products ³	158.2	165.7	168.1	173.4	175.4	200.7	194.3	196.0	0.15	-0.22	-0.28	0.17
Total ⁴	400.7	406.6	418.0	420.7	435.0	456.9	444.3	462.6	0.07	-0.26	-0.38	0.22
Total OECD												
Crude	922.5	919.4	927.4	935.7	923.8	902.8	907.8	920.0	-0.13	-0.20	0.46	0.14
Motor Gasoline	372.3	371.1	372.3	374.2	376.6	383.7	389.0	363.4	-0.13	0.12	0.02	0.02
Middle Distillate	440.9	445.6	463.0	480.7	499.4	508.6	538.0	501.2	0.61	-0.23	-0.89	0.44
Residual Fuel Oil	141.9	138.6	141.6	141.9	136.8	149.7	138.4	132.2	0.00	0.13	-0.05	0.00
Total Products ³	1258.2	1267.7	1305.1	1334.3	1364.6	1417.2	1430.6	1352.2	0.58	-0.35	-1.13	0.84
Total ⁴	2467.9	2467.2	2517.3	2561.5	2579.6	2613.5	2639.3	2571.6	0.59	-0.82	-0.60	1.03

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Mar2004	Apr2004	May2004	Jun2004	Jul2004*	Jul2001	Jul2002	Jul2003	3Q2003	4Q2003	1Q2004	2Q2004
North America												
Crude	652.1	658.2	661.3	662.4	664.7	543.7	578.5	612.4	0.17	0.15	0.15	0.11
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	157.2	156.6	156.8	157.1	157.1	138.7	147.9	152.3	-0.03	0.06	0.01	0.00
Products	208.2	204.7	204.6	203.5	203.5	203.2	197.9	204.1	0.06	0.04	-0.04	-0.05
Pacific												
Crude	386.8	386.8	386.9	386.8	386.8	367.0	381.7	382.8	0.00	0.02	0.02	0.00
Products	11.0	11.0	11.0	11.0	11.0	7.3	7.3	10.0	0.01	0.01	0.00	0.00
Total OECD												
Crude	1196.1	1201.5	1205.0	1206.3	1208.6	1049.4	1108.1	1147.5	0.14	0.24	0.18	0.11
Products	221.2	217.7	217.7	216.5	216.5	212.5	207.2	216.1	0.06	0.05	-0.04	-0.05
Total ⁴	1418.3	1420.2	1423.6	1423.8	1426.1	1262.9	1316.3	1364.6	0.20	0.29	0.14	0.06

* estimated

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

2 Closing stock levels.

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

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

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

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

	End June 2003		End September 2003		End December 2003		End March 2004		End June 2004 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	165.7	77	176.6	79	174.6	77	171.4	76	179.7	-
Mexico	44.2	22	41.4	20	39.0	19	38.9	19	39.5	-
United States ⁴	1561.8	77	1600.0	79	1570.3	77	1568.2	77	1630.9	-
Total ⁵	1793.8	73	1840.1	74	1806.1	72	1800.6	72	1872.2	75
Pacific										
Australia	38.1	43	36.0	40	32.4	37	33.8	39	34.9	-
Japan	646.7	128	653.6	114	636.3	105	614.4	124	622.0	-
Korea	152.1	78	154.5	66	154.5	67	142.9	71	152.9	-
New Zealand	8.5	55	8.5	58	7.9	49	7.5	48	8.9	-
Total	845.4	105	852.6	93	831.1	89	798.5	100	818.6	100
Europe⁶										
Austria	18.5	62	20.3	69	20.9	80	23.2	80	24.3	-
Belgium	27.5	47	29.1	45	27.7	42	24.6	42	24.7	-
Czech Republic	13.5	72	13.4	69	16.4	95	15.6	76	15.9	-
Denmark	15.5	85	16.3	86	16.8	87	15.9	88	15.6	-
Finland	23.9	110	23.2	101	26.5	120	27.8	133	23.4	-
France	173.3	84	179.2	85	185.3	87	176.4	90	183.6	-
Germany	268.0	101	265.9	100	272.3	103	269.8	106	266.9	-
Greece	32.3	85	30.9	66	27.5	57	29.4	73	28.8	-
Hungary	17.6	133	18.3	122	16.8	143	19.5	153	20.1	-
Ireland	11.0	67	11.9	66	12.0	63	11.5	69	10.8	-
Italy	134.6	72	140.7	74	135.2	72	135.6	73	134.0	-
Luxembourg	0.8	14	0.8	16	1.0	17	0.8	13	1.0	-
Netherlands	106.5	115	111.1	116	100.1	105	108.2	112	112.3	-
Norway	21.1	79	23.1	93	27.2	99	28.5	116	30.0	-
Poland	27.9	58	26.9	56	28.7	64	29.7	62	30.1	-
Portugal	24.7	72	25.6	79	25.3	81	24.4	75	25.3	-
Spain	121.1	79	121.4	77	122.4	78	123.5	79	127.3	-
Sweden	34.0	116	36.1	120	35.8	117	31.8	96	31.0	-
Switzerland	37.2	142	37.4	141	36.1	138	35.4	149	37.5	-
Turkey	54.5	78	54.3	83	54.9	84	54.9	80	54.8	-
United Kingdom	101.1	60	98.0	56	101.9	55	100.7	54	97.1	-
Total	1264.8	83	1284.1	82	1290.8	82	1287.1	84	1294.5	83
Total OECD	3904.0	81	3976.8	80	3927.9	78	3886.2	81	3985.3	82
DAYS OF IEA Net Imports⁷	-	114	-	116	-	112	-	111	-	113

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

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

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

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled <i>Millions of Barrels</i>	Industry	Total	Government ¹ controlled <i>Days of Fwd. Demand²</i>	Industry
2Q2001	3864	1268	2597	81	27	54
3Q2001	3925	1265	2660	81	26	55
4Q2001	3912	1284	2628	81	27	54
1Q2002	3906	1302	2604	84	28	56
2Q2002	3964	1314	2650	83	28	55
3Q2002	3895	1319	2575	79	27	52
4Q2002	3818	1343	2475	77	27	50
1Q2003	3781	1357	2424	80	29	51
2Q2003	3904	1361	2543	81	28	53
3Q2003	3977	1379	2598	80	28	52
4Q2003	3928	1406	2522	78	28	50
1Q2004	3886	1418	2468	81	29	51
2Q2004	3985	1424	2561	82	29	53

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

2 Days of forward demand calculated using actual demand except in 2Q2004 (when latest forecasts are used).

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

	2001	2002	2003	3Q03	4Q03	1Q04	2Q04	Apr 04	May 04	Jun 04	Year Earlier	
											Jun 03	change
Saudi Light & Extra Light												
North America	0.69	0.70	0.64	0.63	0.66	0.55	0.56	0.54	0.47	0.69	0.74	-0.05
Europe	0.92	0.92	1.00	0.99	0.95	0.96	0.92	1.19	0.82	0.74	1.02	-0.28
Pacific	1.22	1.22	1.18	1.04	1.12	1.14	1.13	1.23	1.07	1.10	1.01	0.09
Saudi Medium												
North America	0.73	0.86	0.83	0.79	0.71	0.72	0.73	0.59	0.77	0.83	0.86	-0.02
Europe	0.15	0.11	0.11	0.14	0.07	0.08	0.06	0.09	0.07	0.04	0.09	-0.05
Pacific	0.17	0.16	0.24	0.20	0.30	0.31	0.20	0.14	0.25	0.21	0.28	-0.08
Saudi Heavy												
North America	0.21	0.20	0.30	0.25	0.19	0.19	0.14	0.17	0.12	0.13	0.58	-0.45
Europe	0.14	0.09	0.19	0.21	0.16	0.16	0.25	0.22	0.20	0.32	0.23	0.09
Pacific	0.15	0.12	0.16	0.15	0.15	0.13	0.13	0.22	0.07	0.11	0.16	-0.05
Iraqi Basrah Light²												
North America	0.65	0.35	0.44	0.20	0.82	0.75	0.74	0.84	0.66	0.73	..	..
Europe	0.15	0.08	0.09	0.04	0.15	0.22	0.27	0.22	0.43	0.14	0.07	0.07
Pacific	0.01	0.02	0.03	..	0.11	0.14	0.08	0.13	0.07	0.03	..	..
Iraqi Kirkuk												
North America	0.09	0.14	0.06	..	..	..	0.04	0.05	..	0.07	..	..
Europe	0.31	0.32	0.12	0.04	..	0.04	0.07	0.09	0.05	0.08	0.04	0.04
Pacific	0.01	0.00	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.16	0.17	0.19	0.17	0.18	0.20	0.19	0.28	0.11	0.19	0.32	-0.13
Pacific	0.13	0.12	0.17	0.16	0.17	0.18	0.13	0.16	0.12	0.11	0.13	-0.03
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.53	0.44	0.59	0.74	0.55	0.50	0.52	0.58	0.47	0.50	0.64	-0.14
Pacific	0.63	0.54	0.69	0.58	0.74	0.73	0.65	0.66	0.66	0.62	0.68	-0.05
Venezuelan Light & Medium												
North America	0.61	0.68	0.69	0.75	0.84	0.63	0.76	0.79	0.74	0.76	0.74	0.02
Europe	0.07	0.08	0.02	0.01	0.01	..	0.02	0.02	0.02	0.02	0.00	0.02
Pacific	0.00	0.00	0.00	0.00	0.00	..	..	..	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.65	0.55	0.60	0.83	0.73	0.81	0.90	0.88	0.95	0.86	0.72	0.14
Europe	0.07	0.05	0.06	0.07	0.09	0.05	0.05	0.05	0.07	0.04	0.04	0.00
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92	1.32	1.46	1.37	1.31	1.43	1.33	1.46	1.49	1.32	0.18
Europe	0.14	0.17	0.16	0.21	0.13	0.14	0.19	0.20	0.17	0.20	0.14	0.06
Pacific	0.01	0.00	0.00	0.01	..	0.01	..	..	..	..	..	..
Mexican Isthmus												
North America	0.04	0.01	0.00	..	..	..	..	..	..	..	..	..
Europe	0.03	0.01	0.00	..	0.00	..	..	..	..	..	..	..
Pacific	0.01	0.01	0.00	0.01	..	0.01	..	..	..	..	..	..
Russian Urals												
North America	..	0.03	0.14	0.33	..	0.01	0.14	0.10	0.07	0.25	0.53	-0.28
Europe	1.10	1.32	1.62	1.70	1.75	2.14	1.84	2.17	1.86	1.50	1.40	0.09
Pacific	0.01	0.01	0.00	..	0.01	0.00	0.01	..	0.03	..	..	..
Nigerian Light⁴												
North America	0.50	0.39	0.63	0.78	0.67	0.80	0.90	0.84	0.88	0.97	0.72	0.25
Europe	0.38	0.32	0.41	0.44	0.38	0.32	0.21	0.19	0.16	0.29	0.39	-0.10
Pacific	0.02	0.06	0.08	0.05	0.09	0.12	0.10	0.14	0.12	0.03	0.05	-0.02
Nigerian Medium												
North America	0.31	0.16	0.17	0.10	0.21	0.26	0.21	0.27	0.11	0.26	0.15	0.11
Europe	0.10	0.06	0.06	0.04	0.09	0.03	0.04	0.08	0.02	0.03	0.02	0.01
Pacific	0.00	0.01	0.01	..	..	0.02	..	..	..	..	..	..

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

IEA North America includes United States and Canada.

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

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

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
Regional OECD Imports^{1,2}
(thousand barrels per day)

	2001	2002	2003	3Q03	4Q03	1Q04	2Q04	Apr 04	May 04	Jun 04	Year Earlier	
											Jun 03	% change
Crude Oil												
North America	8020	7584	8027	8475	8013	8027	8550	8457	8638	8553	8594	0%
Europe	8592	8622	8983	9228	9048	9295	10089	10409	9933	9930	9047	9%
Pacific	6895	6422	6711	6096	6683	7011	6170	6552	6150	5809	6777	-17%
Total OECD	23506	22628	23721	23799	23744	24333	24809	25418	24721	24292	24418	-1%
LPG												
North America	28	39	27	16	33	29	10	3	4	22	21	5%
Europe	251	224	196	177	226	252	209	244	178	205	134	35%
Pacific	546	553	541	553	523	550	585	502	655	596	583	2%
Total OECD	825	816	763	745	781	831	804	750	837	823	738	10%
Naphtha												
North America	59	42	68	90	64	53	49	16	50	81	140	-74%
Europe	298	298	311	273	323	310	337	347	306	358	263	27%
Pacific	647	705	770	839	761	782	761	663	762	859	559	35%
Total OECD	1005	1045	1150	1202	1148	1145	1147	1026	1118	1297	962	26%
Gasoline³												
North America	673	680	696	695	569	673	884	887	869	897	858	4%
Europe	148	176	170	147	182	243	212	211	197	228	204	11%
Pacific	36	58	70	79	75	105	118	139	113	103	93	9%
Total OECD	857	914	935	920	826	1021	1214	1236	1179	1228	1155	6%
Jet & Kerosene												
North America	139	97	98	114	67	45	104	76	128	109	93	14%
Europe	247	216	211	248	228	173	251	252	189	314	214	32%
Pacific	73	97	102	48	132	92	60	59	61	60	34	43%
Total OECD	459	411	411	410	426	310	416	387	378	483	342	29%
Gasoil/Diesel												
North America	186	102	128	126	87	199	89	65	102	101	123	-22%
Europe	601	686	685	637	662	707	752	774	635	850	826	3%
Pacific	31	53	73	66	73	56	92	78	106	93	103	-10%
Total OECD	817	841	886	829	822	962	933	917	842	1044	1051	-1%
Heavy Fuel Oil												
North America	314	237	325	306	323	364	314	262	316	364	299	18%
Europe	403	475	399	457	448	368	442	397	363	568	414	27%
Pacific	81	89	88	72	80	76	77	86	96	48	117	-142%
Total OECD	799	801	812	835	852	809	833	745	775	980	829	15%
Other Products												
North America	703	689	701	759	618	869	707	656	746	716	956	-33%
Europe	737	733	684	715	702	666	720	649	668	844	674	20%
Pacific	218	256	236	224	218	249	266	234	275	289	269	7%
Total OECD	1658	1678	1620	1698	1538	1784	1692	1539	1689	1850	1898	-3%
Total Products												
North America	2103	1887	2042	2106	1762	2233	2157	1965	2216	2289	2490	-9%
Europe	2686	2808	2655	2653	2771	2720	2922	2874	2535	3368	2727	19%
Pacific	1631	1811	1879	1879	1862	1910	1960	1760	2068	2049	1759	14%
Total OECD	6420	6506	6577	6639	6394	6863	7039	6599	6819	7706	6976	9%
Total Oil												
North America	10122	9471	10070	10581	9775	10260	10708	10422	10854	10842	11083	-2%
Europe	11277	11431	11638	11881	11819	12015	13011	13283	12469	13298	11774	11%
Pacific	8526	8233	8590	7975	8545	8921	8130	8312	8217	7858	8536	-9%
Total OECD	29925	29135	30298	30437	30138	31195	31848	32017	31540	31998	31393	2%

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

© OECD/IEA. All Rights Reserved

The International Energy Agency's ('IEA') makes every attempt to ensure, but does not guarantee, the accuracy and completeness of the information or the clarity of content of the Oil Market Report (hereafter the 'OMR'). The IEA shall not be liable to any party for any inaccuracy, error or omission contained or provided in this OMR or for any loss, or damage, whether or not due to reliance placed by that party on information in this OMR.

The Executive Director and Secretariat of the IEA are responsible for the publication of the OMR. Although some of the data are supplied by IEA Member-country governments, largely on the basis of information they in turn receive from oil companies, neither these governments nor these oil companies necessarily share the Secretariat's views or conclusions as expressed in the OMR. The OMR is prepared for general circulation and is distributed for general information only. Neither the information nor any opinion expressed in the OMR constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities.

The OMR is copyrighted by the IEA. The user may reference or copy this OMR for personal, non-commercial use provided that there be a specific written reference to the IEA as the source of the material. No part of the OMR may be copied, reproduced, republished, displayed, distributed or posted on servers in any manner for commercial purposes or for compensation of any kind without the prior written permission of the IEA (rights@iea.org).

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halff (+33) 0*1 40 57 65 93 e-mail: antoine.halff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org
	Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France
Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 69
E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

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

The monthly Oil Market Report is published on the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member Governments, largely on the basis of information received from oil companies, neither governments nor companies necessarily share the Secretariat's views or conclusions as expressed therein. ©OECD/IEA2004

12 October 2004

HIGHLIGHTS

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

Next Issue: 10 November 2004

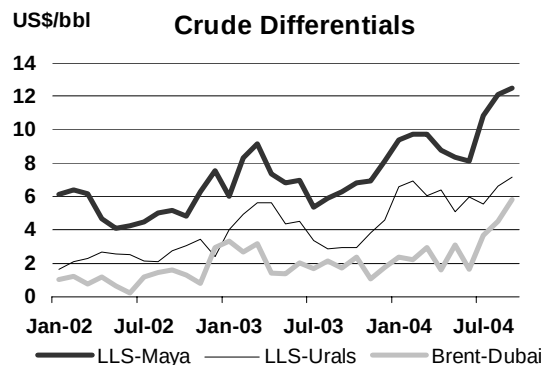
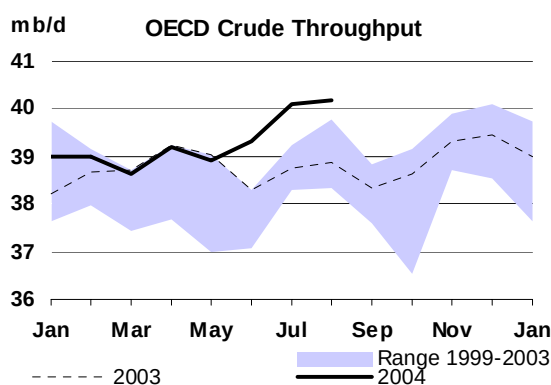
CONTENTS

HIGHLIGHTS.....	1
REGAINING CONTROL OF THE MARGIN.....	3
DEMAND	4
Summary	4
OECD.....	5
Early Indications of Current Demand	5
Pacific.....	7
Europe	8
North America	8
Non-OECD.....	9
China	9
FSU	10
Other Non-OECD	10
SUPPLY.....	12
Summary	12
OPEC	13
OECD.....	16
North America	16
North Sea.....	18
Former Soviet Union (FSU).....	19
Other Non-OPEC.....	20
OECD STOCKS.....	22
Summary	22
OECD Industry Stock Changes in August 2004.....	23
Revisions to Preliminary OECD Stocks and Inventory Position at End-August.....	23
OECD Regional Stock Developments	24
North America	24
Europe	25
Pacific.....	25
Singapore Stock Developments in September.....	26
PRICES AND REFINERY ACTIVITY	28
Summary	28
Crude Oil Prices.....	29
Spot Crude Prices and Differentials	29
Crude Futures	30
Delivered Crude Prices in July	31
Product Prices.....	31
Spot Product Prices.....	31
Product Futures.....	34
End-User Product Prices in September	35
Freight.....	35
Refining Margins	35
Refinery Throughput.....	37
TABLES	40
OIL MARKET REPORT CONTACTS	

REGAINING CONTROL OF THE MARGIN

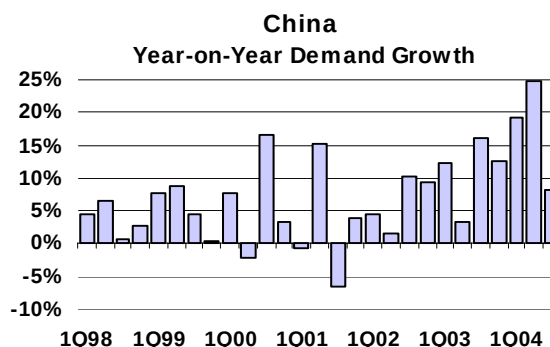
In response to rising prices, producers have increased supply to record levels. While this is a welcomed development, it reduces the amount of spare production capacity available to the market to offset supply disruptions associated with political and weather-related events. Consequently, prices have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

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



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

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



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

DEMAND

Summary

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

Global Oil Demand from 2003 to 2005

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

* year-on-year change

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

Estimated Annual World Oil Demand Growth 2000-2005

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

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

Global Oil Demand by Region

(million barrels per day)

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

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

OECD

Early Indications of Current Demand

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

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

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

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

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

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

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

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

Preliminary Inland Deliveries – August 2004¹

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

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

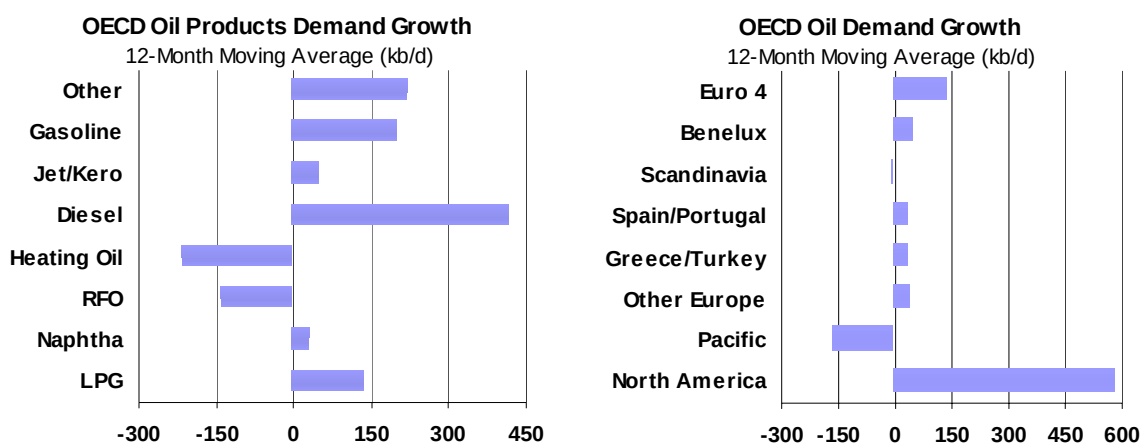
Percentage change is calculated from the same month of the previous year

1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

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

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



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

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

Moving Annual Average Change in Oil Demand* – August 2004

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

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

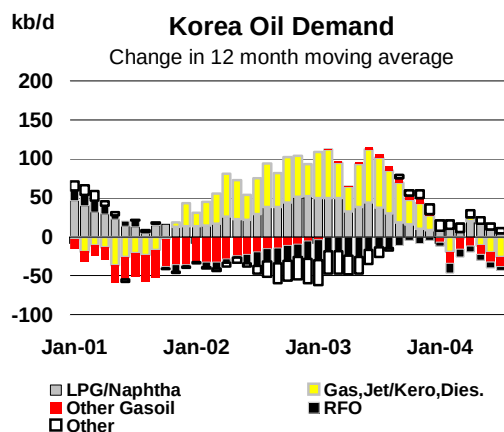
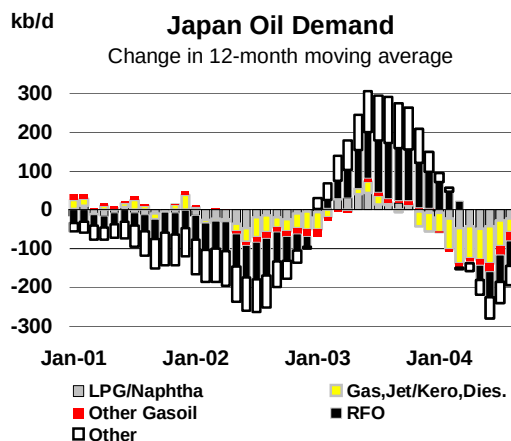
** near-month data are estimated

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

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

Pacific

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



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

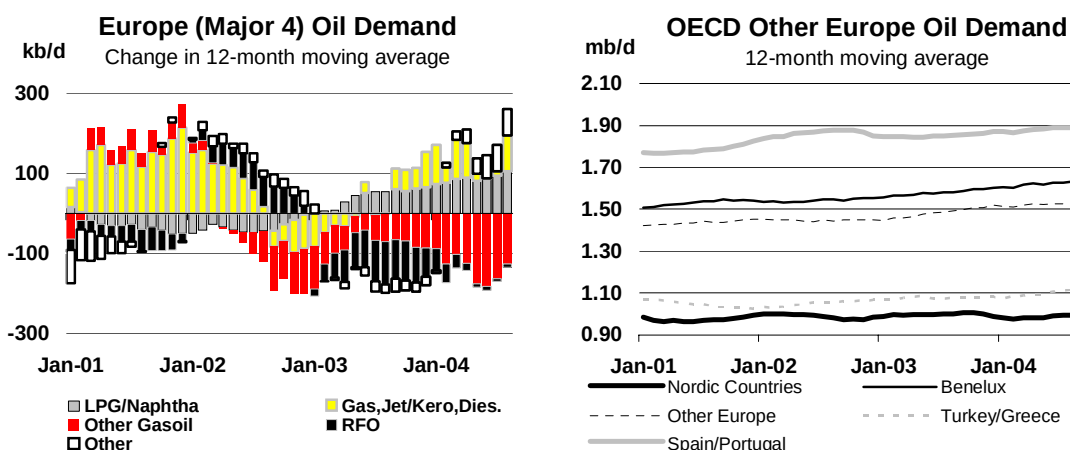
Soaring jet fuel/kerosene demand in Northeast Asia reflects both steep growth in air transportation demand and pre-winter demand for heating kerosene. Kerosene stocks appear to have been drawn to low levels after last winter and need refilling. Combined with robust diesel demand in Japan, the combination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

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

Europe

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

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



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

North America

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

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

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

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

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

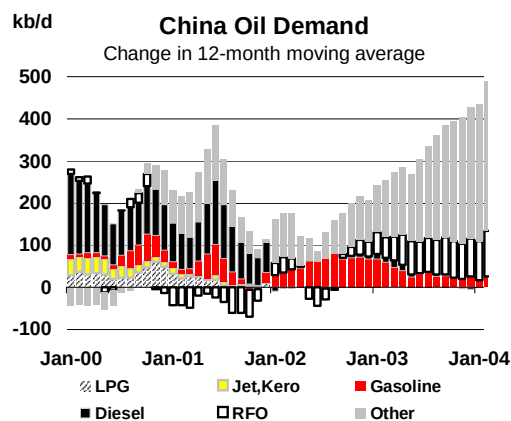
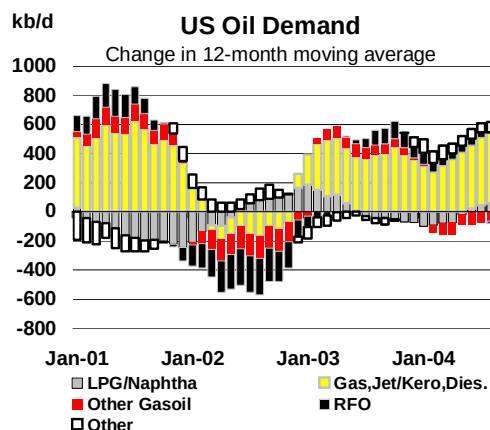
Non-OECD

China

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

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

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



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

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

China Crude & Product Trade

(thousand barrels per day)

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

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

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

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

FSU

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

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

Other Non-OECD

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

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

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

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

India Crude & Product Trade

(thousand barrels per day)

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

¹ Preliminary

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

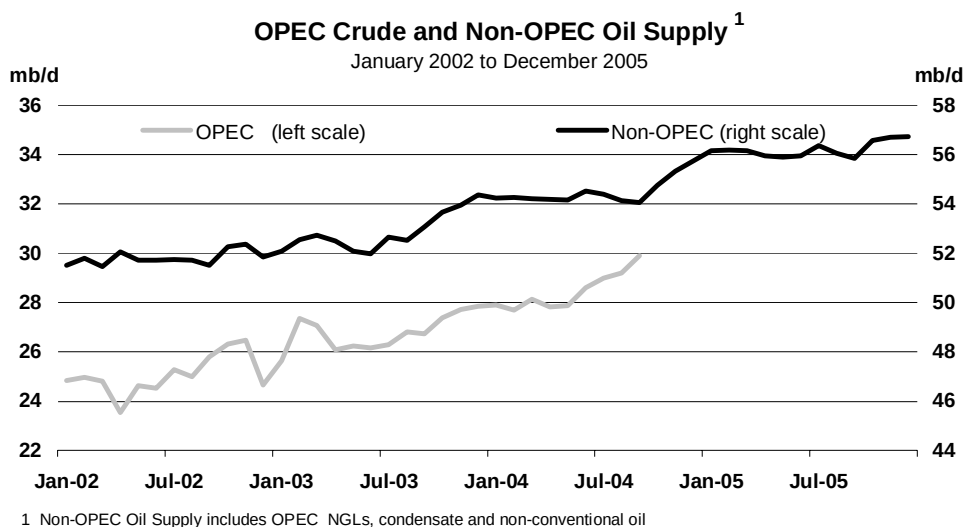
Yearly data for net imports of crude oil for 2002 are unavailable.

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

SUPPLY

Summary

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



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

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

OPEC

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

OPEC Crude Production

(million barrels per day)

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

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

2. Includes half of Neutral-Zone production

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

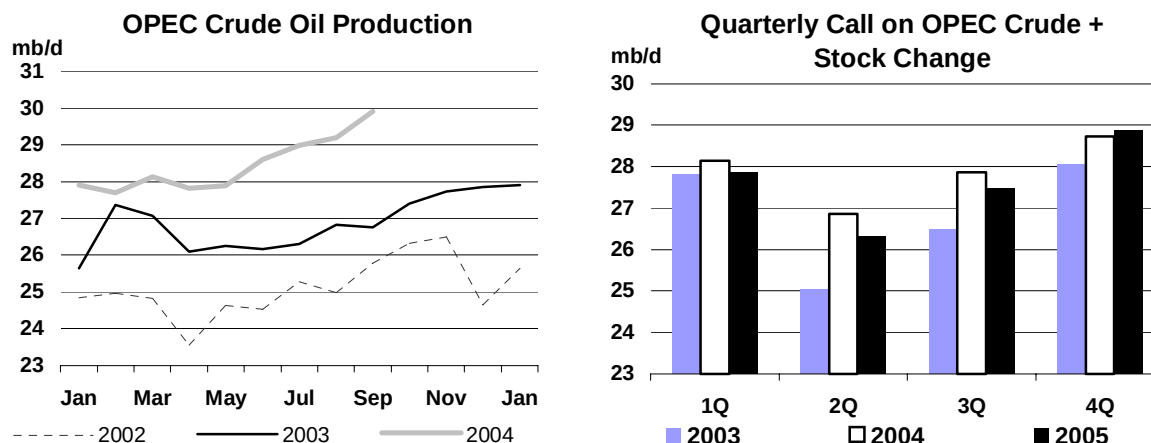
4. Excludes upgraded Orinoco extra-heavy oil, which averaged 398 kb/d in September

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

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

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

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



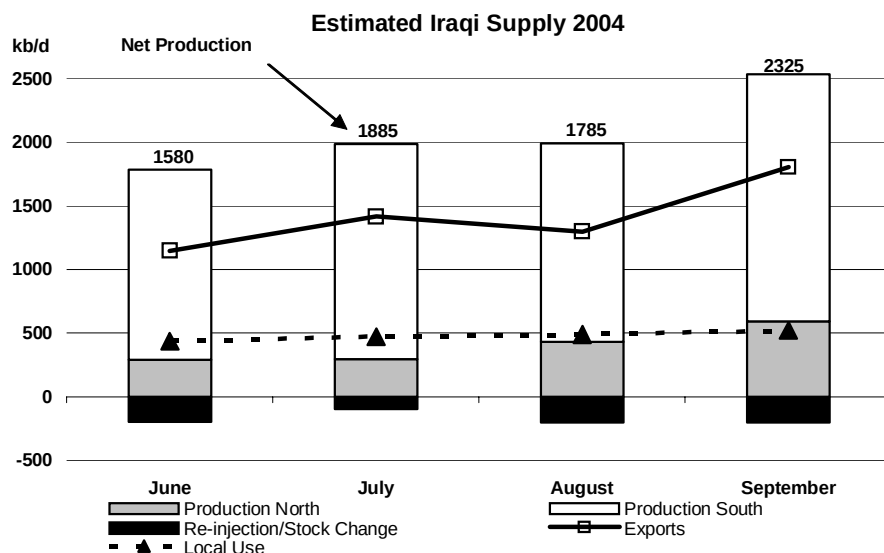
Net supply from **Iraq** increased by 540 kb/d, rising from August's 1.8 mb/d to 2.3 mb/d in September. These numbers exclude estimated pipeline flows into storage and/or field re-injection, believed to be averaging around 200 kb/d. Wellhead production including these volumes therefore averaged 2.0 mb/d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

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

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

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

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



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

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

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

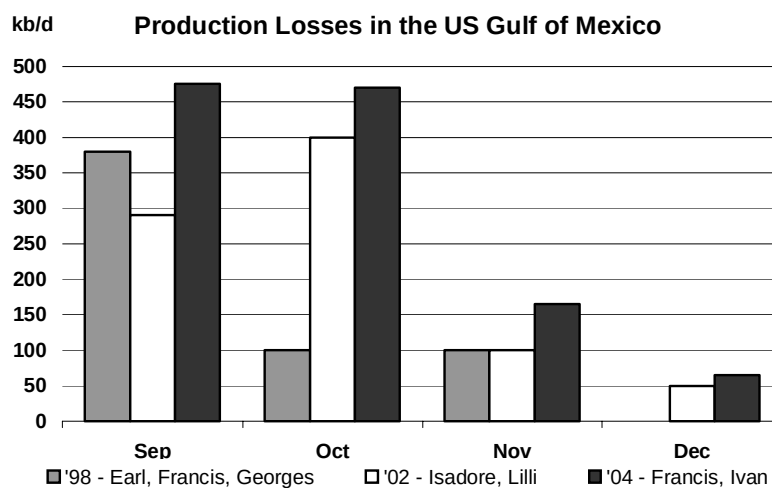
Supply from **Kuwait** rose an estimated 80 kb/d in September to 2.45 mb/d. With full-term contract volumes being supplied to Asian buyers, officially from October, but tacitly also in September, and the restart from the end of October of the long-idled gathering centre number 15 in the north of the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

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

OECD

North America

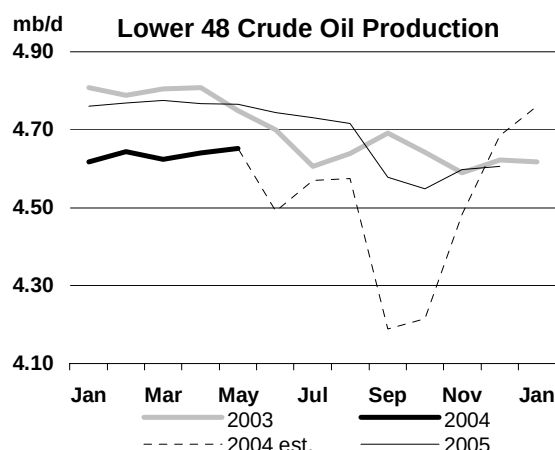
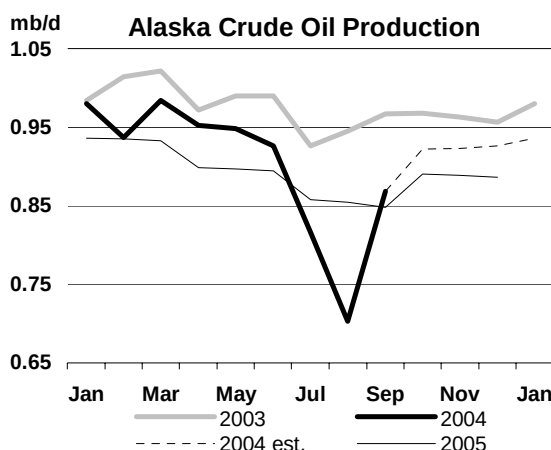
US – September Alaska actual, others estimated: June and July total US output levels were revised upwards by some 20 kb/d each. However, these revisions were completely over-shadowed by sizeable downward adjustments to US supply for the period from August 2004 onwards. The key factor has been the impact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



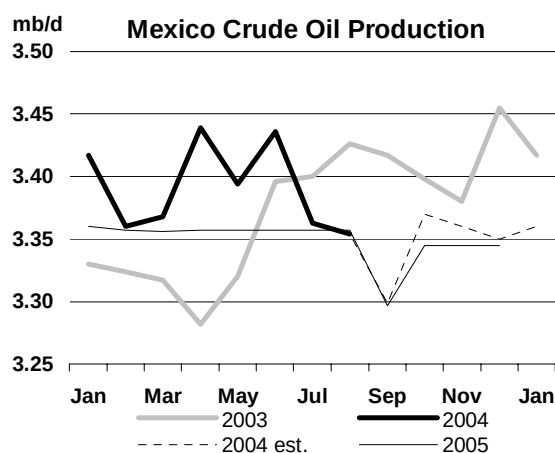
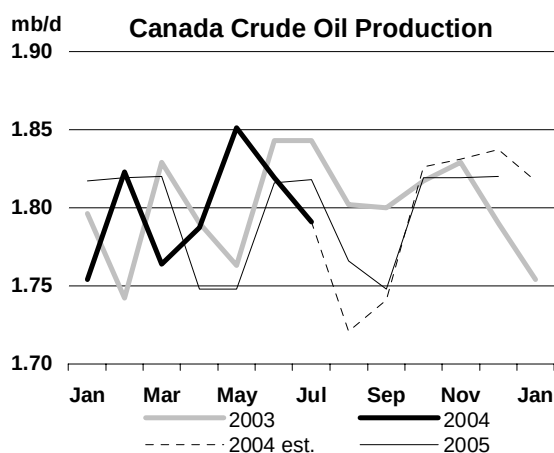
US GOM production and the impact of Hurricanes Francis and Ivan were clearly the focus of September developments. After the 40 kb/d of production shut in August as a precaution ahead of storms Charley and Bonnie, some 475 kb/d was shut in during September. Damage reports suggest that, unlike the aftermath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

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

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



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



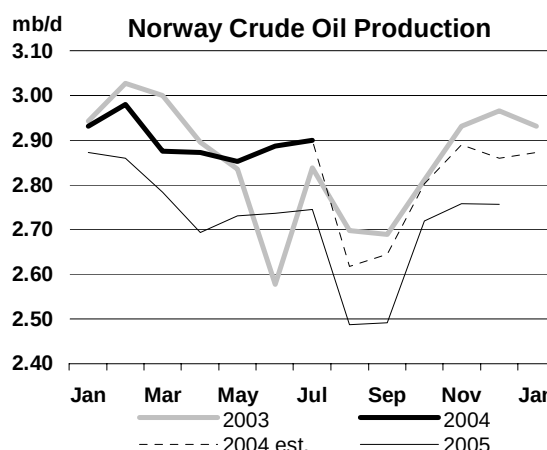
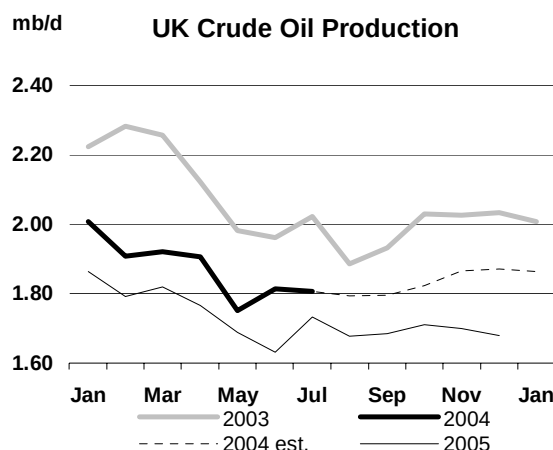
Mexico – August actual: Mexican crude production fell for the second consecutive month in August, albeit less sharply than in July, and reached 3.35 mb/d. NGL output also fell to around 425 kb/d. Crude exports were largely unchanged from July's 1.8 mb/d, although deliveries to European and eastern markets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

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

North Sea

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

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



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

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

Former Soviet Union (FSU)

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

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

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

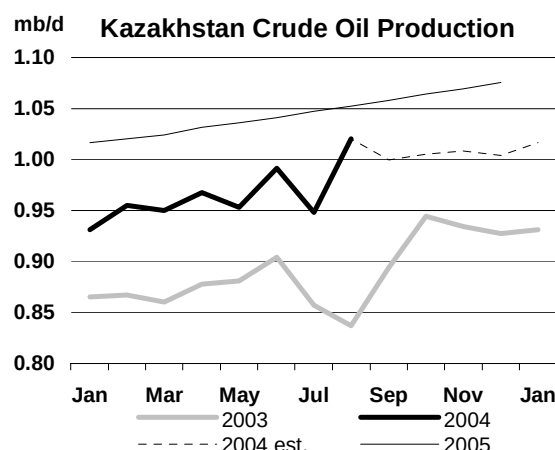
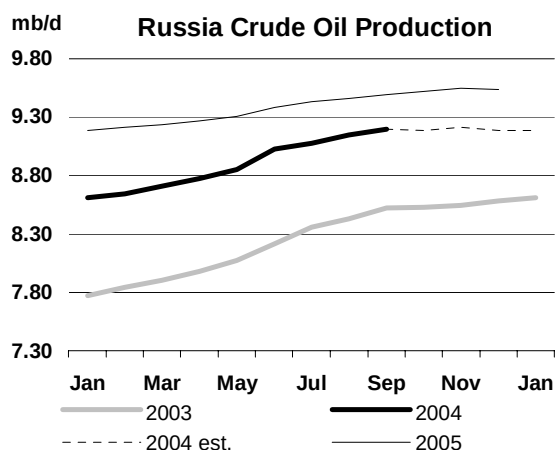
Sources: Petro-Logistics, IEA estimates

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

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

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

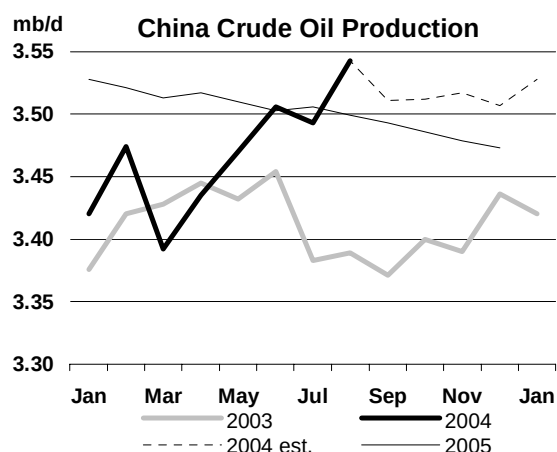
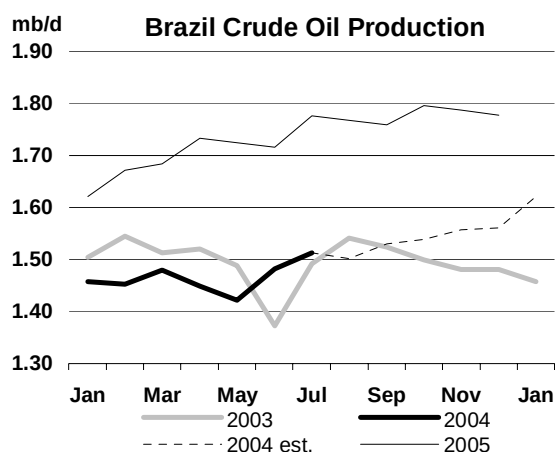
The Yukos affair does not so far appear to be reducing prospects for foreign investment in the Russian upstream. ConocoPhillips in late September won an auction to buy 7.6% of Lukoil, with an option to increase this to 20%. A government decision in September to merge Gazprom and Rosneft, creating a state-controlled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



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

Other Non-OPEC

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



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

Revisions to Non-OPEC Oil Supply

(million barrels per day)

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

OMR = Oil Market Report

OECD STOCKS

Summary

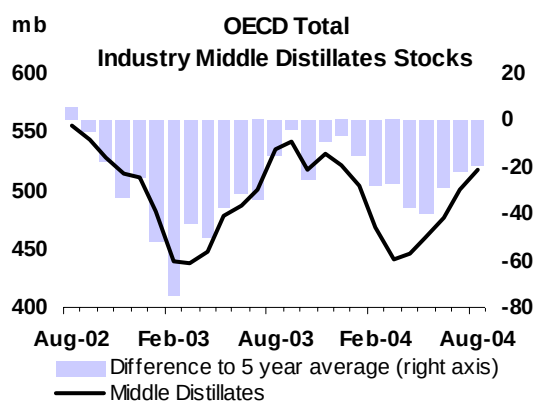
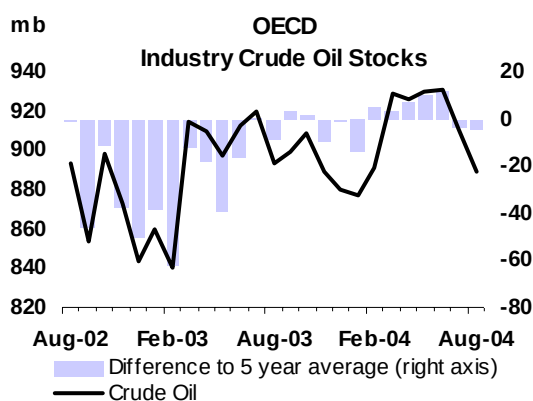
- **OECD industry total oil stocks** increased 240 kb/d or over 7 mb in August, closing at an estimated 2592 mb and 12 mb above 2003. Gains in products stocks, centred on distillate fuels, outweighed a reduction in crude inventories driven by high refinery throughput rates across the OECD. Days of forward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

Preliminary Industry Stock Change in August 2004 and Second Quarter 2004

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

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

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



OECD Industry Stock Changes in August 2004

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

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

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

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

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

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

Revisions Versus 9 September 2004 Oil Market Report

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

¹ other oils includes NGLs, feedstocks and other hydrocarbons

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

Year-on-Year Industry Stock Comparisons for August 2004

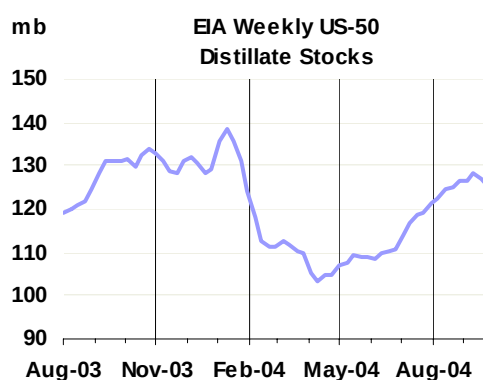
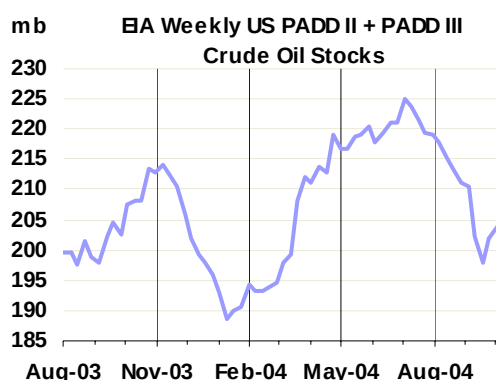
	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	4.1	5.4	-14.3	-4.8	Total Oil	1.0	-0.6	-3.7	-0.4
Total Products	42.2	-2.7	-20.0	19.6	<i>Versus 2002</i>	-2.3	-1.1	-3.1	-2.1
Other Oils ¹	-4.4	0.0	2.1	-2.4	<i>Versus 2001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

1 other oils includes NGLs, feedstocks and other hydrocarbons

OECD Regional Stock Developments

North America

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



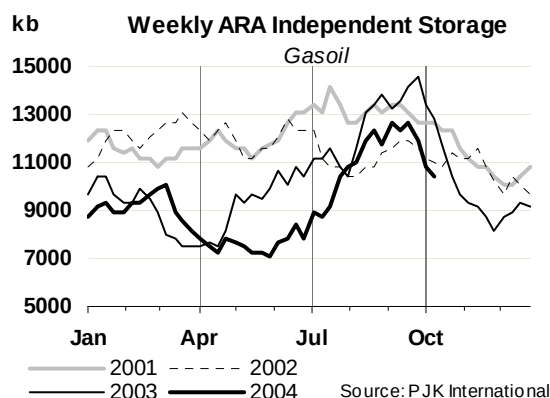
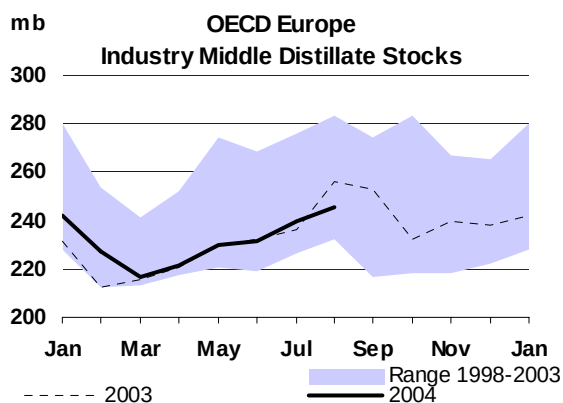
5 mb to close under 60 mb, as refiners there reduced inventories ahead of maintenance and scaled back runs. Previous hurricane related disruptions, such as in October 2002, would suggest a quick recovery in crude stocks in the following weeks. Yet, it remains to be seen how the competing forces of a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

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

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

Europe

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

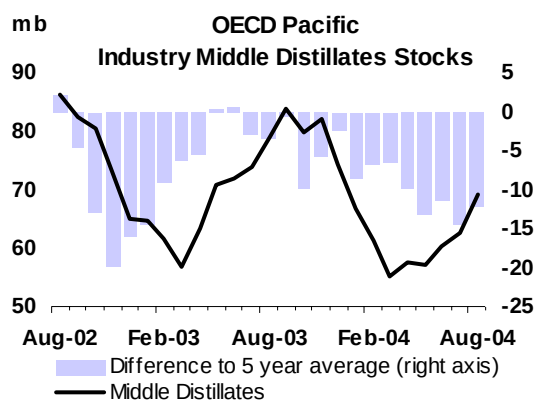


Source: P.J.K International

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

Pacific

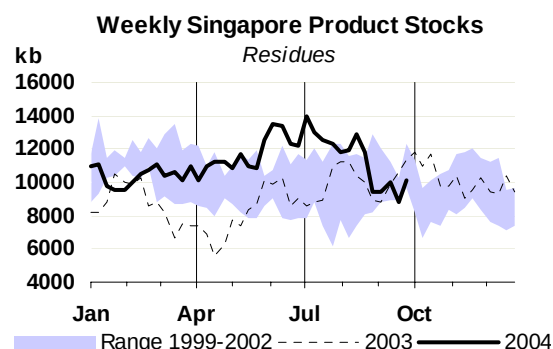
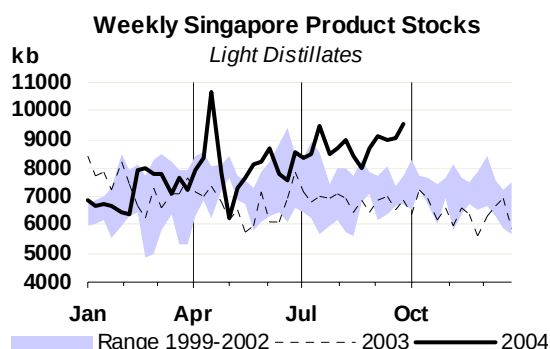
The Pacific saw crude stocks fall in August, driven by a 16 mb draw in Japan. Though the final number may prove slightly lower, its magnitude stems from a late start to building kerosene stocks ahead of winter. The delay, related to maximisation of jet fuel output, led Japanese refiners to push runs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



Singapore Stock Developments in September

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

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



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

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

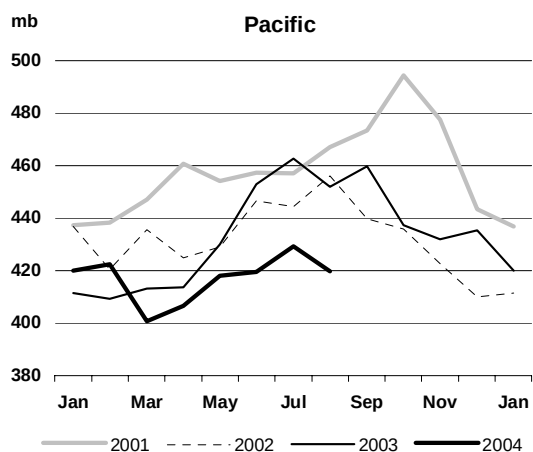
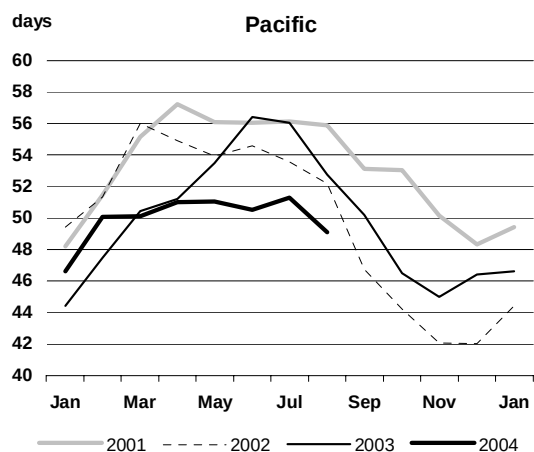
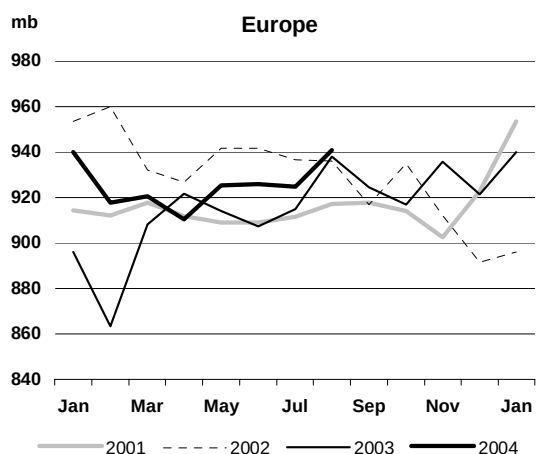
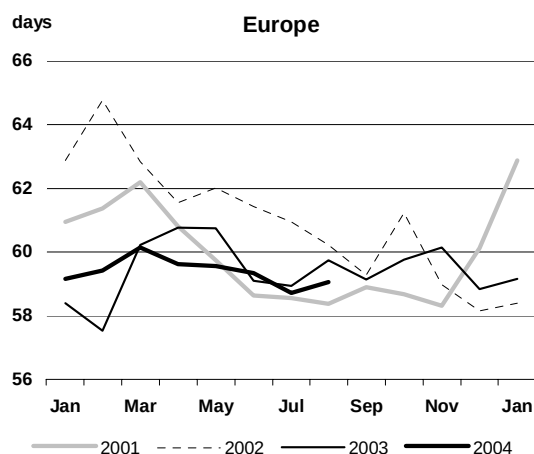
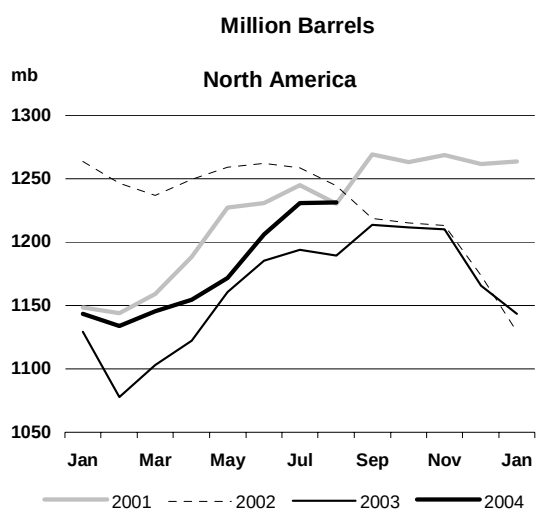
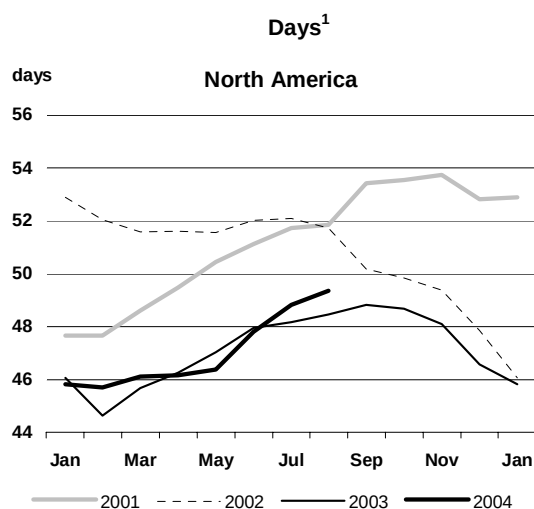
Singapore Crude & Product Trade

(thousand barrels per day)

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

Source: International Enterprise, IEA estimates

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

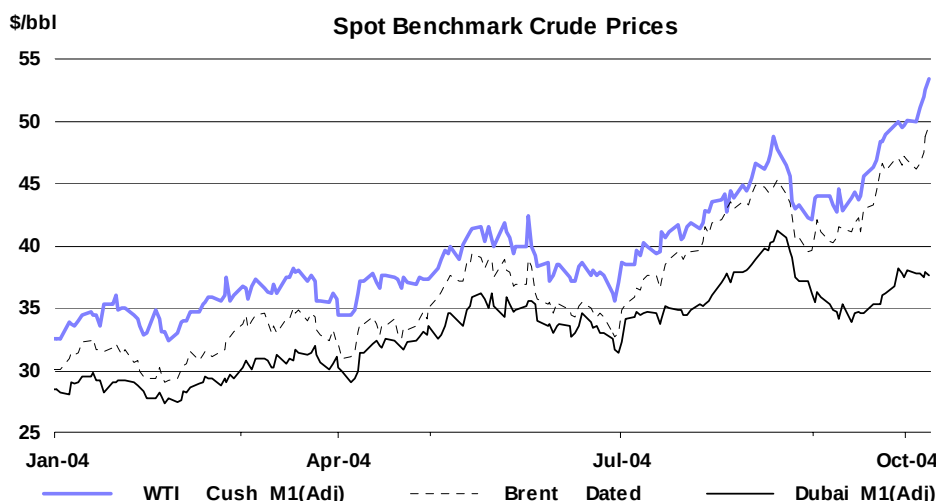


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

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



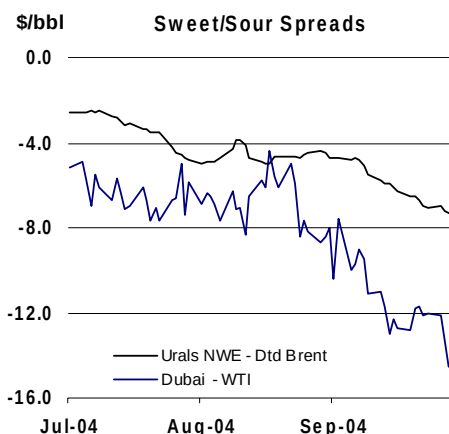
Crude Oil Prices

Spot Crude Prices and Differentials

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

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

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



Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

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

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

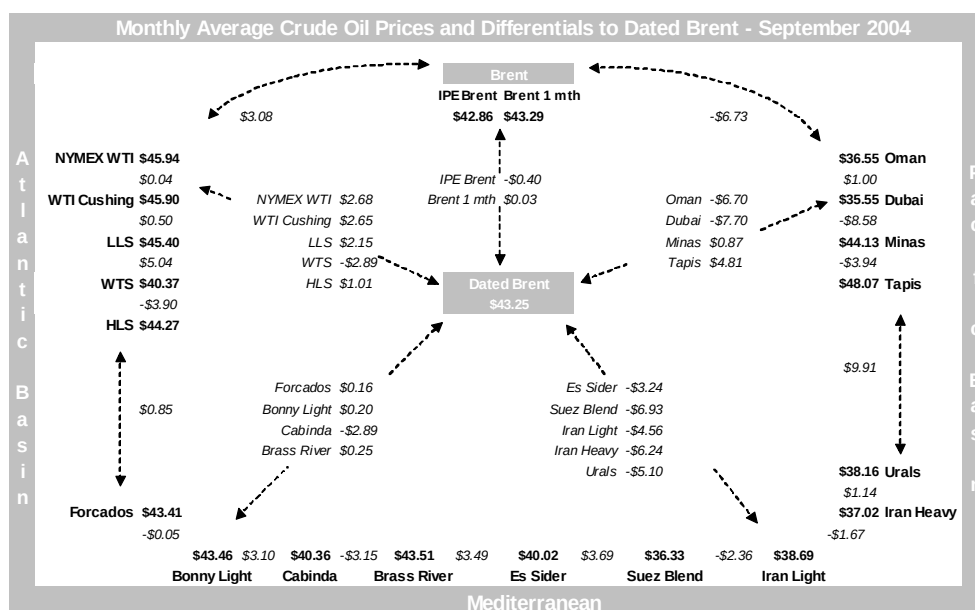
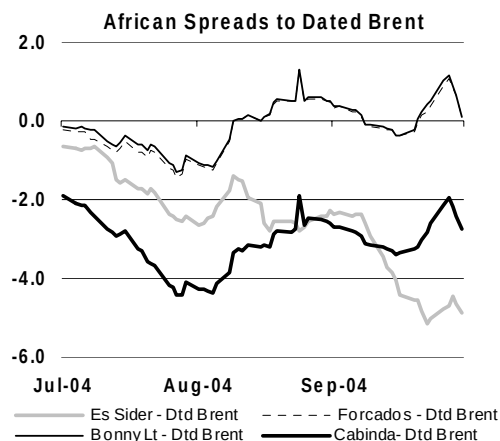
Hurricane Ivan caused a brief narrowing of US Gulf Coast sour discounts to WTI Cushing in the middle of the month. However the swift return of most sour production, coupled with increased sales of Saudi crude and strong refiner demand for sweet crudes quickly re-established the trend of ever-widening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

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

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

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

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



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

Crude Futures

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

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

Delivered Crude Prices in July

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

Product Prices

Spot Product Prices

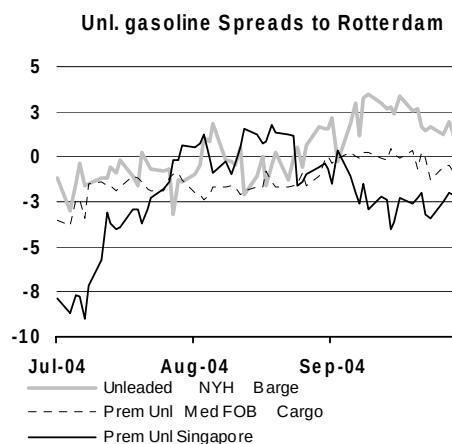
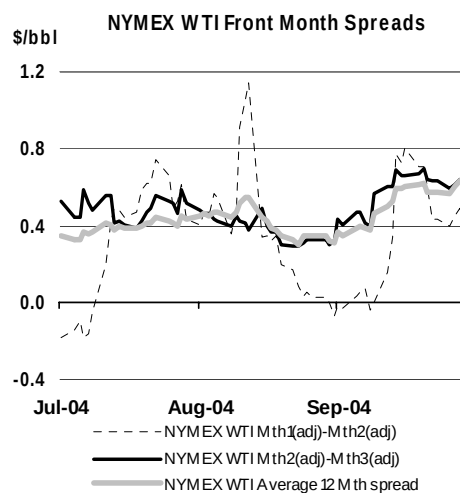
European gasoline prices broadly reflected movements in Brent crude during September, as the end of peak summer driving season demand and the switch to winter specification fuels in the US removed some market tightness. This left differentials to crude virtually unchanged. US gasoline differentials to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

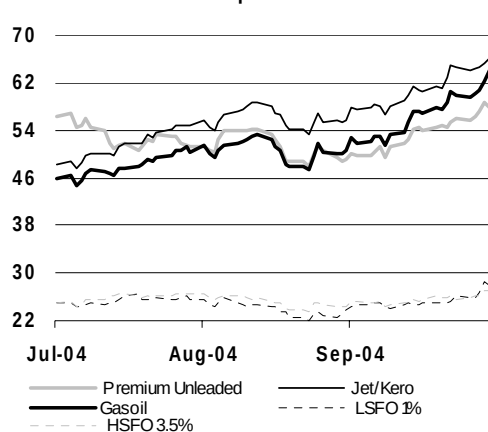
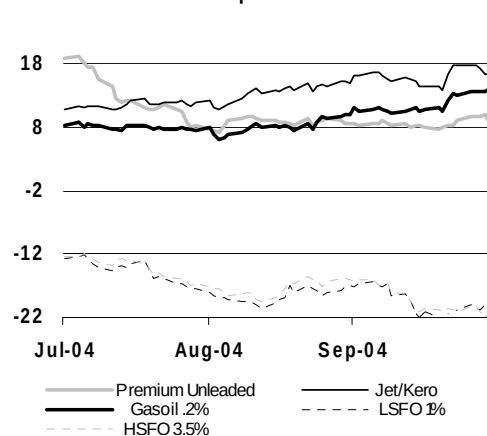
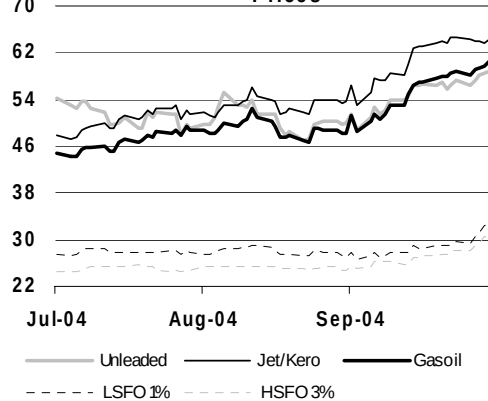
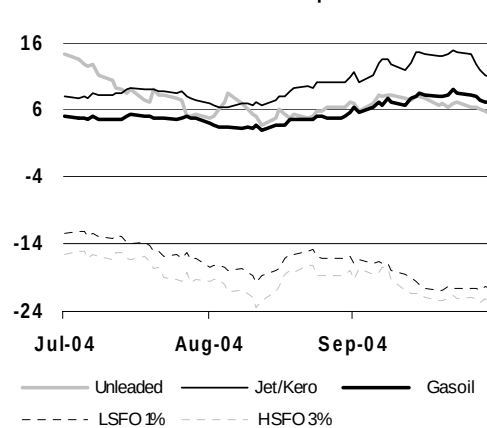
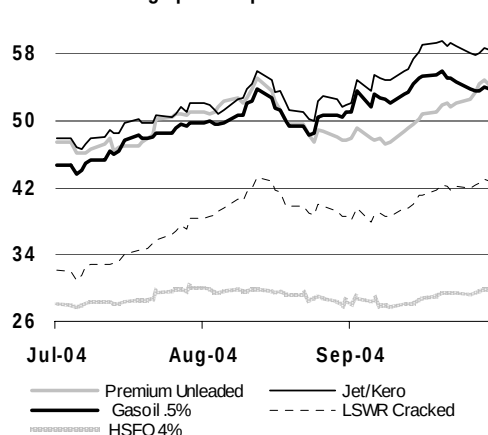
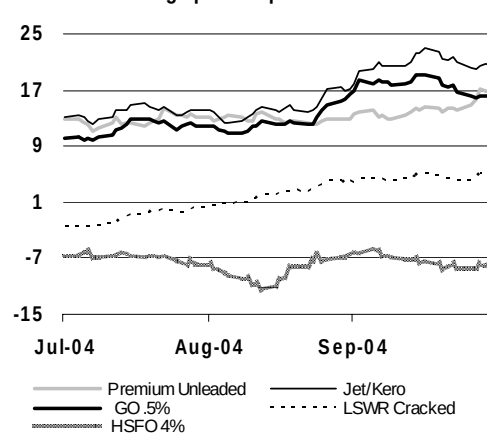
The temporary shutdown of a large portion of US refining capacity in Louisiana provided a further, temporary, boost to differentials. But weak demand in the second half of September countered reduced output, which coupled with rocketing crude prices helped to narrow differentials to WTI. Tightness in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

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

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

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



Rotterdam Spot Product Prices**Rotterdam Spreads to Dated Brent****New York Harbour Spot Product Prices****New York Harbour Spreads to WTI****Singapore Spot Product Prices****Singapore Spreads to Dubai**

Spot Product Prices

(monthly and weekly averages, \$/bbl)

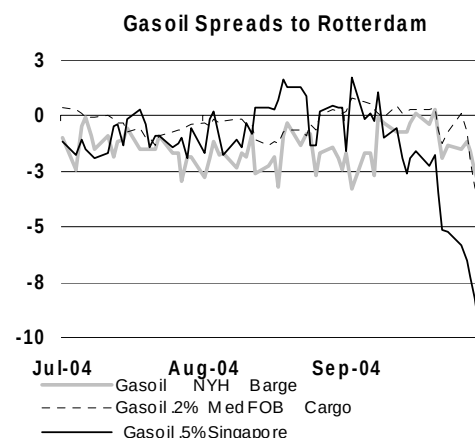
	Jul	Aug	Sep	Sep-Aug		Week Commencing:					Jul	Aug	Sep
				Change	%	20 Sep	27 Sep	04 Oct					
Rotterdam, Barges FOB											Differential to Brent		
Premium Unleaded (Cargo)	52.97	51.97	51.68	-0.29	-0.6	49.41	50.39	53.41	55.07	56.93	14.64	8.94	8.43
Regular Unleaded	52.24	51.29	50.96	-0.33	-0.6	48.66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

* Assessments for NYH are for Max 0.3% MTBE

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

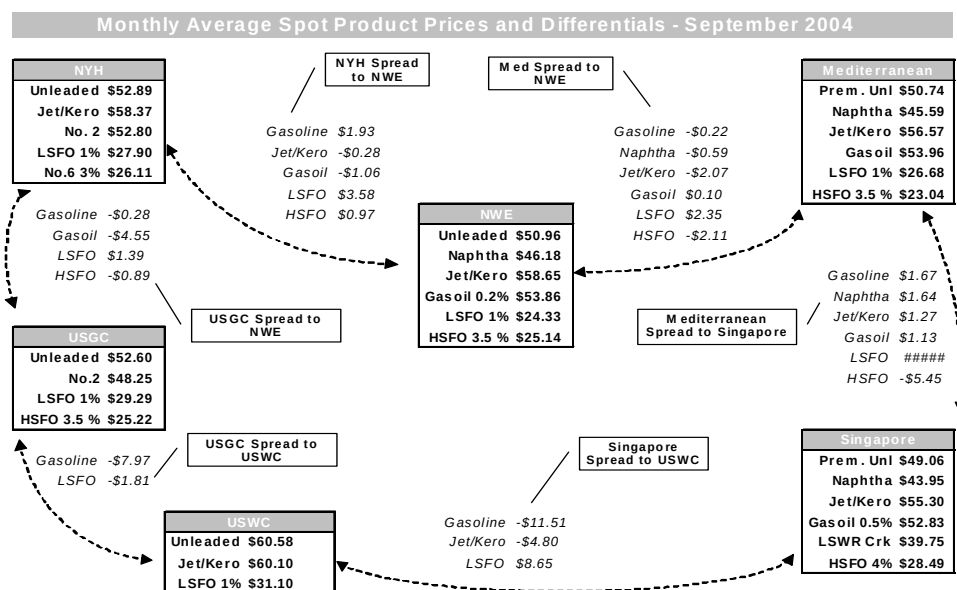
High refinery throughputs have contributed to the underperformance of Asian gasoil relative to the Atlantic Basin. Asian refiners typically undertake the bulk of their annual maintenance in the June/July period. Also, cooler early-autumn temperatures, coupled with additions to coal-fired power plants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

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



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

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



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

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

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

Product Futures

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

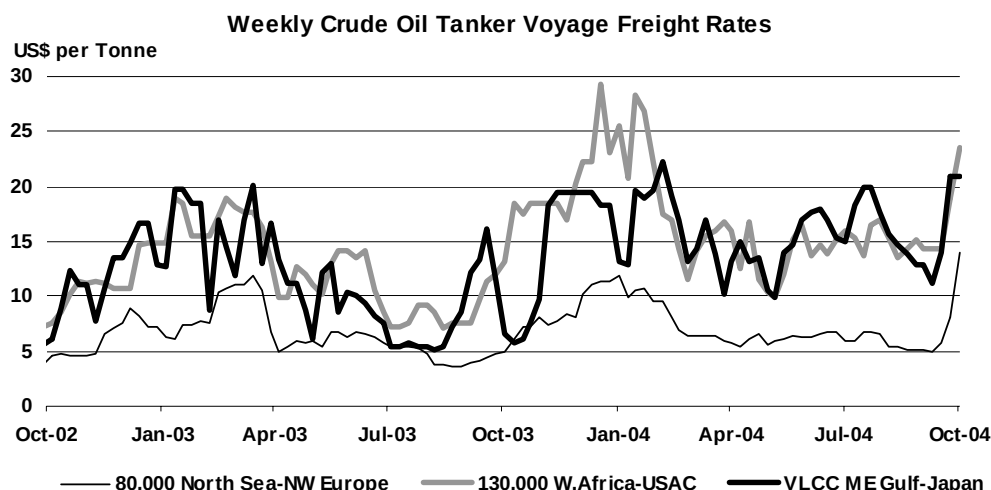
End-User Product Prices in September

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

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

Freight

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



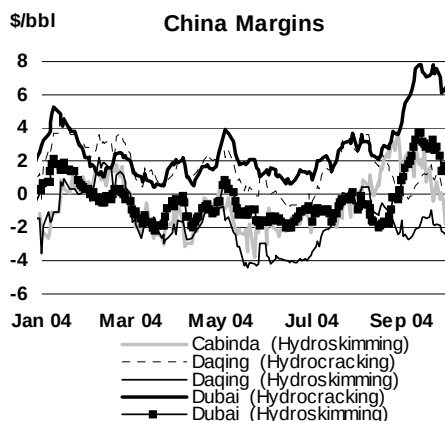
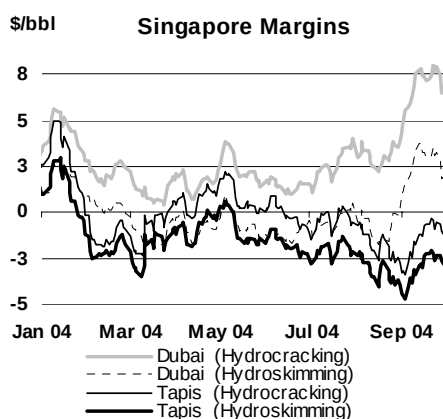
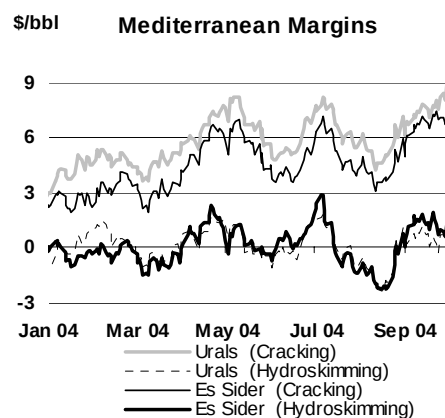
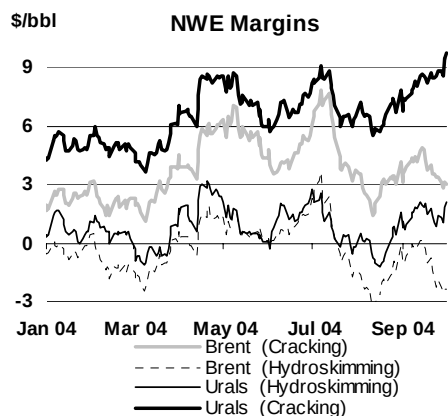
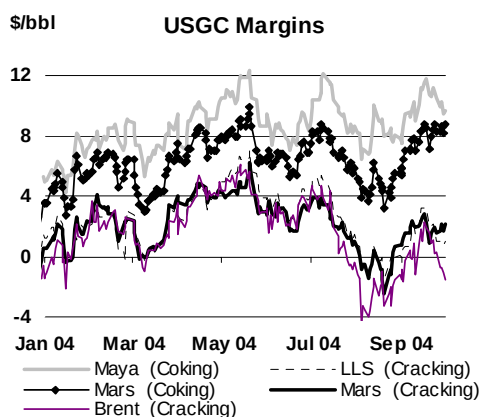
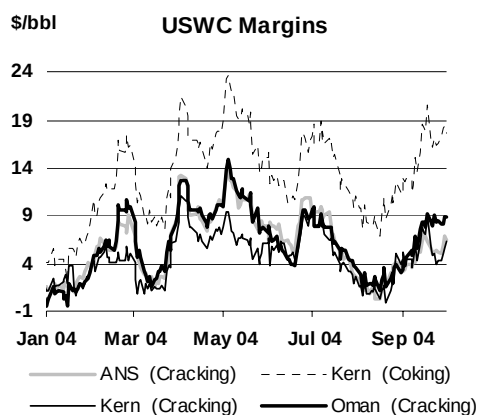
The VLCC market is described as very strong, helped by reports of strong spot chartering by Saudi Aramco's Vela for movement to the US Gulf Coast. Similar increases have been seen for mid-sized tankers in the Mediterranean and Black Sea, where shorter daylight hours will soon start to impose restrictions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

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

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

Refining Margins

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



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

Key Refining Margins in Major Refining Centres

(\$/bbl)

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

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

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

Sources: IEA, Purvin & Gertz Inc.

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

Refinery Throughput

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

Refinery Crude Throughput and Utilisation in OECD Countries

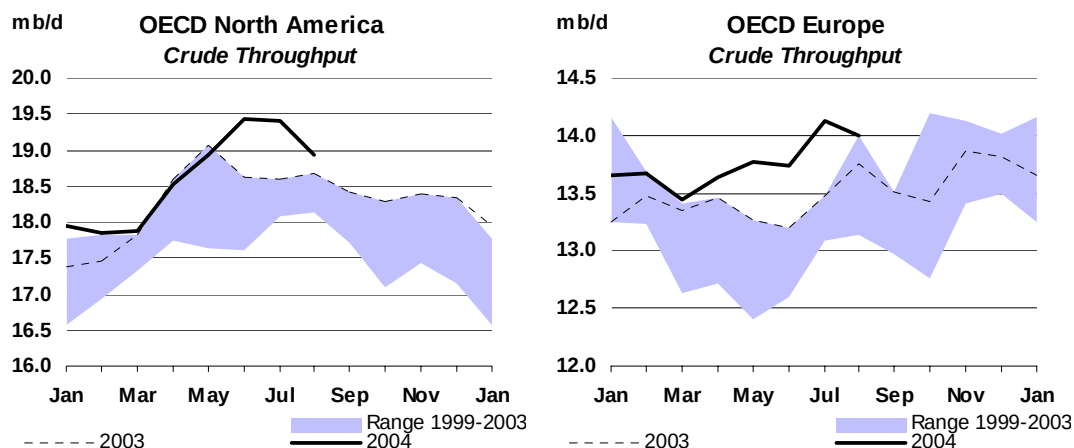
	million barrels per day					Change from Aug 03			Utilisation rate ²	
	Mar 04	Apr 04	May 04	Jun 04	Jul 04	Aug 04	mb/d	%	Aug 04	Aug 03
OECD North America										
US ³	14.80	15.55	15.96	16.24	16.14	15.98	0.30	1.9	94.6	93.6
Canada	1.82	1.72	1.66	1.89	1.96	1.69	-0.03	-2.0	85.0	87.0
Mexico	1.25	1.26	1.30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

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US50

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



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

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

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

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

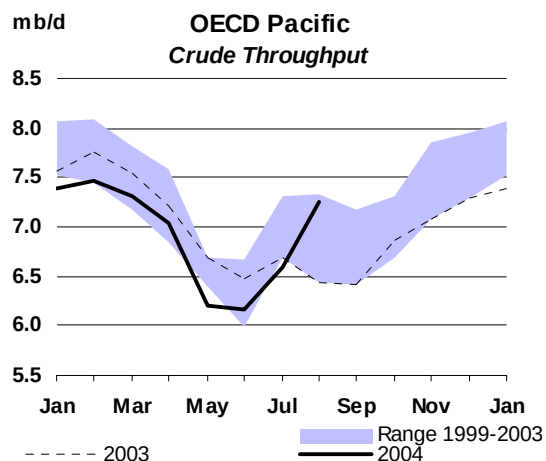


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

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

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

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

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

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

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

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

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

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

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

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

Table 2
Summary of Global Oil Demand

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

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2003	2004	2005	2Q04	3Q04	4Q04	1Q05	2Q05	Jul 04	Aug 04	Sep 04
OPEC											
Crude Oil											
Saudi Arabia	8.48			8.41	9.12				8.95	9.17	9.25
Iran	3.78			3.95	3.90				3.90	3.91	3.90
Iraq	1.33			1.96	2.00				1.89	1.79	2.33
UAE	2.29			2.24	2.43				2.42	2.44	2.42
Kuwait	1.87			2.02	2.09				2.05	2.06	2.15
Neutral Zone	0.61			0.58	0.61				0.60	0.62	0.60
Qatar	0.74			0.78	0.80				0.79	0.80	0.80
Nigeria	2.15			2.33	2.43				2.45	2.40	2.45
Libya	1.42			1.51	1.59				1.58	1.59	1.59
Algeria	1.11			1.17	1.24				1.22	1.25	1.25
Venezuela	2.01			2.20	2.21				2.21	2.22	2.21
Indonesia	1.01			0.96	0.96				0.95	0.97	0.97
Total Crude Oil	26.78			28.10	29.36				28.99	29.20	29.91
Total NGLs ¹	3.90	4.36	4.80	4.29	4.35	4.51	4.73	4.77	4.33	4.35	4.38
Total OPEC	30.68			32.38	33.71				33.32	33.55	34.29
NON-OPEC²											
OECD											
North America	14.60	14.60	14.87	14.71	14.32	14.62	15.03	14.84	14.49	14.37	14.09
United States	7.82	7.68	7.88	7.74	7.49	7.68	7.99	7.89	7.61	7.54	7.32
Mexico	3.79	3.82	3.80	3.88	3.77	3.80	3.81	3.81	3.81	3.78	3.73
Canada	3.00	3.10	3.19	3.09	3.05	3.15	3.23	3.15	3.07	3.05	3.04
Europe	6.34	6.19	5.97	6.22	5.96	6.22	6.18	5.93	6.19	5.80	5.89
UK	2.28	2.11	1.96	2.12	2.02	2.11	2.06	1.92	2.03	2.02	2.02
Norway	3.26	3.24	3.18	3.24	3.10	3.26	3.28	3.17	3.28	2.99	3.01
Others	0.79	0.85	0.84	0.86	0.85	0.85	0.84	0.84	0.88	0.80	0.86
Pacific	0.65	0.57	0.53	0.57	0.58	0.56	0.56	0.52	0.59	0.58	0.58
Australia	0.61	0.53	0.49	0.53	0.54	0.51	0.51	0.48	0.55	0.54	0.54
Others	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total OECD	21.59	21.37	21.37	21.49	20.86	21.39	21.77	21.29	21.26	20.75	20.55
NON-OECD											
Former USSR	10.31	11.20	11.82	11.10	11.36	11.49	11.56	11.68	11.26	11.37	11.45
Russia	8.49	9.23	9.66	9.14	9.37	9.46	9.49	9.60	9.31	9.38	9.43
Others	1.82	1.97	2.16	1.96	1.99	2.03	2.07	2.09	1.96	1.99	2.02
Asia	6.03	6.22	6.24	6.17	6.26	6.30	6.30	6.27	6.18	6.33	6.27
China	3.41	3.48	3.50	3.47	3.52	3.51	3.52	3.51	3.49	3.54	3.51
Malaysia	0.83	0.85	0.82	0.83	0.85	0.84	0.84	0.83	0.84	0.88	0.84
India	0.79	0.80	0.77	0.80	0.79	0.80	0.79	0.78	0.76	0.81	0.80
Others	1.01	1.09	1.15	1.07	1.10	1.15	1.15	1.15	1.09	1.10	1.11
Europe	0.17	0.17	0.16	0.17	0.17	0.17	0.16	0.16	0.17	0.17	0.17
Latin America	4.00	4.04	4.35	4.01	4.06	4.12	4.24	4.33	4.06	4.05	4.06
Brazil	1.77	1.78	2.02	1.74	1.80	1.84	1.94	2.01	1.79	1.79	1.81
Argentina	0.83	0.77	0.76	0.78	0.77	0.77	0.77	0.76	0.77	0.76	0.77
Colombia	0.55	0.54	0.53	0.55	0.54	0.54	0.53	0.53	0.54	0.54	0.54
Ecuador	0.43	0.53	0.57	0.53	0.53	0.54	0.55	0.56	0.53	0.53	0.53
Others	0.42	0.42	0.48	0.42	0.42	0.43	0.45	0.47	0.42	0.43	0.40
Middle East³	1.99	1.89	1.86	1.90	1.88	1.86	1.85	1.85	1.89	1.87	1.88
Oman	0.82	0.76	0.75	0.77	0.76	0.75	0.75	0.75	0.77	0.75	0.76
Syria	0.53	0.51	0.48	0.51	0.50	0.50	0.49	0.48	0.50	0.50	0.50
Yemen	0.44	0.42	0.43	0.42	0.42	0.42	0.41	0.41	0.42	0.42	0.42
Africa	3.05	3.42	3.76	3.34	3.45	3.57	3.68	3.74	3.41	3.43	3.50
Egypt	0.75	0.72	0.74	0.71	0.71	0.73	0.75	0.75	0.72	0.70	0.71
Angola	0.88	0.98	1.20	0.92	0.97	1.08	1.16	1.20	0.92	0.96	1.03
Gabon	0.24	0.24	0.24	0.24	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Others	1.18	1.49	1.59	1.48	1.54	1.53	1.54	1.57	1.54	1.54	1.53
Total Non-OECD	25.56	26.94	28.19	26.69	27.17	27.52	27.79	28.03	26.98	27.22	27.32
Processing Gains ⁴	1.80	1.83	1.86	1.81	1.81	1.85	1.88	1.85	1.81	1.81	1.81
TOTAL NON-OPEC	48.95	50.14	51.42	50.00	49.84	50.76	51.44	51.17	50.05	49.78	49.69
TOTAL SUPPLY	79.63			82.38	83.55				83.37	83.33	83.97

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

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

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

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

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

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

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Apr2004	May2004	Jun2004	Jul2004	Aug2004*	Aug2001	Aug2002	Aug2003	3Q2003	4Q2003	1Q2004	2Q2004
North America												
Crude	658.2	661.3	662.4	665.7	669.8	543.7	582.3	618.3	0.17	0.15	0.15	0.11
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	156.6	156.8	157.1	157.2	157.2	137.3	148.1	151.4	-0.03	0.06	0.01	0.00
Products	204.7	204.6	203.5	203.8	203.8	203.7	195.8	206.8	0.06	0.04	-0.04	-0.05
Pacific												
Crude	386.8	386.9	386.8	386.7	386.7	366.2	379.1	382.8	0.00	0.02	0.02	0.00
Products	11.0	11.0	11.0	11.0	11.0	7.3	7.3	10.3	0.01	0.01	0.00	0.00
Total OECD												
Crude	1201.5	1205.0	1206.3	1209.6	1213.6	1047.2	1109.4	1152.5	0.14	0.24	0.18	0.11
Products	217.7	217.7	216.5	216.9	216.9	213.0	205.1	219.1	0.06	0.05	-0.04	-0.05
Total ⁴	1420.2	1423.6	1423.8	1427.5	1431.5	1261.2	1315.5	1372.6	0.20	0.29	0.14	0.06

* estimated

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

2 Closing stock levels.

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

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

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

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

	End June 2003		End September 2003		End December 2003		End March 2004		End June 2004 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	168.0	78	176.6	79	174.6	77	170.4	76	178.1	-
Mexico	44.2	22	41.4	20	39.0	19	38.9	19	39.5	-
United States ⁴	1561.8	77	1600.0	79	1570.3	77	1568.2	77	1630.9	-
Total ⁵	1796.1	73	1840.1	74	1806.1	72	1799.6	72	1870.6	74
Pacific										
Australia	38.1	43	36.0	40	32.4	37	33.8	39	34.9	-
Japan	646.7	128	653.6	114	636.3	105	614.4	124	622.0	-
Korea	152.1	78	154.5	66	154.5	67	142.9	71	152.9	-
New Zealand	8.5	55	8.5	58	7.9	49	7.5	48	7.5	-
Total	845.4	105	852.6	93	831.1	89	798.5	100	817.2	98
Europe⁶										
Austria	18.5	62	20.3	69	20.9	80	23.2	80	23.0	-
Belgium	27.5	47	29.1	45	27.7	42	24.6	42	24.7	-
Czech Republic	13.5	72	13.4	69	16.4	95	15.6	76	15.9	-
Denmark	15.5	85	16.3	86	16.8	87	15.9	88	15.8	-
Finland	23.9	110	23.2	101	26.5	120	27.8	133	23.4	-
France	173.3	84	179.2	85	185.3	87	176.4	90	183.6	-
Germany	268.0	101	265.9	100	272.3	103	269.8	106	266.9	-
Greece	32.3	85	30.9	66	27.5	57	29.4	76	31.1	-
Hungary	17.6	133	18.3	122	16.8	143	19.5	153	20.1	-
Ireland	11.0	67	11.9	66	12.0	63	11.5	69	10.7	-
Italy	134.6	72	140.7	74	135.2	72	135.6	73	134.6	-
Luxembourg	0.8	14	0.8	16	1.0	17	0.8	13	1.0	-
Netherlands	106.5	115	111.1	116	100.1	105	108.2	111	102.3	-
Norway	21.1	79	23.1	93	27.2	99	28.5	116	30.0	-
Poland	27.9	55	26.9	53	28.7	64	29.7	62	30.1	-
Portugal	24.7	72	25.6	79	25.3	81	24.4	74	26.2	-
Spain	121.1	79	121.4	77	122.4	78	123.5	79	127.3	-
Sweden	34.0	116	36.1	120	35.8	117	31.8	96	31.1	-
Switzerland	37.2	142	37.4	141	36.1	138	35.4	149	37.5	-
Turkey	54.5	78	54.3	83	54.9	84	54.9	79	54.8	-
United Kingdom	101.1	60	98.0	56	101.9	55	100.7	54	97.3	-
Total	1264.8	82	1284.1	82	1290.8	82	1287.1	84	1287.5	82
Total OECD	3906.3	81	3976.8	80	3927.9	78	3885.2	81	3975.4	81
DAYS OF IEA Net Imports⁷	-	114	-	116	-	112	-	111	-	113

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

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

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

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled <i>Millions of Barrels</i>	Industry	Total	Government ¹ controlled <i>Days of Fwd. Demand²</i>	Industry
2Q2001	3864	1268	2597	81	27	54
3Q2001	3925	1265	2660	81	26	55
4Q2001	3912	1284	2628	81	27	54
1Q2002	3906	1302	2604	84	28	56
2Q2002	3964	1314	2650	83	28	55
3Q2002	3895	1319	2575	79	27	52
4Q2002	3818	1343	2475	77	27	50
1Q2003	3781	1357	2424	80	29	51
2Q2003	3906	1361	2546	81	28	53
3Q2003	3977	1379	2598	80	28	52
4Q2003	3928	1406	2522	78	28	50
1Q2004	3885	1418	2467	81	29	51
2Q2004	3975	1424	2552	81	29	52

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

2 Days of forward demand calculated using actual demand except in 2Q2004 (when latest forecasts are used).

Table 6
IEA Member Country Destinations of Selected Crude Streams¹

(million barrels per day)

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

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

IEA North America includes United States and Canada.

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

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

2 Iraqi Total minus Kirkuk.

3 Iranian Total minus Iranian Light.

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

Table 7
Regional OECD Imports^{1,2}
(thousand barrels per day)

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

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

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

3 Includes additives

© OECD/IEA. All Rights Reserved

The International Energy Agency's ('IEA') makes every attempt to ensure, but does not guarantee, the accuracy and completeness of the information or the clarity of content of the Oil Market Report (hereafter the 'OMR'). The IEA shall not be liable to any party for any inaccuracy, error or omission contained or provided in this OMR or for any loss, or damage, whether or not due to reliance placed by that party on information in this OMR.

The Executive Director and Secretariat of the IEA are responsible for the publication of the OMR. Although some of the data are supplied by IEA Member-country governments, largely on the basis of information they in turn receive from oil companies, neither these governments nor these oil companies necessarily share the Secretariat's views or conclusions as expressed in the OMR. The OMR is prepared for general circulation and is distributed for general information only. Neither the information nor any opinion expressed in the OMR constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities.

The OMR is copyrighted by the IEA. The user may reference or copy this OMR for personal, non-commercial use provided that there be a specific written reference to the IEA as the source of the material. No part of the OMR may be copied, reproduced, republished, displayed, distributed or posted on servers in any manner for commercial purposes or for compensation of any kind without the prior written permission of the IEA (rights@iea.org).

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halff (+33) 0*1 40 57 65 93 e-mail: antoine.halff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org
	Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France
Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 69
E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

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

The monthly Oil Market Report is published on the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member Governments, largely on the basis of information received from oil companies, neither governments nor companies necessarily share the Secretariat's views or conclusions as expressed therein. ©OECD/IEA2004

10 November 2004

HIGHLIGHTS

- NYMEX WTI crude futures fell nearly \$7 from mid-October's \$55.67 peak amidst high OPEC production, easing distillate markets in Europe and Asia, and rising Gulf of Mexico crude supply. Higher stocks, better sweet crude supply and lower forecast GDP growth suggest a seasonal peak. But sustained near-capacity operations are needed to ensure ample winter heating oil supply.
- World oil supply increased by 890 kb/d in October to 84.6 mb/d, from a lower September baseline. The end of North Sea maintenance, US Gulf of Mexico recovery and ongoing FSU growth led to a 685 kb/d gain from non-OPEC. Non-OPEC supply will rise by 1.1 mb/d in 2004 and 1.3 mb/d in 2005, with an extra 0.4 mb/d of OPEC 'other liquids' expected in both years.
- October OPEC crude supply rose by 215 kb/d to 30.0 mb/d, near to sustainable capacity. Saudi Arabia held supply above 9.5 mb/d and high OPEC output will likely continue in November. Iraqi output averaged close to September's 2.2 mb/d. Concerns persist about supply risks in Iraq and Nigeria, but OPEC production exceeds the 4Q 'call' by a wide margin.
- OECD industry oil stocks fell 10 mb in September, as hurricanes struck the Gulf of Mexico. The fall was from a 15 mb upward-revised August base, with revisions being centred on Atlantic Basin distillate fuels. Third quarter total oil stocks posted a healthy 560 kb/d gain, a rate similar to last year, driven by a 900 kb/d product build.
- The global demand forecast is roughly unchanged at 82.4 mb/d for 2004 and 83.8 mb/d for 2005. Third-quarter assessments are flat for the OECD, but have been trimmed for the FSU on strong export growth and for non-OECD Asia on weaker-than-expected Indian August data.

10 November 2004

Dear Subscriber,

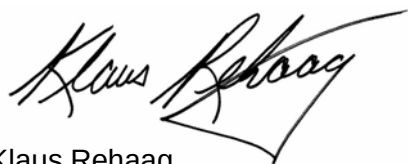
PUBLISHING SCHEDULE FOR 2005

Please find below the Release Dates for the Oil Market Report:

Tuesday 18 January
Thursday 10 February
Friday 11 March
Tuesday 12 April
Wednesday 11 May
Friday 10 June
Wednesday 13 July
Thurs 11 August
Fri 9 September
Tues 11 October
Thurs 10 November
Tues 13 December

The Annual Statistical Supplement to the Oil Market Report [2005 Edition] will be published with the Report dated 11 August.

Best regards,

A handwritten signature in black ink, appearing to read 'Klaus Rehaag', with a stylized, sweeping flourish extending from the end of the name.

Klaus Rehaag
Editor – Oil Market Report

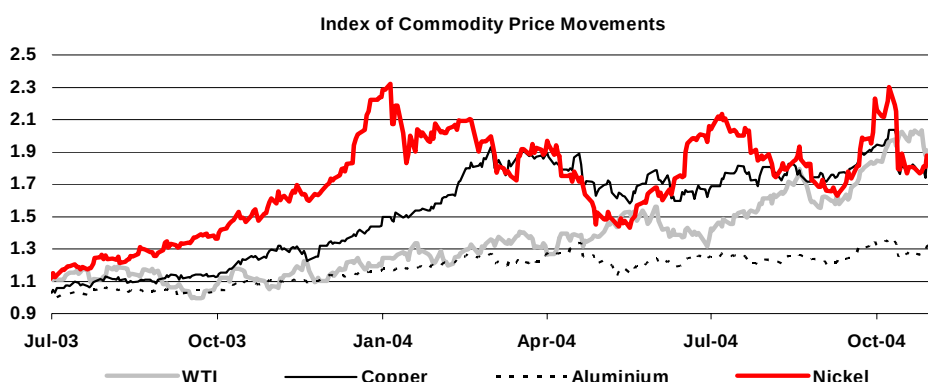
CONTENTS

HIGHLIGHTS.....	1
TURNING POINT OR RESPITE?	4
DEMAND	5
Summary	5
OECD.....	6
Early Indications of Current Demand	6
North America	8
International Trade as a Driver of US Diesel Demand	9
Pacific.....	10
Europe	11
The Changing Seasonality of Oil Demand.....	12
Non-OECD.....	13
China	13
FSU	14
Other Non-OECD	14
SUPPLY.....	15
Summary	15
OPEC	16
Recent Developments in Venezuelan Orinoco Crude Supply	18
OECD.....	19
North America	19
North Sea.....	20
Former Soviet Union (FSU)	21
Yukos: In Sight of the Endgame?	22
Other Non-OPEC.....	23
OECD STOCKS.....	26
Summary	26
OECD Industry Stock Changes in August 2004.....	27
Revisions to Preliminary OECD Stocks and Inventory Position at End-August.....	27
OECD Regional Stock Developments	28
North America	28
Europe	29
Pacific.....	30
Singapore Stock Developments in October.....	31
PRICES AND REFINERY ACTIVITY	33
Summary	33
Crude Oil Prices.....	34
Spot Crude Prices and Differentials.....	34
Crude Futures	36
Delivered Crude Prices in August.....	36
Product Prices.....	37
Spot Product Prices	37
Product Futures.....	40
End-User Product Prices in October	41
Freight.....	41
Refining Margins	42
Refinery Throughput.....	44
TABLES	46
OIL MARKET REPORT CONTACTS	

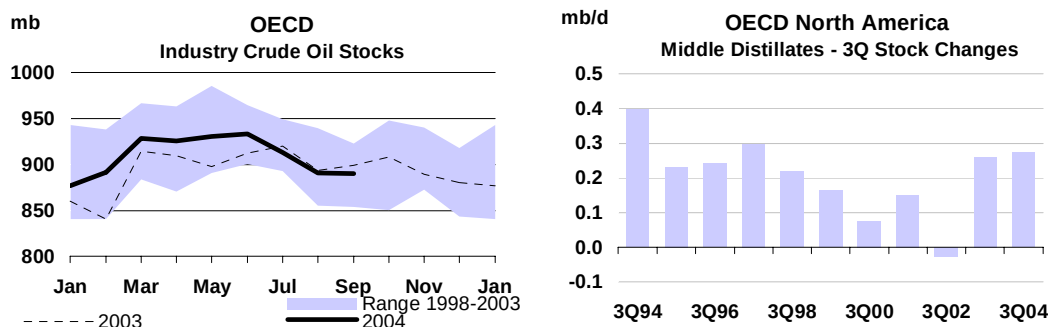
TURNING POINT OR RESPITE?

Oil prices have come off their 25 October high when WTI NYMEX closed at \$55.67. WTI has since fallen by \$6.85, or over 12%, to close at \$48.82 on 4 November, its lowest level since 23 September. What precipitated this change and is this trend likely to continue? Has the market overshot equilibrium levels and are we witnessing the beginning of a correction, or are we facing a brief interlude in what some believe will be a relentless upward rise in oil prices?

Many countries have begun to feel the economic impact of high energy and commodity prices on their economies and are revising GDP estimates downwards. Consequently, we may be witnessing early signs of lagged price effects on global economic growth. In addition, anecdotal reports suggest that coal and steel stocks in China are growing and that electricity generating capacity additions are beginning to catch up with demand growth. Given linkages to industrial activity, oil prices reflect developments in other major global commodities. Their prices too have risen in line with the resurgence of economic activity in the second half of 2003 and have fallen sharply over the past few weeks as the torrid pace of demand growth appears to have weakened.



It is too early to tell whether these trends will continue. Moreover, weather, unscheduled maintenance and logistical snags can still cause bumps in the road. But barring any major unforeseen developments, oil markets should continue to ease heading into and out of the winter. This view is supported by a dramatic reduction in the length of non-commercials in NYMEX futures, net long by a mere 5,236 contracts for WTI and a surprisingly net short 1,274 contracts for heating oil.



Developments in OECD industry stocks would support such a shift in market perception. Crude oil stocks are trending in the middle of their 5-year range despite unscheduled outages in the US Gulf Coast and elsewhere. OPEC production remains high, at 30 mb/d. At these levels, industry crude stocks should build counter-seasonally in the fourth quarter with production exceeding the Call on OPEC by 1.3 mb/d. Furthermore, government crude stocks have risen by 32 mb over the past year.

Much attention has been focused on the deficit of heating oil. While North American diesel stocks are tight in response to rising transportation demand fuelled by trade with Asia, distillates stocks are mid-range despite heavy refinery maintenance. This build should escalate once refiners return from maintenance and ramp up yields. Combined with record high natural gas storage, heating oil availability should be less of a concern later this winter. But in the interim, all parts of the supply logistics system need to operate at maximum capacity.

DEMAND

Summary

- The projection of global oil product demand is roughly unchanged, at 82.4 mb/d for 2004 and 83.8 mb/d for 2005.
- The demand growth forecast for 2004 has been revised marginally downwards, to 2.64 mb/d, from 2.71 mb/d in last month's Report. The change reflects a 40 kb/d upward adjustment to baseline 2003 demand, combined with a 120 kb/d downward revision to third-quarter 2004 non-OECD demand. The growth forecast for 2005 is steady at 1.44 mb/d.

Global Oil Demand from 2003 to 2005

	Demand (mb/d)	Annual Change* (%)	Changes from last month's Report (mb/d)
1Q03	80.3	3.1	2.4
2Q03	77.2	1.4	1.1
3Q03	79.3	2.2	1.7
4Q03	82.1	2.5	2.0
1Q04	82.4	2.7	2.1
2Q04	81.2	5.1	3.9
3Q04	81.9	3.3	2.6
4Q04	83.9	2.3	1.9
1Q05	84.0	1.9	1.6
2Q05	82.3	1.4	1.1
3Q05	83.4	1.8	1.5
4Q05	85.5	1.9	1.6
2003	79.7	2.3	1.8
2004	82.4	3.3	2.6
2005	83.8	1.8	1.4

* year-on-year change

- The assessment of third-quarter OECD demand is flat from last month, at 49.1 mb/d, reflecting year-on-year growth of 2.0%, as downward revisions in North America offset upward adjustments in Europe. The bulk of the North American cuts are in US transportation fuel demand for August. Preliminary European data for August were also revised downwards, but the drop was more than offset by stronger-than-expected provisional data for September for the region's largest economies and minor upward revisions for July.

Estimated Annual World Oil Demand Growth 2000-2005

(million barrels per day)

	00-99	01-00	02-01	03-02	04-03	05-04
North America	0.26	-0.06	0.10	0.46	0.47	0.22
Latin America	0.00	0.00	-0.04	-0.10	0.15	0.11
FSU	0.08	0.00	-0.20	0.12	0.11	0.17
Europe	-0.12	0.21	-0.01	0.16	0.30	0.10
OECD Pacific	-0.04	-0.07	-0.04	0.14	-0.09	-0.09
China	0.26	0.12	0.30	0.55	0.81	0.36
Other Asia	0.09	0.18	0.27	0.22	0.48	0.21
Subtotal, Asia	0.31	0.23	0.53	0.91	1.20	0.48
Middle East	0.12	0.17	0.17	0.20	0.34	0.28
Africa	0.00	0.13	0.08	0.04	0.06	0.09
World	0.66	0.68	0.63	1.80	2.64	1.44

- In contrast, non-OECD demand for the third quarter has been trimmed, reflecting downward adjustments for the FSU, India and the Philippines. FSU implied demand was cut due to lower-than-forecast supply and stronger exports. Indian demand dipped into contraction in August after robust growth earlier this year.
- Steep demand gains in fast-growing non-OECD economies, in contrast with comparatively slower advances in the OECD, are reshaping the seasonal pattern of global oil demand. A stunning 3.9 mb/d year-on-year gain in the second quarter--when consumption typically falls to a seasonal low--defied expectations earlier this year and helped spur the recent rally. A key question is thus whether such a pattern will be repeated in 2005. Continued demand growth in non-OECD Asia, where consumption, in contrast with the OECD, does not reach a seasonal trough in the second quarter, will likely lead to somewhat stronger demand than established patterns might have suggested. But one-off factors—including, but not limited to, the effects of the SARS epidemic--also helped fuel this year's second quarter year-on-year surge, and year-on-year growth in the second quarter of 2005 is thus likely to be shallower than in the previous year.

Global Oil Demand by Region

(million barrels per day)

	(million barrels per day)						
	Demand	Annual Change			Annual Change (%)		
	2004	2003	2004	2005	2003	2004	2005
North America	25.04	0.46	0.47	0.22	1.9	1.9	0.9
Europe	16.47	0.16	0.30	0.10	1.0	1.9	0.6
OECD Pacific	8.69	0.14	-0.09	-0.09	1.7	-1.0	-1.0
China	6.33	0.55	0.81	0.36	11.0	14.7	5.6
Other Asia	8.58	0.22	0.48	0.21	2.7	5.9	2.5
Subtotal Asia	23.60	0.91	1.20	0.48	4.2	5.4	2.0
FSU	3.69	0.12	0.11	0.17	3.5	3.1	4.7
Middle East	5.90	0.20	0.34	0.28	3.8	6.1	4.8
Africa	2.80	0.04	0.06	0.09	1.7	2.2	3.3
Latin America	4.87	-0.10	0.15	0.11	-2.1	3.1	2.2
World	82.37	1.80	2.64	1.44	2.3	3.3	1.8

- Distillate demand from the transportation sector continues to drive global demand growth. Although heating oil demand rises seasonally in winter, heating demand for middle distillates is edging lower year-on-year, in line with efficiency gains and fuel switching out of oil. But that decline is more than offset by surging transportation demand for diesel. While changes in the car fleet account for the bulk of diesel demand growth in Europe, in the US and China, soaring bilateral trade appears to be the main driver of demand. US diesel demand growth thus reflects surging Chinese exports as well as developments in the domestic economy. Conversely, any slowdown in Chinese manufacturing could potentially lead to slower oil demand growth not only in China itself, but also in the US and other major importers of Chinese goods.

OECD

Early Indications of Current Demand

Monthly oil statistics for August and preliminary data for September leave the estimate of third-quarter OECD demand unchanged from last month's Report, at 49.1 mb/d. Although there have been some adjustments in the breakdown of demand by month and region, those changes are mutually offsetting. Demand growth has been revised marginally lower, though, due to further upward adjustments to the assessment of OECD European demand for 2003. Third-quarter growth is now assessed at 950 kb/d, down from 1 mb/d in last month's Report.

On the heels of last month's upward revision in baseline Polish consumption, revisions have been made to historical Swedish data from January 2003 onwards. The adjustments, the bulk of which is in gasoil, average 40 kb/d for 2004 and range from 20 kb/d to 80 kb/d for 2004. The new figures include previously unreported heating oil demand. Smaller changes have also been made in residual fuel and ethane.

Broken down by region, the latest oil statistics, including preliminary data for September, show weaker demand than previously estimated in North America, offset by stronger consumption growth

in Europe. Almost all the downward revision in North American demand stems from cuts to August preliminary data of about 100 kb/d for the US and 50 kb/d for Canada. US August data have been trimmed by 180 kb/d for gasoline, 140 kb/d for diesel and 80 kb/d for jet fuel/kerosene, a reduction partly offset by gains of 260 kb/d for total 'other products' (including naphtha and LPG) and 40 kb/d for residual fuel oil. In light of those revisions, US gasoline demand now appears to have contracted by 1.8% in August, the first drop in 15 months. High gasoline prices offer the most likely explanation for the move, although rainy weather in parts of the US, including the first of a string of devastating hurricanes in the South, may also have had a share in dampening driving demand.

Preliminary Inland Deliveries – September 2004¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	9.05	1.4	1.57	-3.0	3.01	2.8	0.90	-5.3	0.82	24.8	4.89	-1.1	20.24	1.1
Canada	0.71	0.7	0.11	0.0	0.47	6.9	0.05	3.8	0.14	1.4	0.26	-5.5	1.74	1.4
Mexico	0.63	6.2	0.06	7.7	0.31	8.2	0.00	Na	0.36	1.1	0.38	-0.8	1.73	3.9
Japan	1.05	-1.1	0.32	1.9	0.65	-3.4	0.45	0.0	0.50	9.4	1.45	-1.6	4.43	-0.2
Korea	0.17	0.6	0.06	41.0	0.39	5.7	0.08	-18.8	0.23	-16.8	1.06	9.6	1.98	3.5
France	0.27	-5.4	0.14	2.7	0.65	0.3	0.34	3.8	0.04	-28.7	0.50	1.6	1.95	-0.3
Germany	0.58	-7.1	0.16	2.5	0.63	-0.6	0.61	-10.4	0.11	-10.8	0.53	10.3	2.61	-2.9
Italy	0.34	-6.6	0.09	1.2	0.51	6.8	0.11	-3.5	0.21	-16.4	0.42	-7.1	1.68	-3.9
Total	12.81	0.5	2.51	-0.5	6.61	2.6	2.55	-4.8	2.40	4.1	9.49	0.2	36.36	0.6

Sources: US EIA, Statistics Canada, Mexico PEMEX, Japan METI, Korea KNOC, France CPDP, Germany MWV, Italy Ministry of Industry. Percentage change is calculated from the same month of the previous year.

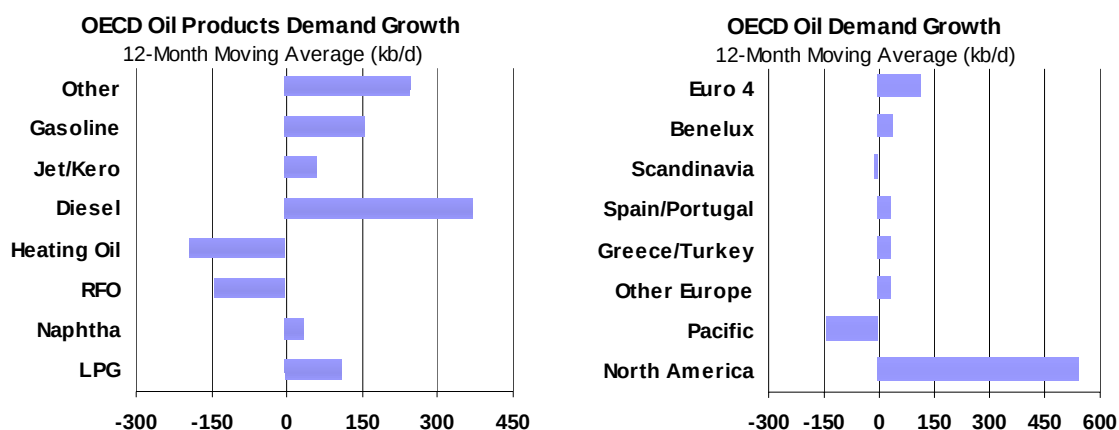
1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

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

European data have also been revised downwards for August, by a total 180 kb/d, however that adjustment was more than offset by upward changes of 70 kb/d for July and 270 kb/d for September. A 130 kb/d revision to preliminary French data, mostly for naphtha and 'other products', accounted for the bulk of the July cut. Upward changes in the UK, Sweden and Portugal accounted for most of the July increase. For September, upward adjustments of 50-90 kb/d were applied to the Italian, German, French and UK forecasts. The forecast for Sweden was also raised by 50 kb/d reflecting higher baseline demand for 2003.

Despite the downward adjustments, revised August data show continued strong demand growth across the OECD, building on July's gains. Total OECD demand advanced by 1.17 mb/d, or 2.5%, slightly faster than in July, when consumption gained 1 mb/d (+2.1%). Asian demand expanded at the fastest pace in percentage terms (+5.2%), led by strong demand from the utility sector in Japan, while Europe posted the largest absolute gain (+463 kb/d), led by Germany (+210 kb/d) and the UK (+190 kb/d).



In contrast, unadjusted, preliminary data for eight of the largest OECD economies, although substantially higher than forecast levels, confirm that the pace of OECD demand growth slowed down markedly in September (see above table). This was fully expected, in part because year-earlier baseline demand was much higher in September than in July and August, particularly in Europe.

Indeed, preliminary data for France, Germany and Italy show oil deliveries contracted in all three countries in September, led by steep declines in residual fuel oil and gasoline. Demand edged slightly lower in Japan but expanded in Korea, and continued to grow briskly across North America.

Broken down by products, OECD demand showed shifting patterns in September. Transportation fuels continued to lead overall growth, but by a shrinking margin. Diesel deliveries expanded substantially, but growth turned negative in Japan and faltered in Germany and France. Steep drops in European gasoline demand cut into North American gains. Jet fuel/kerosene demand switched into contraction in the US, pulling aggregate demand into decline despite gains elsewhere.

Meanwhile, residual fuel oil rebounded from August's drop, led by strong gains in the US and Japan. In both markets, fuel switching into oil—from nuclear in Japan and from high-priced natural gas in the US—helped fuel residual fuel oil demand growth.

Moving Annual Average Change in Oil Demand* – September 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	2.9%	-1.2%	1.6%	2.1%	5.3%	-5.3%	0.1%	3.8%	2.1%	411
Canada**	8.3%	6.0%	1.4%	6.7%	-3.8%	7.0%	6.4%	9.2%	4.7%	101
Mexico	2.1%	-21.9%	5.7%	6.0%	3.1%	3.1%	-10.7%	15.9%	1.4%	27
Japan	-7.1%	1.6%	2.3%	-3.4%	0.4%	-4.2%	-8.4%	-7.0%	-2.7%	-151
Korea	-1.0%	4.0%	-4.6%	-8.5%	4.3%	-9.8%	-1.0%	-8.7%	-0.3%	-6
France	1.9%	6.8%	-6.7%	4.4%	1.0%	-0.3%	-0.5%	7.2%	1.0%	21
Germany	4.5%	12.4%	-3.4%	2.2%	4.6%	-16.4%	0.3%	35.6%	-0.5%	-12
Italy	1.1%	-0.5%	-1.9%	5.5%	10.5%	-10.4%	-6.4%	4.9%	0.8%	14
UK	14.8%	-2.7%	-2.9%	6.2%	5.9%	5.9%	16.6%	18.8%	5.4%	94
Total	2.0%	3.5%	1.1%	0.9%	4.3%	-5.2%	-3.3%	4.6%	1.2%	500
kb/d	82	94	144	33	261	-185	-108	178	500	

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

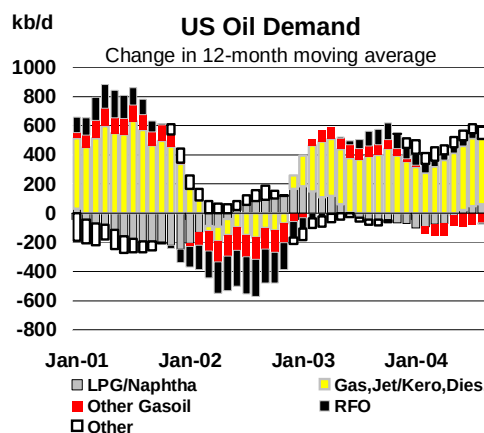
** near-month data are estimated

To a certain extent, the weaker pull of transportation fuels on overall demand growth reflects seasonal shifts associated with the so-called 'shoulder' period leading from the peak summer driving and air travel season to the North Hemisphere heating season. However, seasonal factors may have been compounded by price effects, dampening discretionary driving demand. Contraction in 'other gasoil' deliveries may also reflect the deferment of heating oil purchases by US and German retailers and end-users in hope of lower prices.

North America

Steep revisions in US gasoline and diesel delivery data for August have substantially altered the pattern of North American third-quarter demand. August gasoline demand fell by 170 kb/d year-on-year, the first contraction since May 2003 and a steeper drop than earlier estimated. Although preliminary data for September show a rebound in deliveries, third-quarter gasoline demand appears flat from last year on average. Preliminary weekly reports suggest that demand contraction resumed in October, when deliveries fell by a provisional 1.3%.

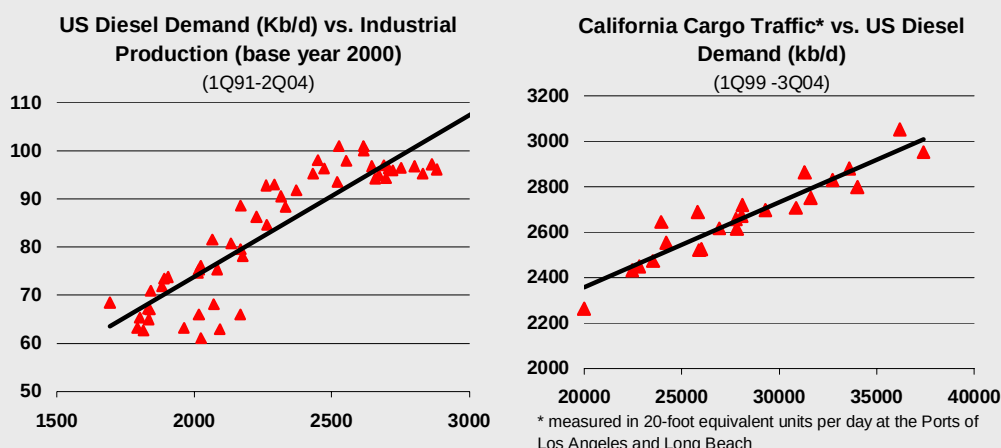
Diesel demand for August was also revised sharply downwards, by 140 kb/d. Despite the cut, the demand pattern remains one of expansion. But demand growth is now estimated to have slowed to 1% in August and 1.5% in September, a clear break from the much faster pace showed earlier this year. Unadjusted, preliminary weekly data suggest growth regained momentum in October, with combined diesel and heating oil deliveries rising by 8.1%. However, it was unclear whether an apparent spike in US diesel and heating oil exports to Europe, driven by price differentials that briefly favoured eastward transatlantic shipments in October, was fully reflected in the numbers. Preliminary delivery October data were adjusted downwards in this Report, by 50 kb/d for diesel and 60 kb/d for heating oil, and remain subject to potentially larger revisions.



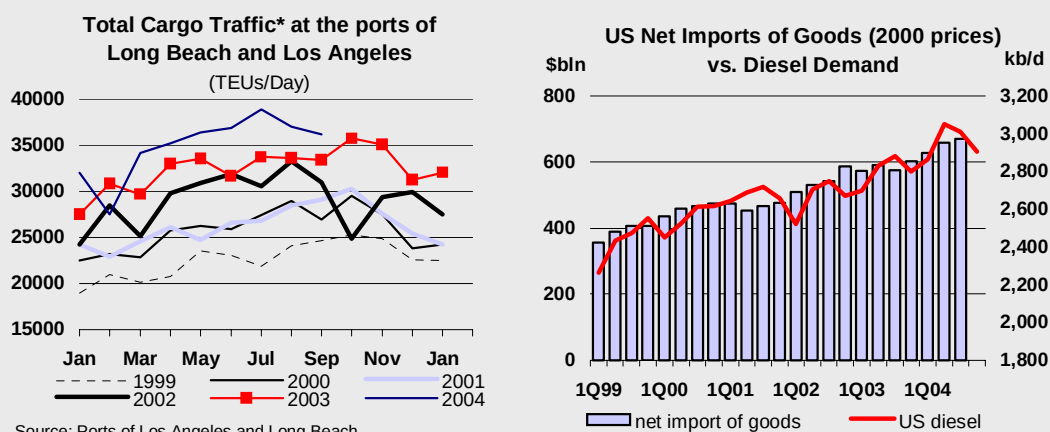
International Trade as a Driver of US Diesel Demand

Unlike in Europe, where the automobile fleet is rapidly switching from gasoline to diesel, in the US diesel is not widely used for private transportation, and automobile demand is at best a marginal driver of diesel consumption. Rather, diesel in the US is used mostly for trucking, while so-called 'off-road diesel' is used in agriculture, particularly during the sowing season in spring and the harvesting season in the autumn.

As such, US diesel is conventionally considered an 'industrial' fuel, the demand for which is seen as closely linked to underlying economic activity. Indeed, there is a broad correlation between US industrial production and diesel demand, as evidenced in the graph below. A simple analysis of the relationship between US diesel demand and an index of US industrial production suggests a reasonably high linkage. This makes sense, since in the US industrial output is typically trucked (rather than railed) from the factory to the market.



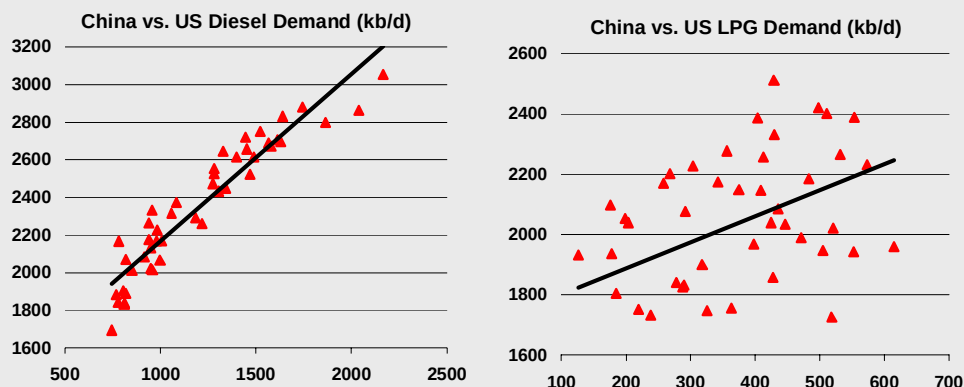
Yet as manufacturing activity is increasingly moved off-shore from OECD economies to emerging ones, notably China, diesel consumption in industrialised economies is becoming more directly linked to international trade than to domestic industrial activity. The US is a case in point. Rapid growth in US diesel demand over the last two years appears closely tied to the growth in Chinese industrial activity and the concomitant increase in transpacific cargo traffic, as measured through container movements at the ports of Los Angeles and Long Beach, California. When looking at the relationship between quarterly US diesel demand and average traffic at those two major ports, there appears to be a better correlation than between US diesel demand and industrial output.



In fact, the oil demand impact of bilateral trade between China and the US appears so closely shared between the two economies that US diesel demand patterns over the last 10 years closely track not only West Coast port traffic but also Chinese demand for middle distillates. That convergence of US and Chinese demand trends is unique to diesel (gasoil in China) and unmatched for any other product: while there appears to be no correlation between US and Chinese demand for gasoline, LPG or residual fuel oil, the linkage between Chinese gasoil and US diesel demand appears remarkably tight. The correlation between US diesel and Chinese gasoil demand is also significantly greater than that between diesel demand in the US and Germany, another large exporter to the US market, but one whose economy is not as closely linked to that of the US. Indeed, a slowdown in US diesel demand growth evident in the third quarter of this year closely matches similar trends in both US West Coast cargo traffic and Chinese gasoil demand.

International Trade as a Driver of US Diesel Demand (continued)

Because the growing US trade deficit is largely an effect of soaring imports from China, a similar correlation appears to be evident between US diesel demand and US net imports of goods. Put succinctly, US diesel demand growth seems to track the US trade deficit.

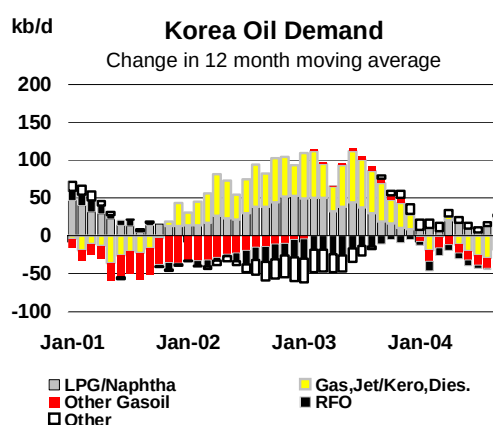
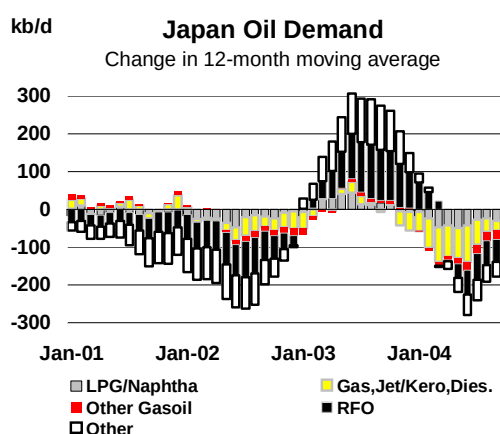


The implications of this relationship are several. On the one hand, growing US-Asian economic integration appears to be gradually overtaking the US-European linkage as a key driver of US distillate markets. At the same time, any change in the US-China balance or in the factors underpinning the growing US trade deficit could potentially result in slower oil demand growth on both side of the Pacific.

Pacific

Aggregate monthly demand for the Asia-Pacific region was left broadly unchanged for July, August and September. July estimates were unrevised, while the assessments for August and September were cut marginally, by 10 kb/d and 20 kb/d, respectively.

Revised data show Asian demand expanded by 260kb/d year-on-year in the third quarter, reversing four consecutive quarters of contraction. A rebound in Japanese utility demand was the main factor fuelling oil consumption growth. This reflected continued problems with nuclear power plants, the effects of which were compounded by stronger summer cooling demand than last year.



Indeed, Japanese oil demand from power producers was higher than forecast in both August and September, as a string of shutdowns at Kansai Electric Co. Ltd (Kepco) power plants compounded the impact of extended outages at Tokyo Electric Power Co. Ltd (Tepco) units. Demand for 'other products', including heavy, sweet crude oil for direct burn at power plants, was revised upwards by 60 kb/d and 50 kb/d for August and September, respectively, while demand for residual fuel oil, another power plant boiler fuel, was raised by 40 kb/d for September. Those upward adjustments

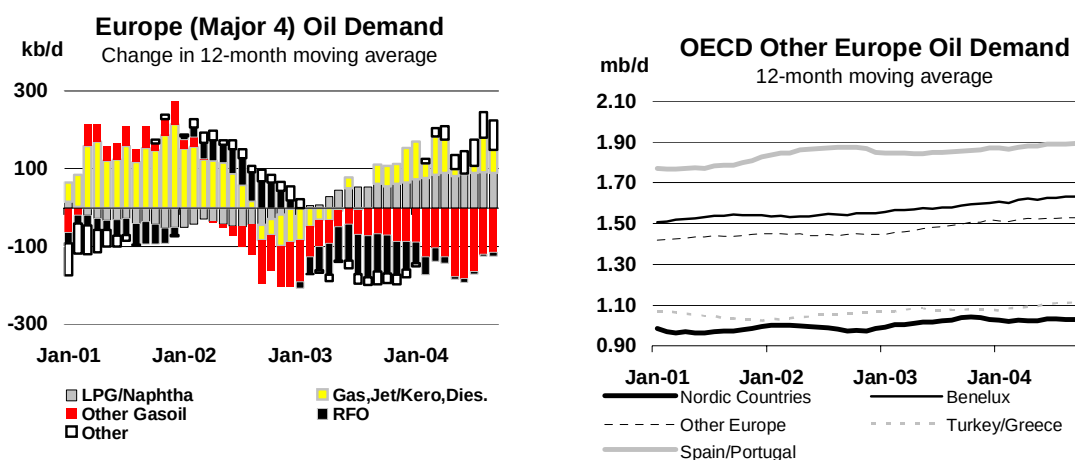
were offset by a smaller, downward adjustment for August residual fuel oil demand and by cuts spanning the rest of the demand barrel for September.

However, the stage appears set for the contraction in Japanese demand to resume. As of early November, one 784 MW Tepco unit was in ramp-up mode, producing at roughly 80% capacity, while another unit, of 1,100 MW capacity, had completed an extended inspection shutdown and was set to restart shortly. That would leave only five out of 17 Tepco units shuttered, down from seven in October. A 1,180 MW Kepco unit had also entered the early stage of the restart process, running at a fraction of capacity, but was expected to be fully operational by late November. In addition, Chubu Electric Hamaoka Unit No. 5, a new, 1,380 MW reactor, started up in late October and was running at capacity. That new unit brings Japan's total nuclear power generation capacity to 47,122 MW, up from 45,742 MW earlier.

Europe

Preliminary European demand data for August were revised sharply downwards, with France accounting for the bulk of the cuts. German and Italian preliminary data were also trimmed marginally. Despite the downward move, revised August demand remained robust, at 3.2% over year-earlier levels, following gains of 1.5% in July. In contrast, September demand was adjusted upwards, by about 300 kb/d, reflecting robust preliminary data for three of the largest European economies and increased baseline Swedish demand, a move that more than counter-balanced the August cut. On average, third-quarter European demand has been adjusted marginally upwards, with growth slowing markedly from August to September.

Heating oil accounts for much of the aggregate upward adjustment to regional demand, including increases of 120 kb/d for August and 80 kb/d for September. Thanks to what now appears as a 230 kb/d year-on-year gain in August—the second monthly gain in fifteen months, and one that was quickly reversed in September—European heating oil demand is believed to have edged slightly higher, by 10 kb/d, in the third quarter.



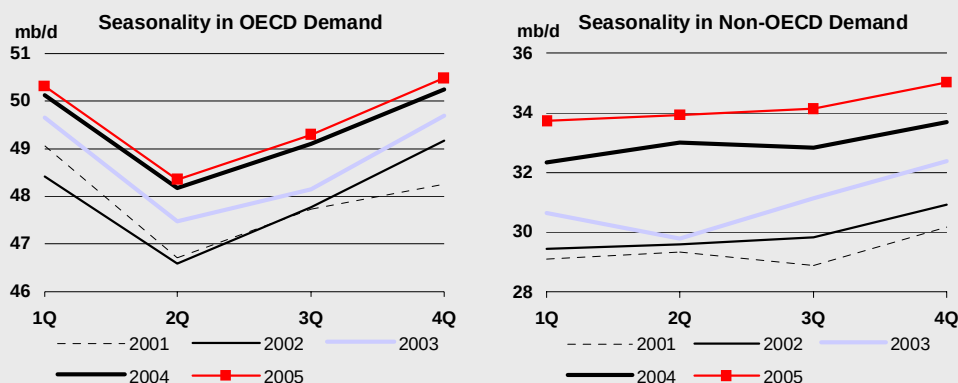
But that small gain followed four consecutive quarters of contraction. Importantly, German heating oil deliveries have not been substantially revised—a marginal upward adjustment for August being offset by a small cut for September—and remain exceptionally weak. Year-on-year gains in August German deliveries failed to offset contraction in July and September, leaving quarterly average demand down year-on-year for the fifth consecutive quarter. Thus, despite substantial upward revisions in third-quarter European heating oil demand, there appears to remain considerable pent-up end-user demand in Germany, the region's largest market. On the other hand, milder-than-normal temperatures have, so far in this heating season, depressed fuel burn. And high product prices, coupled with the growing perception that oil markets have entered a new era of higher prices, may have spurred a pick-up in the long-term trend towards efficiency gains by providing homeowners with an incentive to switch to more efficient furnaces.

The Changing Seasonality of Oil Demand

A key factor behind this year's oil rally—though not the only one—has been the exceptional strength of second-quarter demand. While many market participants, assuming a steep cyclical downturn in global oil consumption, had thought prices would fall with the end of peak winter heating demand, second-quarter demand was in fact unseasonably robust. Record year-on-year growth of close to 4 mb/d cut the quarter-on-quarter drop in global oil demand to 1.3 mb/d, less than half the previous year's decline. What are the chances that future second-quarter demand is being underestimated, thereby potentially setting the stage for unanticipated price movements in 2005?

Last year's second-quarter performance reflects a combination of structural and one-off factors which may not easily be sorted out. Prominent among the latter was the Severe Acute Respiratory Syndrome (SARS) outbreak, which inflated measured 2004 growth by establishing a very low reference quarter for 2003 demand. Yet overly relying on SARS as an explanatory factor obscures the fact that second-quarter demand was not only exceptionally strong in terms of year-on-year growth but in absolute terms as well, and may lead to overlooking lasting structural shifts arising from the takeoff—and fast-rising energy needs—of China and other emerging economies.

While second-quarter demand dips seasonally in the OECD, such is not the case in the non-OECD region. This year is a case in point: non-OECD demand is expected to peak in the fourth quarter, but is believed to have gone through a secondary peak in the spring, rising by 660 kb/d from the first quarter, before edging lower by a provisional 160 kb/d in the third quarter. Although such a pattern may be somewhat unusual, it remains that non-OECD demand appears almost never to fall from the first to the second quarter—2003 being a SARS-stricken exception. As the non-OECD region accounts for an ever-growing percentage of oil demand (it rose from 36% of world demand after the 1998 Asian financial crisis to more than 40% this year), the seasonality of global oil demand evolves accordingly. It is also important to distinguish oil from broader energy trends.



Complicating the issue is the fact that non-OECD demand data are often hazy at best. For various economies, the only statistics available are collected on an annual basis rather than on a monthly or even a quarterly basis. Seasonal patterns are thus estimated or inferred from comparable, better-known economies rather than directly surveyed. Things are improving, as more monthly data are becoming available through the Joint Oil Data Initiative (JODI), but many blind spots remain.

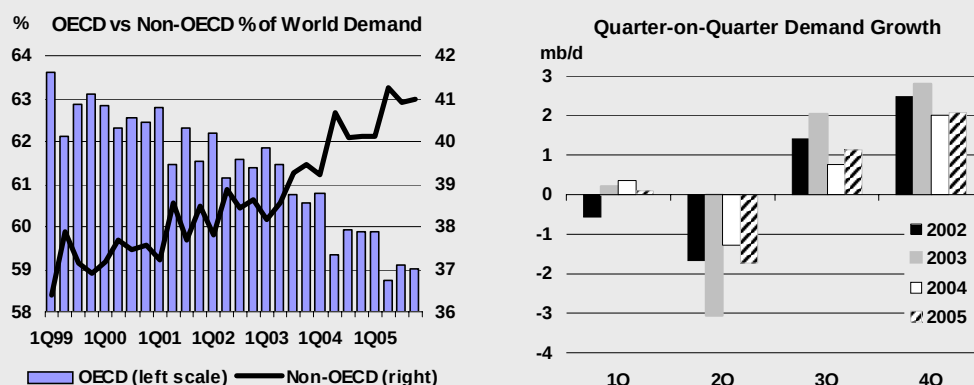
For other economies, including China and the FSU, demand is assessed on an apparent or implied basis, ignoring stock changes and thus providing a somewhat distorted view of end-user consumption. On this basis, both China and the FSU showed extraordinarily strong second-quarter demand this year compared to previous years.

Yet it is easy to understand why OECD and non-OECD seasonal trends might diverge. In parts of China—notably in the booming coastal provinces—and in the Middle East, household consumption peaks with summer cooling rather than winter heating. In both regions, soaring income gains have fuelled a construction boom and associated surge in air-conditioning and transportation demand. In Latin America, where demand is on the rebound, and other South Hemisphere economies, heating demand hits during the Northern Hemisphere's summer months.

The Changing Seasonality of Oil Demand (continued)

Does that suggest that this year's second-quarter surge has established a new baseline of non-OECD demand? Difficult to say, because fast growth in non-OECD economies makes it tricky to segregate baseline gains--such as increases in China's air-conditioning infrastructure--from one-off factors, such as unusual weather patterns on China's southeast coast, where there are no time-tried benchmarks of cooling-degree days, or speculative or precautionary stockpiling. Nevertheless, exceptional factors do appear to have had a hand in this year's second-quarter surge.

In China, year-on-year growth of nearly 1.3 mb/d was partly driven by the early onset of summer in the south and southeast and stock-building of gasoil for stand-alone electricity generators in anticipation of power blackouts. But the summer shortfall in electricity supply was less than feared, and power supply is slowly catching up with demand as non-oil generation capacity is expanded, even as oil demand is being constrained through energy-saving measures. FSU apparent demand growth may also have been inflated by infrastructure constraints which are being overcome. Recent and future export capacity expansions, through the reversal of the Odessa-Brody pipeline and other measures, may mute second-quarter growth in apparent FSU demand next year.



The seasonal pattern of non-OECD demand in 2005 may thus more closely resemble that of 2002—another year when the non-OECD share of global demand expanded briskly, albeit in a context on low global growth and against the backdrop of the global economic downturn—than those of either 2003 or 2004.

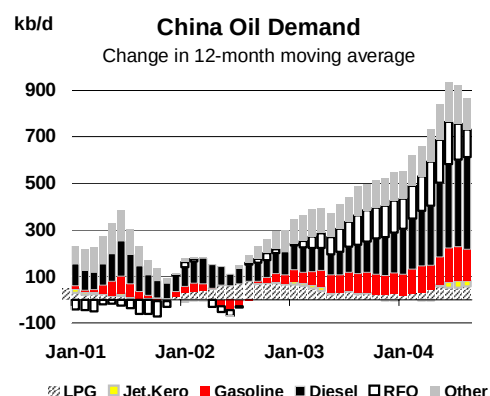
Non-OECD

China

The assessment of Chinese demand for 2004 and 2005 was left roughly unchanged. Net imports rebounded in September from their August low, but the gain was partly offset by a dip in provisional refinery throughput assessments. Data for both months were in line with expectations.

However, the short-term outlook for Chinese oil demand appears to be highly dependent on policy measures, including both macro-economic management issues and oil pricing policy. Despite a recent string of increases, so-called 'administered' oil prices remain well below international markets. While such price controls are shielding end-users from the full effect of international market increases, they may also constrain supply by undermining refining and import economics.

There have been reports that Chinese refiners had been resisting government calls to boost runs as rising crude import costs cut into refining margins, and that tightness—even sporadic shortages—had reappeared on domestic product markets. Import economics are contributing to the tightness as domestic products retail below import costs. At the same time, government price controls are being tested. Reports are spreading that products are being sold in retail markets at prices well above government ceilings. End-user demand may also be boosted by expectations of future domestic price increases, and refiners have complained of consumer hoarding.



China Crude & Product Trade

(thousand barrels per day)

	2002	2003	4Q03	1Q04	2Q04	3Q04	Jul 04	Aug 04	Sep 04	Latest month vs. Aug 04 Sep 03	
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1716	2290	2371	2232	2185	2106	2413	307	202
Products & Feedstocks	361	442	445	600	849	544	621	429	582	153	14
Gasoil/Diesel	-16	-28	-9	22	50	21	29	2	32	30	86
Gasoline	-142	-175	-151	-95	-141	-146	-122	-178	-138	40	77
Heavy Fuel Oil	281	407	361	448	653	412	446	424	364	-60	-183
LPG	197	202	203	172	227	222	249	164	255	90	44
Naphtha	-16	-22	-24	-21	-11	-48	-39	-57	-48	8	-19
Jet & Kerosene	9	1	-6	21	15	19	2	5	53	48	17
Other	48	58	70	54	56	63	56	69	64	-5	-8
Total	1609	2106	2161	2890	3220	2776	2806	2535	2994	460	216

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

In addition to supply constraints, however, demand is being undermined by energy-saving measures and power generation capacity expansions. Non-oil fired electricity generation capacity is now reportedly running ahead of demand, narrowing the supply-demand gap and therefore easing the need for diesel-fired back-up generators. Domestic heating was delayed in the North, which also helped mute demand growth.

FSU

FSU apparent demand swung back into contraction in October following six months of robust gains. The move reflects a surge in export growth, which leaped to more than 900 kb/d from 580 kb/d in September. This was the first time that export growth ran ahead of supply growth since March 2004. The move may be sustainable, as the recent reversal of the Odessa-Brody crude pipeline has opened a new export outlet for Russian crude oil.

Other Non-OECD

Indian oil demand contracted in August by an estimated 1.8% in August, the first decline in more than a year. Gasoil led the decline, falling by 9.4%. Demand for naphtha and gasoline also fell briskly. Several factors may account for this reversal in demand patterns. A truckers strike in August may have helped curtail diesel demand, though the labour action was relatively short-lived. Disappointing monsoon rains may also have eaten into agricultural gasoil demand. But expectation of price increases may have played a bigger role by boosting demand earlier in the summer. The latest product price increase was enacted on 5 November. Despite the recent gains, and another round of increases as of 1 December, LPG prices remain deeply subsidised. Diesel prices were raised by 2.1 Rs/litre, cutting the subsidy to 2 Rs/litre. Gasoline prices now appear in line with import costs. Kerosene prices have been left unchanged, with the subsidy amounting to almost Rs 12/litre.

India Crude & Product Trade

(thousand barrels per day)

	2002	2003	3Q03	4Q03	1Q04	2Q04	Jun 04	Jul 04	Aug 04 ¹	Latest month vs. Jul 04 Aug 03	
Net Imports/(Exports) of:											
Crude Oil	na	1863	1801	1943	1938	2090	2623	2011	1953	-58	264
(by Public Oil Cos)	1088	1243	1137	1379	1105	1312	1687	1271	1214	-57	-6
Products & Feedstocks	-83	-152	-205	-91	-132	-173	-140	-171	-164	7	25
Gasoil/Diesel	-53	-119	-144	-99	-137	-135	-103	-69	-110	-41	11
Gasoline	-48	-72	-88	-62	-77	-67	-53	-85	-77	8	1
Heavy Fuel Oil	6	5	13	-8	-12	13	-1	-10	-9	1	-42
LPG	22	55	38	79	90	39	51	60	80	20	47
Naphtha	4	-1	-3	30	19	10	5	-39	-26	13	10
Jet & Kerosene	10	-22	-28	-42	-29	-44	-47	-28	-35	-7	-8
Other	-23	1	7	11	14	12	8	0	13	13	5
Total	1005	1091	1596	1852	1807	1917	2483	1840	1789	-51	289

¹ Preliminary

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

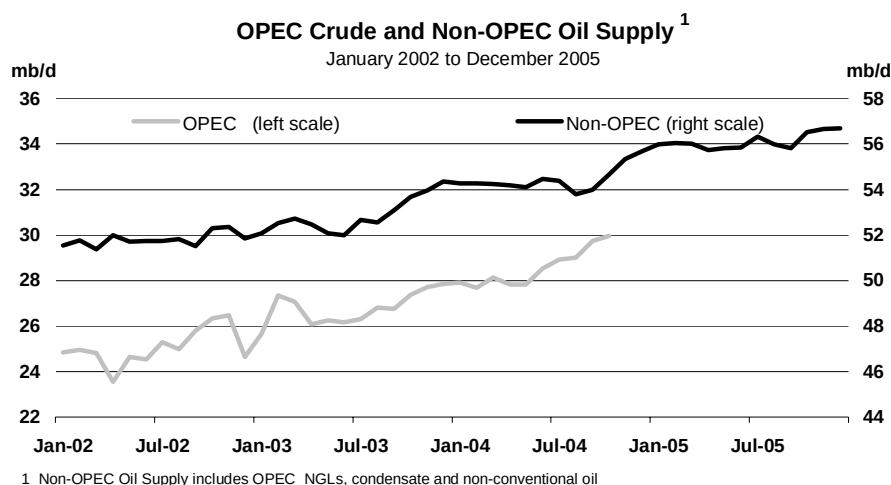
Yearly data for net imports of crude oil for 2002 are unavailable.

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

SUPPLY

Summary

- **World oil supply** increased by 890 kb/d in October to 84.6 mb/d. Assessed supplies for August and September were revised down by 540 kb/d and 240 kb/d respectively, due to lower North Sea and OPEC supply than estimated in last month's Report. However, non-OPEC supply is now rebounding sharply from weaker late-summer levels, rising 685 kb/d in October. Global supply stands 3.5 mb/d above October 2003, with OPEC crude 2.6 mb/d higher. Non-OPEC annual growth has temporarily slowed to 790 kb/d and OPEC other liquids stand 180 kb/d above 2003.
- **Non-OPEC supply** is now recovering from a sharply lower late-summer base. The impact of maintenance on Norwegian NGL and condensate supply and UK crude underpins sharp downward adjustments to August and September North Sea production. However, in September this was largely counteracted by higher than expected Mexican, Chinese and Angolan supply. Increases from the North Sea, US Gulf of Mexico (GOM) and FSU underpin October's 685 kb/d rise from non-OPEC. Fourth quarter supply, at 50.8 mb/d, is 1.1 mb/d above 3Q's average. Non-OPEC growth for 2004 and 2005 now averages 1.1 mb/d and 1.3 mb/d respectively, with a further 0.4 mb/d coming from OPEC 'other liquids' in both years.
- **OPEC crude supply in October** gained 215 kb/d to average 30.0 mb/d. Increases of 20-50 kb/d each came from Algeria, Kuwait, Libya, Nigeria, Saudi Arabia and Venezuela. Iraqi supply fell back modestly as both exports and domestic crude runs slipped. However, output remained close to the downward-revised level of 2.2 mb/d seen in September. OPEC producers continued to operate close to sustainable capacity, a source of market concern given ongoing risks to supply from Iraq and Nigeria in particular. A further national strike in Nigeria has been called from mid-November. However, concerns over supply from the US GOM, Norway and Brazil receded in October and early November. Furthermore, temporary spare or surge capacity of 1.5-2.0 mb/d continues to be available from Saudi Arabia and other OPEC producers.
- **OPEC-10 supply** (excluding Iraq) averaged 27.7 mb/d in October, up by 245 kb/d from September. While the production target has taken a back seat for now amidst moves to calm overheated prices, October's total represented a more manageable 700 kb/d over-shoot versus the 27.0 mb/d target in force from 1 November.
- **The 'call on OPEC crude and stock change'** remains at 27.9 mb/d for 2004, despite downward adjustments to 3Q non-OPEC supply. However, the 2005 call is revised up by 100 kb/d to 27.7 mb/d, largely on the basis of lower expectations for North Sea supply. The trend for the period through March sees an average call of 28.4 mb/d compared to OPEC crude supply in October of 30.0 mb/d.



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

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

OPEC

OPEC crude production growth slowed to 200 kb/d after a 750 kb/d rise in September. Supply averaged 30.0 mb/d, with Saudi Arabia, Kuwait, and Venezuela adding 40-50 kb/d each. Algeria, Libya, Nigeria and the UAE each increased supply by 20-35 kb/d. Net production from Iraq was assessed off by 30 kb/d, as both crude runs and tanker liftings eased modestly. Spare capacity remained below 1.0 mb/d on a sustainable basis, although as noted previously, this likely understates the ability of Saudi Arabia and other, predominantly Arab Gulf, producers to surge output for limited periods by a further 1.5-2.0 mb/d. Nonetheless, the slim margin of spare capacity remained a key psychological feature in driving marker crude prices higher in October.

The last time supply from the current OPEC-11 members averaged 30 mb/d or more on a sustained basis was in the aftermath of the Iranian Revolution during 1979. Notably too, 1979-1981 was the last time Saudi Arabia was able to ramp up and hold production in a 9.5-10.0 mb/d range. For now, market focus remains on the exceptionally narrow margin of spare capacity in the system (much lower, incidentally, than the 4.0 mb/d evident in 1979).

OPEC Crude Production

(million barrels per day)

	Nov 2004 Target	Aug 2004 Target	Oct 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs. Oct 2004 Production	Prod. vs. Nov Target	Prod. vs. Aug Target
Algeria	0.86	0.83	1.27	1.30	0.03	0.41	0.44
Indonesia	1.40	1.35	0.98	1.00	0.03	-0.43	-0.37
Iran	3.96	3.82	3.95	4.00	0.05	-0.01	0.13
Kuwait ²	2.17	2.09	2.45	2.50	0.05	0.28	0.36
Libya	1.45	1.39	1.61	1.62	0.01	0.16	0.22
Nigeria	2.22	2.14	2.37	2.45	0.09	0.14	0.22
Qatar	0.70	0.67	0.80	0.80	0.00	0.10	0.13
Saudi Arabia ^{2,3}	8.78	8.45	9.60	9.50	0.00	0.82	1.15
UAE	2.36	2.27	2.47	2.55	0.08	0.11	0.20
Venezuela ⁴	3.11	2.99	2.25	2.25	0.00	-0.86	-0.74
Subtotal	27.00	26.00	27.74	27.97	0.33	0.74	1.74
Iraq			2.22	2.50	0.29		
Total			29.96	30.47	0.62		

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

2. Includes half of Neutral-Zone production

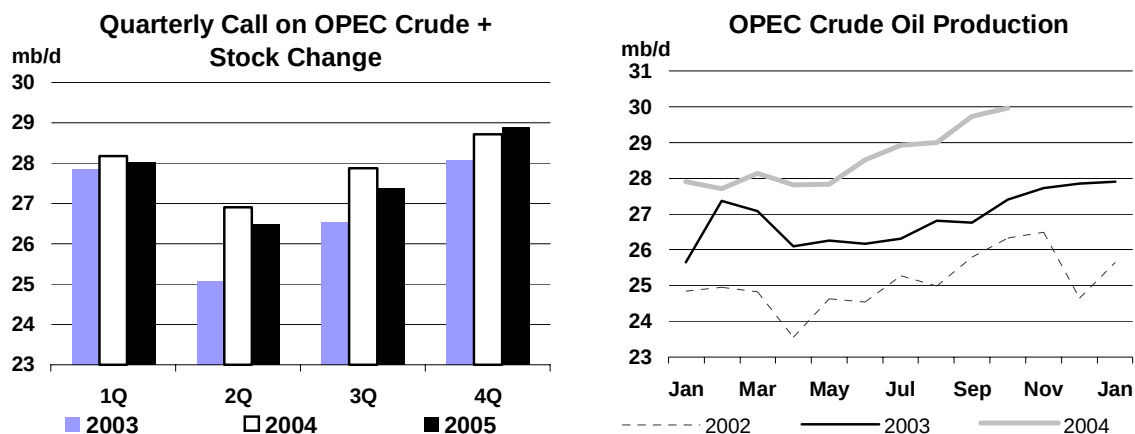
3. Saudi Arabia indicates it can surge to 10.5 mb/d at short notice, and a recent increase in drilling could lead to this becoming sustainable.

4. Excludes upgraded Orinoco extra-heavy oil which averaged 358 kb/d in October

Initial indications are that OPEC output will stay high for the time being, despite a slide in prices in early November to below \$50/bbl for light marker grades. Tanker lifting data suggest November OPEC volumes up by 200-300 kb/d, effectively taking OPEC to the brink of full capacity operations. Despite disruptions to pipeline flows, Iraq is lining up an increasing number of term lifters for Kirkuk crude from Ceyhan. Saudi Arabia is booking spot tankers for deliveries to the US in November and December, and has indicated via November term liftings that production will be sustained at or above 9.5 mb/d. Incremental volumes over and above full-term supplies have been signalled by Abu Dhabi for November and December. Meanwhile, a combination of term export indications and new production start-ups suggest sustained high volumes through end-year from Iran, Kuwait, Algeria, Libya, Indonesia and Nigeria. But concerns persist as to markets for much of this extra oil, and price differentials for heavy/sour Middle Eastern grades remain wide versus light/sweet markers.

Crude marketability notwithstanding, tight spare capacity could remain an issue through the winter. Estimates for the amount of new capacity to be added by OPEC members through end-2004 range from 300-700 kb/d, and those for 2005 between 700 kb/d and 1.0 mb/d. This Report tends towards the lower end of the range, although we plan to re-address the issue of OPEC capacity investments in

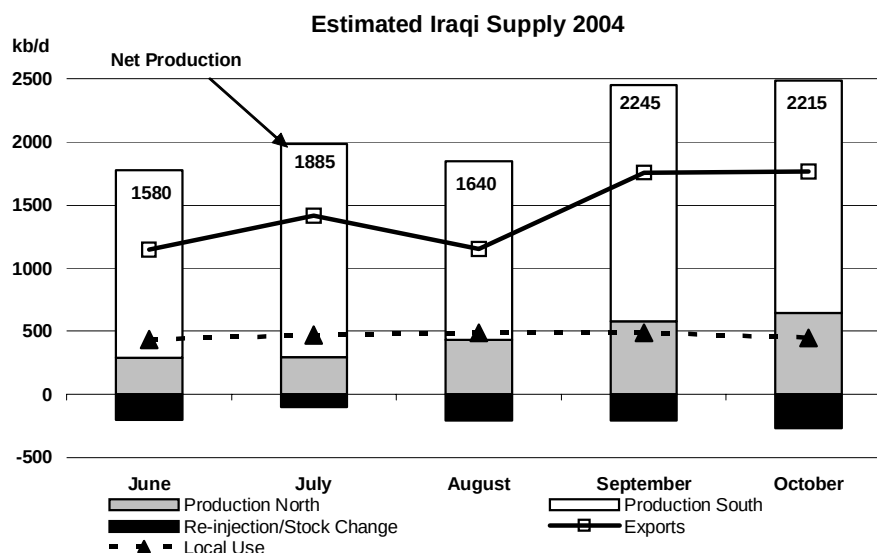
upcoming issues of the Report. Nonetheless, recent OPEC pronouncements suggest members are being discouraged from over-investing in capacity, particularly as demand growth may be slowing due to price effects. Politically too, recent high price levels have done little to encourage the opening up of the OPEC upstream to broader-based investment. The concept of 'just-in-time' capacity additions seems to be emerging, akin to developments in commercial inventories in recent years. This helps to prevent capital being tied-up in under-utilised capacity, but risks leaving the global system vulnerable at times of genuine supply disruption. However, before becoming too pessimistic, spare capacity should increase into a more comfortable range as new projects come onstream and as OPEC likely trims output after the peak in winter demand.



Saudi Arabia continued to produce in excess of 9.5 mb/d in October and has signalled that similar volumes will be made available to the market in November. Discounts for heavier grades continued to widen, with December differentials versus marker crudes for Arab Heavy and Arab Medium reaching around \$14/bbl and \$11/bbl respectively for sales into the US and Europe. The Kingdom continued to stress that 1.5 mb/d of spare capacity could be activated with immediate effect. Incremental supplies from the newly started Qatif and Abu Safah fields were reported to be close to reaching capacity levels of 650 kb/d (Bahrain will reportedly continue to receive 150 kb/d of Abu Safah production, around half of current field output levels, with this share counted in this Report as Bahrain rather than Saudi production). In addition, further reports emerged of increased drilling levels within Saudi Arabia, aimed at sustaining production levels in fields to offset anticipated decline.

Iraq saw a modest 30 kb/d decrease in net production (the sum of tanker exports and domestic crude use). Net output averaged 2.22 mb/d compared to 2.25 mb/d in September. Production levels for August and September were revised down by 145 kb/d and 80 kb/d respectively (to 2.25 mb/d and 1.64 mb/d) on the basis of lower consolidated export data for the two months concerned, together with lower estimated domestic crude use for September. Adding in volumes of crude pumped into storage (primarily to Ceyhan in Turkey) or re-injected to the oilfields, gross production increased from 2.45 mb/d in September to 2.49 mb/d in October. It needs to be borne in mind that the Iraqi 'sustainable capacity' level of 2.5 mb/d shown in the table above refers to gross rather than net production. This represents the peak level of recent wellhead production and one that is believed sustainable if exports and/or local refinery runs could be boosted to accommodate such production volumes. However, the concept of Iraqi spare capacity is a tenuous one in the current environment of fluctuating output and disruption-prone exports.

Exports of Iraqi crude in October averaged 1.77 mb/d compared to 1.76 mb/d in September. Exports from the southern terminals of Basrah and Khor al Amaya remained close to September levels of 1.6 mb/d. Although liftings of Iraqi Kirkuk crude from the Turkish port of Ceyhan rose to 160 kb/d, this was some 30% less than had been expected earlier in October. Northern fields were reportedly producing around 600-700 kb/d during October, but attacks on the export pipeline to Ceyhan disrupted supplies during the third week of October and again in early November. Pipelines feeding crude from northern fields to the Baiji and Daura refineries were also attacked, limiting crude runs. Early-November levels of crude storage at Ceyhan (3.5 mb) were sufficient to sustain tanker liftings of around 120 kb/d for November. However, at the time of writing crude flows north to Ceyhan had resumed once more after pipeline repairs, raising the possibility of Ceyhan liftings rising in excess of 200 kb/d, pipeline security and port weather conditions permitting.



Supply estimates for **Nigeria** have been revised down by around 65 kb/d for May-August and by 115 kb/d for September. Sustainable production capacity has also been scaled back from last month's 2.5 mb/d to 2.45 mb/d (excluding over 200 kb/d of production still shut-in in the Niger Delta). Prevailing domestic refinery throughput levels have been much lower than was earlier assumed. Recent reports suggest that for some time crude runs at Nigeria's 450 kb/d of domestic refining capacity have been limited to some 50 kb/d, all of this at the Port Harcourt refinery. September supply was also revised down on the basis of lower than expected export levels. From a new September base of 2.34 mb/d, October crude output is assessed up by 30 kb/d at 2.37 mb/d, the rise supported by data on tanker liftings which were lower than expected in September but increased last month. Initial indications from export schedules for November suggest that supply could rise by a further 50-80 kb/d this month.

Recent Developments in Venezuelan Orinoco Crude Supply

Production of upgraded heavy crude from four foreign company joint ventures is due to reach 590 kb/d in early 2005 following October's start-up at the Hamaca plant, operated by the Ameriven consortium (ConocoPhillips, ChevronTexaco and PDVSA). Plateau Ameriven production of 180 kb/d of 26° API syncrude from 190 kb/d of ultra-heavy crude feedstock will be attained in January. However, total syncrude output will remain constrained in October/November 2004 by maintenance at the 180 kb/d Sincor project (Total/Statoil/PDVSA) and next April by a 25 day outage at the 120 kb/d Petrozuata (ConocoPhillips/PDVSA) plant.

The four projects started production from the Orinoco belt at the end of the 1990s and upgrade sub-10° crude into 20-30° API synthetic material using delayed coking technology. The country's Orinoco belt contains 250 billion bbls of recoverable reserves, some 35 billion of which are considered proven. To date, Venezuela has excluded Orinoco resources from estimates of its conventional oil reserves. Now the government is lobbying for these to be included. This Report classifies syncrude production as non-conventional and thus excludes it from monthly estimates of Venezuelan crude supply.

Partners in the country's fourth upgrader, the 108 kb/d Cerro Negro unit (ExxonMobil/BP/PDVSA) announced in early November that capacity may be increased by 20% by early-2006. Recent months have seen discussions on further capacity expansions. ChevronTexaco and Total have both suggested new units adding as much as 400 kb/d to upgrader capacity. For its part, PDVSA plans to see total production capacity reach 1.2 mb/d within a decade. However, progress on expanding Orinoco supplies may be affected by recent changes in fiscal terms. The four projects were originally to enjoy a tax holiday, limiting royalties to 1% for the first nine years of operations. In October the government unilaterally announced an immediate increase in the royalty rate to 16.7%. The 2001 Hydrocarbon Law introduced by the Chavez government sets royalty rates for new facilities at 30%. New upgrader projects may also be required to incorporate a 51% stakeholding for PDVSA and costlier, deeper upgrading technology.

Any such increase will of course be dependent upon there being no disruption to production or exports arising from ongoing ethnic unrest in the Niger Delta and potential industrial action. Most notable in this respect is a planned and indefinite national strike over the issue of retail fuel price rises called for 16 November. This follows a four day strike during 11-14 October which had minimal impact on production or exports. However, attitudes seem to have hardened and there are indications that unions may now specifically target oil production platforms and export facilities in an attempt to get the government to reverse a 25% increase in retail fuel prices in place since late-September. The last time Nigeria saw major disruption to production was in March 2003 when ethnic strife in the Niger Delta led to producer companies shutting in production for security reasons. National crude production fell from a pre-disruption level of 2.3 mb/d in early March 2003 to 1.6 mb/d by early April. Ongoing minor disruptions to onshore and delta production have however been countered by rising supplies from deeper offshore areas, less prone to disruption. Both Shell and ChevronTexaco, with production shut in since 2003's unrest, have plans to re-instate this capacity by next year, with Shell also due to start up production from its new deepwater 225 kb/d Bonga field by mid-2005.

Conventional crude supply from **Venezuela** is estimated to have risen 40 kb/d in October to 2.25 mb/d, largely the result of fluctuating supply from the country's synthetic crude joint ventures (see below). Start-up of the Hamaca upgrader is estimated to have cut heavy crude (counted as conventional crude supply) by 60 kb/d. Offsetting this was maintenance at the Sincor upgrader which will run from mid-October through to end-November. Resultant, un-upgraded heavy crude is counted in this Report as conventional output. The current weakness in prices for heavier crude may however cap Venezuelan supplies in November, despite ongoing upgrader maintenance. Separately, state PDVSA has reported that new wells at the Tomoporo field will begin to augment supply this month and are designed to add 30-40 kb/d to output by the end of the year.

Notwithstanding this development, and shifts between conventional and unconventional output, Venezuelan crude supply is still well below the 2.6 mb/d seen before December 2002's strike. PDVSA announced in early October that 27% of its 2004 budget for exploration and production had been spent in the six months through June. Drilling delays, skill shortages and diversion of funds towards social programmes are all blamed for slow progress in the upstream since the end of the strike. Subsequent claims that 75% of PDVSA's budget has now been spent have not dampened reports of falling conventional output, Venezuelan fields facing natural decline rates in excess of 20%.

OECD

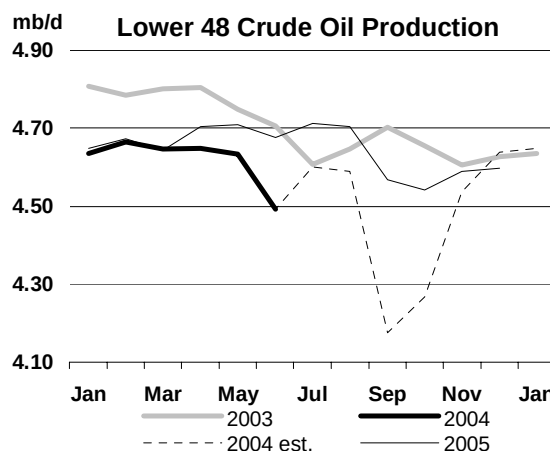
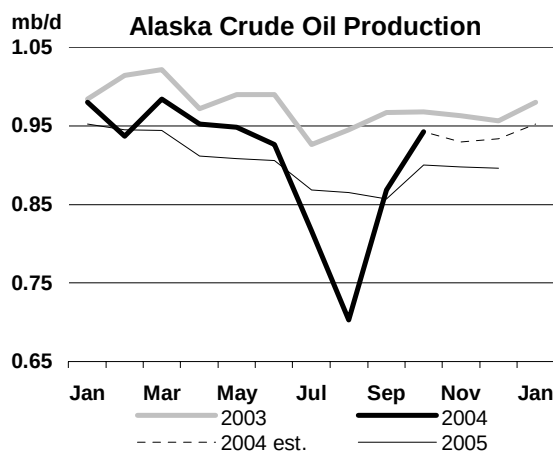
North America

US – October Alaska actual, others estimated: Latest available data suggest that US crude production fell by 125 kb/d in August and by 250 kb/d in September. The declines were driven by Alaska and hurricane-related outages in the Gulf of Mexico (GOM) respectively, though September's disruption in the GOM was partly offset by recovery in Alaskan supply after maintenance. Nonetheless, September production of 5.04 mb/d was reported as the lowest since 1950. Further supply recovery occurred in October (+165 kb/d), again split between the GOM and Alaska. October Alaskan crude production was up by 75 kb/d at 945 kb/d. Recovery occurred despite safety testing at Prudhoe Bay in early October and generator failure at the Northstar field on 11 November. Colder than normal temperatures in October aided supply, boosting the efficiency of re-injection facilities.

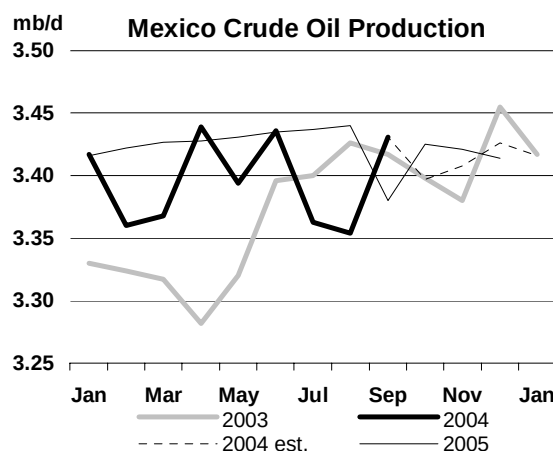
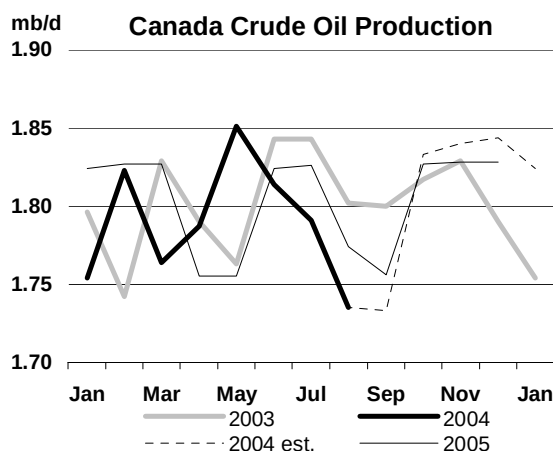
The focus of attention was on continued GOM outages caused by damage due to Hurricane Ivan in September. Latest data from the US Minerals Management Service suggest that October production was less affected than had been assumed in last month's Report. Average shut-in production for October as a whole is estimated at 410 kb/d rather than 475 kb/d. As of 5 November, cumulative shut-in production due to Hurricane Ivan was just under 28 million bbls, with production still shut-in put at around 215 kb/d. Last month's Report assumed 165 kb/d remaining shut-in during November and 65 kb/d in December. Based on the latest company and analyst's reports we have reduced this to 150 kb/d and 50 kb/d respectively. Considerable uncertainty still surrounds just when complete recovery can be expected and we now assume that some 50 kb/d of production could remain offline through June 2005 (no 2005 impact had been assumed last month).

Furthermore, field-specific data released in the light of the GOM outages have led to further downward adjustments to a number of fields, either because of lower than anticipated prevailing production levels ahead of the hurricane, or because of deferred build-up or start-up at new fields due to damage to production facilities or pipelines. Furthermore, Shell has deferred two weeks of maintenance at the 150 kb/d Mars field originally planned for November 2004 until late in 1Q 2005. Overall, the 1Q 2005 production forecast for GOM has been revised down by 105 kb/d and 2Q by

55 kb/d, but second-half 2005 output levels remain unchanged from last month's levels. Despite these adjustments, recovery from Ivan, plus new production centred on the Front Runner, Holstein, Mad Dog, Magnolia and Thunder Horse fields could see GOM supply grow by 225 kb/d in 2005.



Canada – September Newfoundland actual, others August actual: Total Canadian conventional crude production fell in August by 55 kb/d to 1.74 mb/d. A simultaneous fall of 20 kb/d in NGL supply but 50 kb/d increase in syncrude output meant that total Canadian oil supply averaged 3.04 mb/d, down from 3.07 mb/d in July. Crude output remained constrained in September as production from the offshore Terra Nova field stood around 40% of normal 150 kb/d levels. Work on gas compression equipment allied to gas flaring restrictions cut output, although more normal production levels were regained in October.

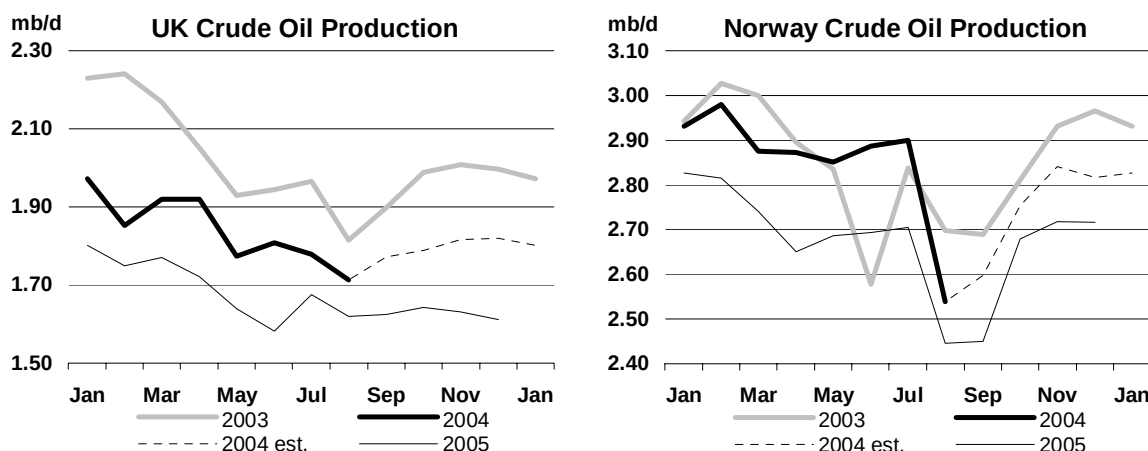


Mexico – September actual: Mexican crude production rebounded from summer lows near 3.35 mb/d to reach 3.43 mb/d in September. Heavy crude, which accounts for over 70% of Mexican output, accounted for all of the increase. NGL production remained stable at around 440 kb/d. Crude exports were also up by 80 kb/d at 1.9 mb/d, with shipments to Asian and European destinations increasing by 65 kb/d and 10 kb/d respectively. This Report retains a pessimistic prognosis for longer-term Mexican supply unless deep water reserves can be exploited. However, we have tempered the earlier-assumed sharp decline for production from late-2005. Crude production forecast for 2005 is now 3.42 mb/d, just below the Pemex target of 3.44 mb/d. It also represents a repeat of the modest 25-30 kb/d growth now expected for 2004.

North Sea

UK – August actual: This Report now incorporates monthly field-by-field production data from the UK government back to 1994. While this has no impact on total production levels, the distribution of output between fields and between export systems is modestly different from our earlier estimates. Production from the Brent and Forties systems is now assessed lower, while baseline output from the Ninian system and of NGL and condensate is higher than before. Downward adjustments to

production from Forties are moderated by an earlier than expected start at Shell's Howe field, with inaugural production announced in early-November. The field is expected to produce 13 kb/d. In aggregate, 2004 UK production has been revised down by 15 kb/d and 2005 output by 30 kb/d. UK offshore crude production is now expected to average 1.83 mb/d in 2004 and 1.67 mb/d in 2005, indicative of prevailing decline of around 9% pa.



Norway – August actual, September provisional: Protracted maintenance at the Karsto NGL plant in August and September contributes to a sharp downward adjustment to 3Q NGL and condensate production amounting to 90 kb/d. However production is thought to have recovered sharply from October onwards. More long lasting downward revisions to crude supply are based on final August and provisional September data. Deeper than expected summer maintenance and the impact of a four-month drilling strike (which came to an end in late-October) have lowered expectations for 2004 and 2005. The strike ended when the government intervened to avert a complete shut-down threatened by employers. Nonetheless delays in drilling new production wells at a number of fields are estimated to have cut Norwegian production by more than the headline 55 kb/d of output directly affected by shut-ins at the Glitne and Varg fields. The government too has suggested that the after-effects of the strike will make it difficult to achieve its target production level for 2005 of 3.3 mb/d. Overall, we have revised down Norwegian liquids supply by 45 kb/d for both 2004 and 2005. Average output is now pegged at 3.19 mb/d for 2004 and 3.13 mb/d for 2005.

Former Soviet Union (FSU)

Russia – September final, October provisional: Russian crude production increased by 40 kb/d in September to 9.2 mb/d but levelled off in October, based on preliminary data. Condensate supplies add a further 235-250 kb/d to monthly production, giving a total of 9.4 mb/d for October. Total oil production is now expected to average 9.2 mb/d for 2004 as a whole, a rise of 735 kb/d from 2003. BP-TNK, Yukos, Lukoil and Surgutneftegaz are all on course for growth in 2004 well in excess of 100 kb/d each. However, uncertainties over the fate of embattled producer Yukos, allied to possible export capacity constraints, are seen limiting growth in 2005 to 450 kb/d. This equates to a slow-down from 11% growth in 2003 and 9% in 2004 to 5% next year. The Federal Energy Agency in October predicted output growth in 2005 of 6-8% although this appears in excess of expectations from other government agencies. Moreover, recent moves to tighten up control on production licenses suggest greater emphasis on drilling and on the concept of 'rational field development', also implying slower production growth in future.

FSU net exports for September were revised up by 150 kb/d to 7.49 mb/d, implying a much more modest drop of 70 kb/d from August levels than suggested in last month's Report. This in turn suggests weaker implied internal demand. For October, net exports rebounded by 250 kb/d towards the levels seen earlier in the summer, reaching 7.73 mb/d. Crude oil underpinned the rise with, as expected, a surge in liftings from Black Sea ports. Initial crude liftings from Yuzhny, terminal of the Brody-Odessa pipeline amounted to around 95 kb/d. Reflecting higher Black Sea exports, and winter restrictions on traffic using the Turkish Straits, waiting times for traversing the latter reportedly rose to 14 days by early-November from typically three days in the summer. Baltic and northern exports nudged lower by 80 kb/d in October. November schedules for crude deliveries via major ports using the Transneft system suggest stable levels compared to October. Higher Black Sea liftings will be countered by lower Baltic deliveries. However, Black Sea exports may turn out lower than planned following interruptions to traffic on the Volga-Don canal expected to last until 20 November.

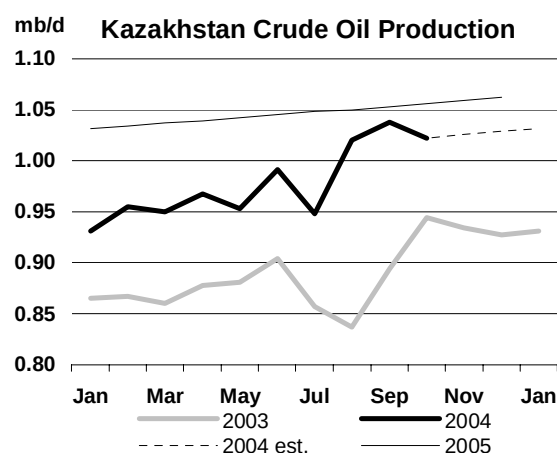
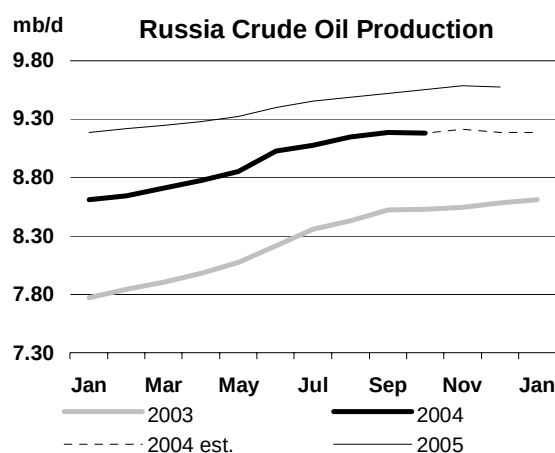
FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

	2002	2003	4Q03	1Q04	2Q04	3Q04	Revised Aug 04	Prelim. Sep 04	Oct 04	Latest month vs. Sep 04	Oct 03
Black Sea Exports	2.52	2.80	2.68	2.84	2.75	2.90	2.99	2.63	2.97	0.34	0.33
Baltic/Arctic Exports	2.02	2.42	2.61	3.03	3.11	3.15	3.02	3.14	3.06	-0.08	0.58
Total Seaborne	4.54	5.22	5.29	5.87	5.87	6.05	6.01	5.77	6.03	0.26	0.90
Druzhba Pipeline	1.04	1.05	1.08	1.09	1.04	1.10	1.07	1.12	1.08	-0.04	0.00
Other	0.35	0.48	0.49	0.48	0.53	0.56	0.49	0.64	0.64	0.00	0.01
Total Exports	5.93	6.75	6.87	7.44	7.43	7.71	7.57	7.52	7.74	0.22	0.91
Imports	0.01	0.02	0.01	0.01	0.01	0.03	0.01	0.04	0.01	-0.02	0.00
Total Net Exports	5.92	6.73	6.86	7.43	7.42	7.68	7.56	7.49	7.73	0.25	0.91
Crude	4.04	4.69	4.82	5.14	5.18	5.32	5.17	5.25	5.40	0.15	0.58
of which: Russian Crude	3.02	3.43	3.38	3.65	3.82	3.75	3.64	3.65	3.75	0.11	0.48
Products	1.89	2.06	2.05	2.30	2.25	2.39	2.40	2.28	2.34	0.07	0.33

Sources: Petro-Logistics, IEA estimates

Prospects for further expansion of exports remain a subject of uncertainty. Transneft has indicated it has up to 270 kb/d of spare capacity on its main pipeline system, though producers counter that most of this is on low margin export routes into central Europe, Ukraine and Kazakhstan. New exports of Russian crude via a link to the Caspian Pipeline Consortium line are also due to begin in November. A government decision on the proposed pipeline to the Far East is now expected by end-year, comprising a 1 mb/d link to the Pacific coast at Nakhodka and potentially a 600 kb/d spur to China. However, decisions on expansion of the existing 1.0 mb/d Baltic Pipeline System to 1.24 mb/d, and on potentially competing pipeline links to the far north remain pending. Progress on linking the Druzhba and Adriatic pipeline systems to take Russian crude to the Mediterranean is also stalled and now looks unlikely to materialise in 2005.



Kazakhstan – October actual: A 20 kb/d rise in September crude production was reversed in October, output falling back to 1.02 mb/d. However, the fall in crude supply was more than countered by an October recovery in output from the Karachaganak condensate field. September output had fallen back to 120 kb/d after maintenance and curbs on pipeline flows to gas processing facilities at Orenburg in Russia. However, with these resolved, Karachaganak output rebounded to 220 kb/d in October. Karachaganak output could now stabilise at this level for much of 2005. Total Kazakh liquids output is forecast to average 1.17 mb/d in 2004 and 1.27 mb/d in 2005. Kazakhstan's main export outlet, the CPC pipeline to Novorossiysk, was reported to be shipping 510 kb/d currently compared to nameplate capacity of 560 kb/d. A spur line feeding-in crude from Russia should boost this to 640 kb/d in the next few months. Capacity expansion to 1.4 mb/d is now unlikely to be completed until end-2008, one year later than originally scheduled.

Yukos: In Sight of the Endgame?

Uncertainty continues to envelop the mid-term fate of Russia's 1.7 mb/d producer Yukos and, in the shorter term, its 1.0 mb/d operating subsidiary Yuganskneftegaz. The parent company has been served with back tax bills for \$14 billion for 2000-2002, bank accounts have been frozen and a block placed on asset sales. Yuganskneftegaz has been told it is in breach of financial or technical clauses in all 26 of its field production licenses, raising the possibility these could be revoked over the next three to six months. Yuganskneftegaz is now seen ripe for asset seizure by the government, proceeds from their sale being used to pay off Yukos' debts.

Restrictions on access to operating capital have begun to bite, although the company has nonetheless boosted production from 1.7 mb/d in January to 1.74 mb/d in September. There are concerns that production growth could be reversed next year if any break-up or sale of Yuganskneftegaz assets is contested by the parent company, resulting in protracted legal battles. Hiving off Yuganskneftegaz is seen by some as leaving a non-viable, refining-long rump. This might encourage crude-long, government sponsored companies like Surgutneftegaz to bid for remaining Yukos assets.

Over the past two to three months, the company has struggled to pay electricity and river transport bills, meet obligations towards oilfield service companies in western Siberia and cover rail and pipeline tariffs. High-cost rail deliveries of 100 kb/d to China's CNPC have been suspended since September, but shipments of 50 kb/d to Sinopec continue. Separately, Yukos agreed a deal with Russian state pipeline operator Transneft to barter 100 kb/d of crude in exchange for Transneft ensuring continued pipeline access for 600 kb/d of Yukos output. The Russian government has asked Transneft to use this oil to make up CNPC shortfalls. But Transneft has yet to find traders willing to absorb the \$20-\$25/bbl rail costs involved.

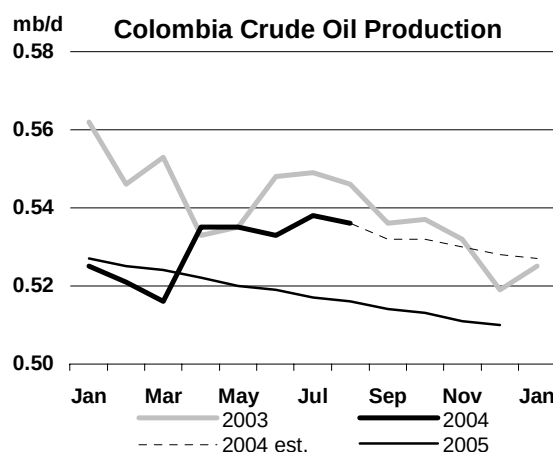
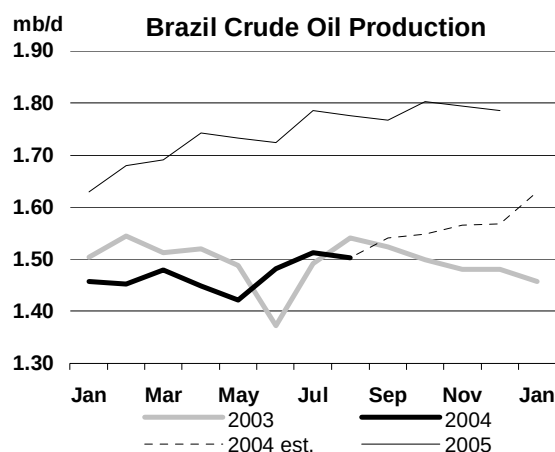
A draft plan from Russia's Federal Property Fund sets 22 November as a date for the auction of Yuganskneftegaz assets. Other sources say an end-year sell-off is more likely. In mid-September, Yukos reported a five-fold increase in remaining recoverable resources held by its main production subsidiary. This was seen by some as an attempt to boost valuers' assessment of Yuganskneftegaz worth, subsequently put at \$16-\$18 billion. This may be too expensive for any existing individual Russian operator, and with foreign firms unlikely to bid, government sources indicate the group may be put on the block with a much lower starting price, at \$10 billion or less.

In response, Yukos' international investors are attempting to enforce arbitration under the terms of the European Energy Charter. Yukos has called an extraordinary shareholders' meeting on 20 December to recommend a plan for asset disposals so as to maximise shareholder value. If this is rejected, liquidation or bankruptcy will be discussed. A further meeting on 13 January has been called which could dismiss the current board and nominate a new one. One way or the other, the next couple of months should determine whether Yukos survives in its current form. It may not, but the impact on overall Russian oil supplies in the short term could prove minimal.

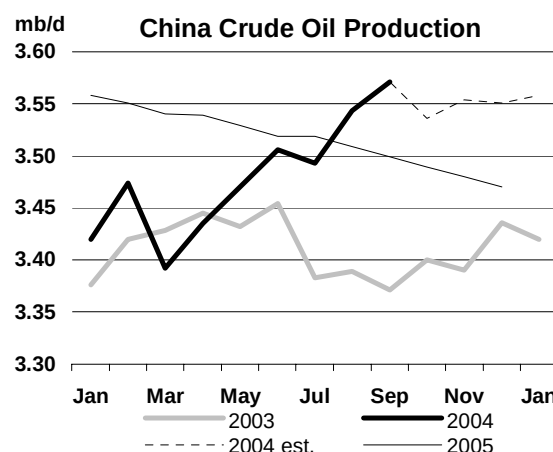
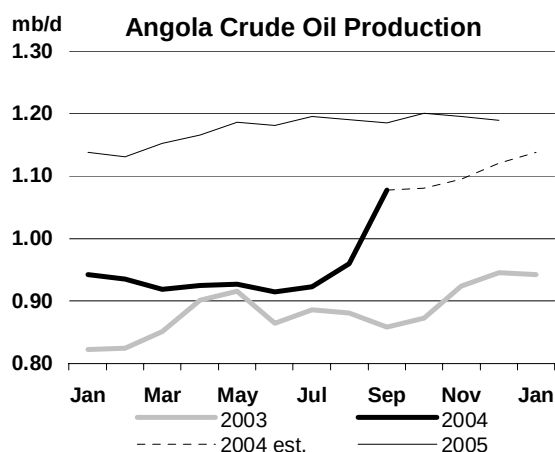
Other Non-OPEC

Brazil – August actual: Brazilian crude output remained close to August's 1.5 mb/d in September but is provisionally estimated to have risen by 40 kb/d in September. New wells at the Marlim Sul and Roncador fields in the deepwater Campos Basin were credited for the September increase. Further increases at Marlim Sul, plus start-up at the new Albacore, Barracuda and Caratinga fields should push total Brazilian production to 1.8 mb/d by end-2005. Strike action by Petrobras workers threatened for November was called off when employees accepted a 12% wage increase.

Colombia – August actual: Renewed growth in Colombian crude production seen in the spring appears to have been short-lived and production seems to have topped-out at just under 540 kb/d. Production has been in steady decline since a 1999 peak of 815 kb/d. Colombia aims to spend \$1.0 billion per annum to boost production to 700 kb/d by 2009, thereby maintaining the country's net exporter status. Moves to encourage foreign company upstream investment include revamped exploration terms and increased spending to improve security in the face of paramilitary action against oil installations in the eastern Casanare district. However, these have yet to bear fruit, and production is seen declining further to 530 kb/d in 2004 and 520 kb/d in 2005.



Angola – September actual: Production growth accelerated in September, as output reached 1.08 mb/d from 960 kb/d in August. Provisional estimates put October production broadly flat at September levels. Supply build-up from the deepwater Kizomba A field has been sharper than expected and this underpins a 10 kb/d upward revision in forecast supply for 2004 (now projected to average 985 kb/d). However, implied decline at older fields now seems to be running at faster levels than earlier anticipated. For this reason, 2005 production has been revised down by 20 kb/d, albeit still showing growth of 190 kb/d compared to 2004.



China – September actual: Chinese production averaged 3.57 mb/d in September, a rise of 30 kb/d from August. Both offshore output and that from the mature onshore Daqing field were markedly higher than expected in last month's Report. Production through end-2004 could remain at or above 3.55 mb/d, as continued gains from the offshore counteract expected decline onshore. Mid-October saw start-up of phase one production at CNOOC's Bozhong 25-1 field. This is expected to build to 16 kb/d. Total Chinese production is expected to average 3.52 mb/d in 2005 from 3.46 mb/d in 2004, although declining onshore production should see production fall back from peak early-2005 levels over the course of the year.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last month's OMR			This month's OMR			This month vs. last month		
	2004	2005	05 vs. 04	2004	2005	05 vs. 04	2004	2005	05 vs. 04
North America	14.60	14.87	0.26	14.65	14.90	0.25	0.05	0.03	-0.01
Europe	6.19	5.97	-0.22	6.13	5.90	-0.23	-0.06	-0.07	-0.01
Pacific	0.57	0.53	-0.04	0.58	0.54	-0.04	0.00	0.01	0.00
Total OECD	21.37	21.37	0.00	21.35	21.34	-0.02	-0.01	-0.03	-0.02
Former USSR	11.19	11.82	0.62	11.18	11.82	0.64	-0.02	0.00	0.02
Europe	0.17	0.16	-0.01	0.17	0.16	-0.01	0.00	0.00	0.00
China	3.46	3.50	0.04	3.46	3.52	0.05	0.00	0.01	0.01
Other Asia	2.74	2.74	0.00	2.74	2.71	-0.03	0.00	-0.03	-0.02
Latin America	4.04	4.35	0.31	4.05	4.36	0.31	0.01	0.01	0.01
Middle East	1.89	1.86	-0.03	1.89	1.86	-0.03	0.00	0.00	0.00
Africa	3.42	3.76	0.35	3.41	3.72	0.31	0.00	-0.04	-0.04
Total Non-OECD	26.92	28.19	1.28	26.90	28.15	1.25	-0.02	-0.04	-0.02
Processing Gains	1.83	1.86	0.03	1.83	1.86	0.03	0.00	0.00	0.00
Total Non-OPEC	50.12	51.43	1.31	50.09	51.36	1.27	-0.03	-0.07	-0.04

OMR = Oil Market Report

OECD STOCKS

Summary

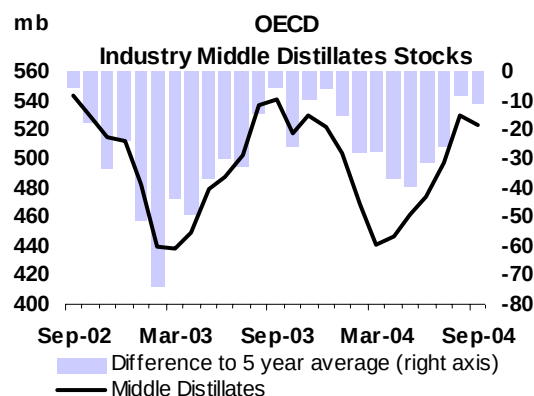
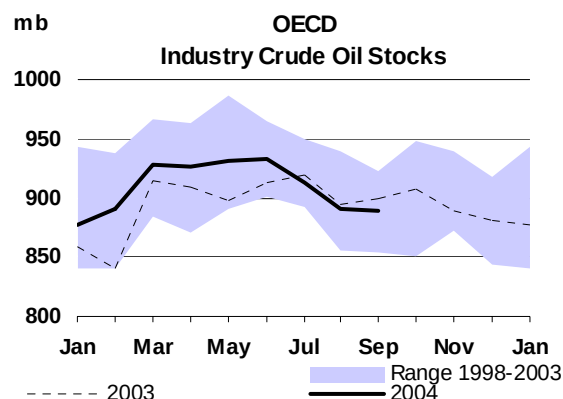
- **OECD industry total oil stocks** were down 330 kb/d in September or about 10 mb. Most of the decline came with a draw in European distillate inventories. OECD crude stocks remained about level with offsetting changes in North America and the Pacific. However, with upward revisions to OECD August product stocks, the third quarter total oil stock change came to 560 kb/d, above the 120 kb/d average of the last five years. During the quarter, product stocks surged 900 kb/d while crude declined by 470 kb/d. Yet, days of forward demand of total OECD industry oil stocks cover ebbed to 52 days.

Preliminary Industry Stock Change in September 2004 and Third Quarter 2004

	September (preliminary)				Third Quarter 2004			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	-0.33	-0.10	0.38	-0.05	-0.36	-0.14	0.03	-0.47
Gasoline	-0.20	-0.03	0.04	-0.19	-0.01	0.04	0.00	0.03
Distillates	-0.08	-0.29	0.17	-0.20	0.27	0.10	0.16	0.53
Residual Fuel Oil	-0.03	0.10	-0.05	0.02	0.00	0.04	-0.01	0.03
Other Products	0.09	-0.02	-0.01	0.07	0.24	0.05	0.01	0.31
Total Products	-0.21	-0.24	0.16	-0.30	0.50	0.24	0.16	0.90
Other Oils ¹	0.06	-0.02	-0.02	0.02	0.17	-0.04	0.01	0.14
Total Oil	-0.48	-0.37	0.52	-0.33	0.31	0.06	0.19	0.56

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** held near even in September. Draws in the US, related to lower imports as a result of Hurricane Ivan and reduced procurement due to scheduled maintenance, were broadly offset by gains in Japan. OECD crude stocks drew more than average during the third quarter. Refiner runs were high across the OECD on a yearly basis but crude stocks ended September in the middle of their range, with Europe and the Pacific posting comparatively more comfortable positions. US crude stocks rose late October on higher imports and recovery of Gulf of Mexico production.
- **OECD industry distillate stocks** fell 200 kb/d or 6 mb in September. However, the third quarter saw a strong build of 530 kb/d outperforming average gains for this period. Stocks in independent storage in the Amsterdam-Rotterdam-Antwerp (ARA) area fell seasonally from September to October. Refiners covering for peak maintenance, rather than a surge in end-user demand, prompted draws. Pacific stocks built with kerosene gains in Japan, aided by mild temperatures reducing demand for the heating fuel. US-50 distillate (diesel and heating oil) stocks drew through October on diesel demand strength and a combination of reduced runs and weak product yield for the season. Heating oil stocks in the US, albeit on the low side, are expected to rebound as refiners ramp-up runs in November.
- **OECD industry gasoline stocks** fell 190 kb/d or just under 6 mb in September, mainly in the US. Gasoline stocks in the US however closed at seasonally high levels, and with weaker than expected demand and sustained production, drifted higher in October. In Europe, inventories held near level when they were expected slightly higher. Gasoline in independent storage in Northwest Europe maintained seasonally high levels through October as spot arbitrage opportunities to the US proved scarce.



OECD Industry Stock Changes in August 2004

OECD industry oil stocks closed September at 2597 mb, down 10 mb on the month and 2 mb above last year. However, the draw came off an upward revised August base, mainly in distillate inventories. As such, the preliminary third quarter stock change for total oil stocks posted a healthy 560 kb/d gain, a rate similar to that observed last year. The build was driven by product inventories surging 900 kb/d on the heels of high refinery runs. As a corollary, the higher utilisation rates also prompted an above average draw in crude stocks for this period of some 470 kb/d. Though forward demand cover demand did weaken from August to 52 days, it is expected to be revised higher.

OECD industry crude oil stocks at end-September closed at 890 mb, marginally off from August levels but squarely in mid-range. Draws in the US were offset by gains in Japan while inventories in Europe were slightly down. Crude stocks in the US-50 fell a little over 6 mb in September. Stocks were forced lower by interrupted imports due to Hurricane Ivan and lower crude requirements associated with refinery maintenance. Import flows to the US began to normalise by end-October lifting Gulf Coast stocks and pushing US crude stocks back to 290 mb. European stocks fell a modest 3 mb despite relatively high runs. However, availability of regional crudes remained high with sour grades heavily discounted against Brent. European refinery maintenance is expected to peak in October, which is regularly accompanied by a draw in crude stocks. However, regional crudes lacked arbitrage outlets. In addition to ample availability of Urals and competing sour grades, supply overhangs developed in prompt October North Sea barrels, sending the near-month Brent Forward Cash market into contango. Given looser supply conditions, European crude stocks have likely remained at the top of their range in October.

OECD industry distillate stocks fell 6 mb in September to 523 mb. The draw occurred mainly in Europe and marginally in the US but off an upwards revised August base. Pacific stocks climbed with gains in kerosene outpacing declines in gasoil. The build in the third quarter was estimated at 530 kb/d, comparing favourably with the five-year average for the quarter of 310 kb/d. European stocks were supported within seasonal norms by high refinery activity, and despite diesel tightness, jet fuel and heating oil were likely well supplied. Independent storage of gasoil in ARA fell seasonally through October, mainly on deliveries to refiners covering for maintenance rather than end-users in the traditional barge markets. US-50 distillate (diesel and heating oil) stocks fell counter seasonally through October, despite incentives to store product afforded by a contango in NYMEX's heating oil futures. US draws followed from strong diesel demand, low refinery utilisation rates and product output as well as exports to Europe. Stocks of heating oil ended October on the low side in the main consuming US Northeast region but Central Atlantic stocks held about level and adjacent supplies on the Gulf Coast were rising. When investment in desulphurisation capacity is completed in early November, US refiners will be better positioned to absorb ample offers of domestic and foreign sour crude and raise distillate supply. Market concerns over adequate heating oil supplies echo those around gasoline in the pre-summer period earlier this year and may prove to be misplaced. Unlike gasoline, heating oil production faces less specification restrictions and can expand rapidly. Additionally, Midwest agricultural demand is seasonally falling and product spot arbitrage to Europe is likely to wane with cash gasoil prices in Northwest Europe weakening versus New York Harbour. Along with uncertainty in distillate demand strength in light of US August revisions, domestic market supplies should rise.

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

August OECD oil stocks were revised up by 15.5 mb. Revisions came mainly in distillate products. Combined Atlantic Basin distillate stocks were raised by 11 mb, reflecting downward revisions to US demand and very high refinery utilisation rates in Europe. Given recent mild temperatures, evolutions in weekly US statistics need to be viewed against a higher August base, suggesting further revisions in absolute stock levels. A similar caveat applies for US gasoline stocks that were revised up 2 mb.

Revisions Versus 11 October 2004 Oil Market Report

	(million barrels)							
	North America		Europe		Pacific		OECD	
	Jul 04	Aug 04	Jul 04	Aug 04	Jul 04	Aug 04	Jul 04	Aug 04
Crude Oil	0.0	-0.2	2.6	-3.0	0.0	5.6	2.6	2.4
Gasoline	-0.9	2.0	-2.0	1.1	0.0	-0.3	-2.9	2.8
Distillates	-2.4	6.3	-1.0	4.8	0.0	0.2	-3.5	11.3
Residual Fuel Oil	-0.6	0.8	0.0	-1.6	0.0	0.1	-0.6	-0.8
Other Products	-3.4	-7.0	0.0	2.2	0.0	-0.2	-3.4	-5.0
Total Products	-7.3	2.1	-3.1	6.5	0.0	-0.2	-10.4	8.3
Other Oils ¹	0.0	9.8	-1.0	-1.6	0.0	-3.5	-1.0	4.7
Total Oil	-7.3	11.7	-1.4	1.9	0.0	1.9	-8.7	15.5

¹ other oils includes NGLs, feedstocks and other hydrocarbons

OECD total oil stocks closed July at 2597 mb, or 2 mb above 2003. Product stocks in the Atlantic Basin held above year-earlier positions while a deficit in the Pacific reflected delayed kerosene stock building in Japan. Days of forward demand cover by OECD oil stocks was 52 days in September, down from August. Cover in North America came to 49 days, 58 days in Europe and 48 days in the Pacific.

Year-on-Year Industry Stock Comparisons for September 2004

	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	-13.5	9.1	-4.8	-9.2	Total Oil	0.0	-0.6	-2.2	-0.5
Total Products	26.4	5.3	-17.8	13.8	Versus 2002	-1.3	-1.0	1.3	-0.7
Other Oils ¹	2.1	-5.3	0.3	-2.9	Versus 2001	-4.6	-0.7	-5.1	-3.4
Total Oil	15.0	9.1	-22.4	1.7	Total Products	0.7	-0.3	-1.8	0.0
Versus 2002	9.8	14.8	-2.4	22.2	Versus 2002	-0.8	-1.8	-0.6	-1.0
Versus 2001	-40.6	13.8	-36.2	-63.0	Versus 2001	-1.4	-0.2	-3.2	-1.3

1 other oils includes NGLs, feedstocks and other hydrocarbons

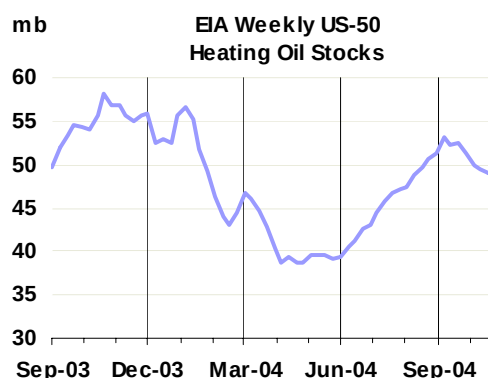
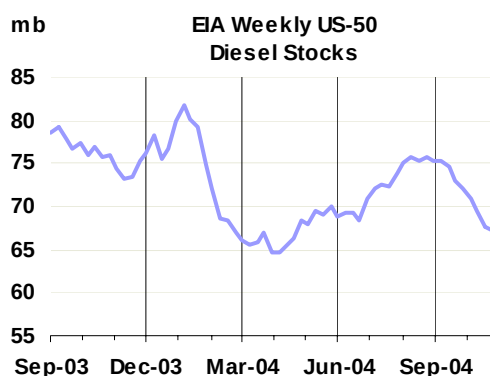
OECD Regional Stock Developments

North America

US-50 crude stocks in September declined to 274 mb on a combination of de-stocking by refiners ahead of maintenance and forced draw downs mid-month due to Hurricane Ivan interrupting import flows into the Gulf Coast. During October, normalisation of imports was slow with intermittent tanker offloading problems at the Louisiana Offshore Oil Port. Scheduled refinery maintenance also proved to be deeper than expected. Lower crude requirement and subdued imports weighed on potential stocks builds in the early in the month. However, crude stocks did rebound in the second half of October, climbing back to 290 mb. Initial gains were made on the Atlantic and West Coasts, joined at end-month with builds on the Gulf Coast as imports recovered to 10.7 mb/d.

Looking ahead, aside a marked improvement in Gulf of Mexico production, offers of sour grades on the cash market remained high and refiners probably re-stocked ahead of exiting maintenance on deep spot discounts for these crudes as well reductions in prices for term supplies. Combined with a gradual resumption of runs, there is room for inventories to build to mid-month. Supplies in the second half of November are likely to be supported by greater volumes West African barrels, mainly from Nigeria, reportedly heading to US Gulf Coast on a delivered basis in face of weaker Asian demand.

Seasonal builds in distillates (heating oil and diesel) were absent in September and again in October. Implied distillate demand in both months posted strong growth, mainly in diesel, hindering stocks builds. Despite the financial incentives provided by a contango in NYMEX's No. 2 heating oil futures contract to build stocks, supply conditions remained tight on two accounts. Domestic product output suffered in September on forced shutdowns due to Hurricane Ivan and in October on refinery maintenance. At the same time, reverse product arbitrage to Europe eroded domestic supplies.



In October, refining activity was slow to pick up, limiting any upside in domestic supplies and product yield was unseasonably skewed towards gasoline. Implied yields showed gasoline at nearly 60% in the third week of October despite rising futures crack spreads on heating oil. However, after a protracted period of maintenance, involving investment in desulphurisation and hydro-treating capacity, refiners will be better positioned to absorb the high volumes of sour crude oil on offer in the cash market. Distillate production rose at end-month and yields began to switch away from gasoline.

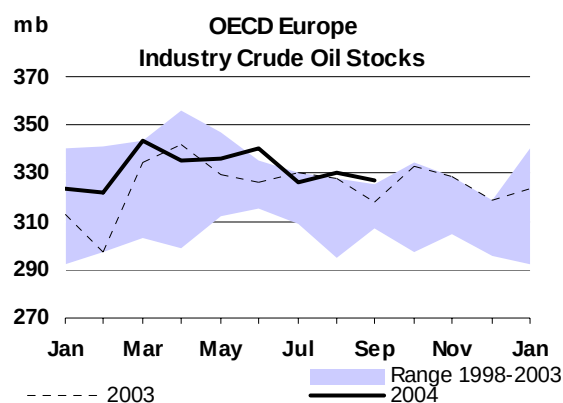
Evidence of increased supplies in late October were also seen on the Gulf Coast as the Colonial pipeline, which takes product north, limited distillate and jet fuel shipping orders due to lack of space. Heating oil stocks in the main consuming Northeast area ended on the low side, yet, Central Atlantic stocks were near level in October, but those in New England did retrench just over 1 mb. Incentives to produce diesel over heating oil fell as seen in declining premiums in spot prices for diesel over heating oil in New York Harbour. With refiners coming out of maintenance in November, and utilisation rates increasing, we are likely to see stocks rebound before peak winter demand kicks in.

Europe

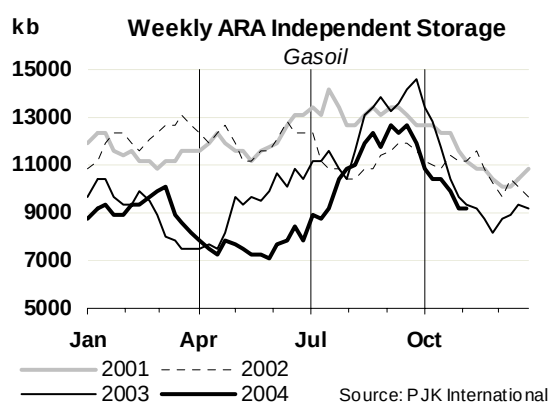
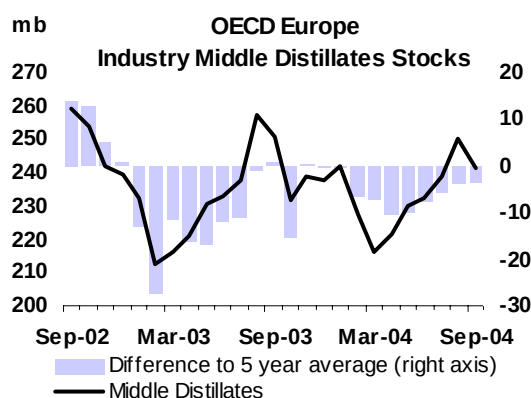
European industry crude stocks edged down 3 mb, closing at 327 mb or 9 mb above last year. Declines were seen mostly in France and the Netherlands. European refinery activity fell in September but runs kept firm on a yearly basis, suggesting, given the modest preliminary draw, ample regional supply.

Availability of sour crudes was high, pressuring Russian Urals into deep discounts against Brent in Northwest Europe and in the Mediterranean during September and October. Extra-regional outlets for the grade, however, were closed up to November when some Urals headed to the US. Refinery surveys suggest that European maintenance aimed at lower sulphur specifications would peak in October, implying lower demand for sour barrels.

Yet, as physical supplies rose and prices weakened, some bargaining hunting is likely to have taken place and most of these barrels absorbed. North Sea spot trade, like Urals, was confined to Europe due to high freight rates, and led to mounting supplies. Physical benchmark Dated Brent weakened, its price falling below forward months quotes, and cross-month prompt cargo overhangs for October-November emerged. As field maintenance kept production low and exports rebounded, Norwegian stocks in September ebbed further after August's sharp draw. However, with production rising in October, offshore storage has likely replenished, supporting European stocks for October at top of their range.



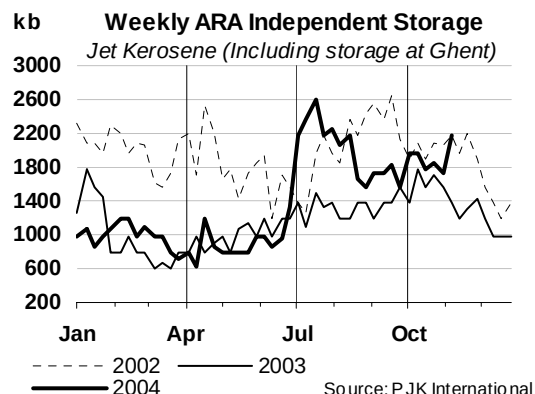
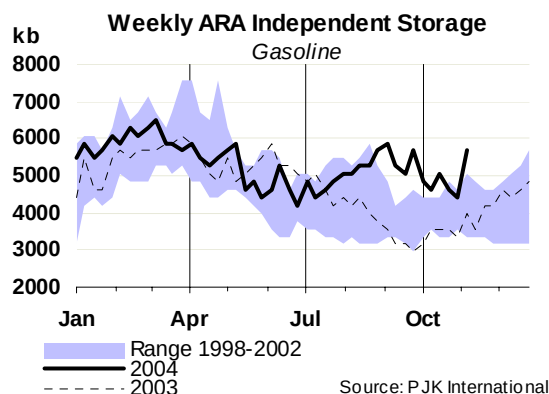
European industry product stocks fell in September on a 9 mb draw in distillates fuels. The distillate decline, however, came off a 5 mb upwards revised August base with draws likely centred in diesel. High refinery activity led to greater supplies of heating oil and, given mild temperatures and high prices denting demand, stocks probably rose. Jet fuel, likewise probably saw supplies increase, aided by product arrivals from the Middle East. Industry middle distillate stocks in September were mainly down in the Netherlands and Germany. The preliminary draw may turn out weaker, given recent revisions to data and high throughputs. If so, September absolute stock levels could be potentially higher.



Independent storage of gasoil in ARA fell from September to October. Physical delivery into IPE's October gasoil contract (for the second half of the month), though down from August volumes of 100 000 tonnes, was respectable at 63 300 tonnes, and helped to reduce ARA stocks further. Deliveries out of storage responded to refinery buying covering for scheduled turnarounds. End-user heating oil demand remained subdued, translating into weaker physical gasoil premiums over gasoline. Traditional barge markets out of ARA for gasoil faced competition from local supplies. And given high prices in ARA, importers into these markets were reluctant to take on more product than necessary despite some

re-stocking taking place at the consumer level. Cargo deliveries into France and Germany and barge deliveries into Germany and Switzerland from ARA were high in September, but weakened in October. Consumer stocks of heating oil in Germany and Switzerland opened October notably below year-ago levels and buying interest was thin on account of mild temperatures and lower forward prices.

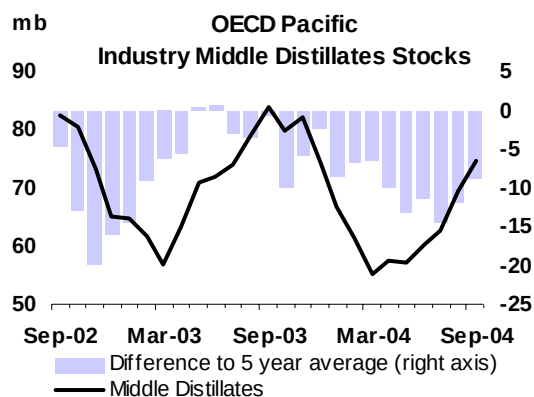
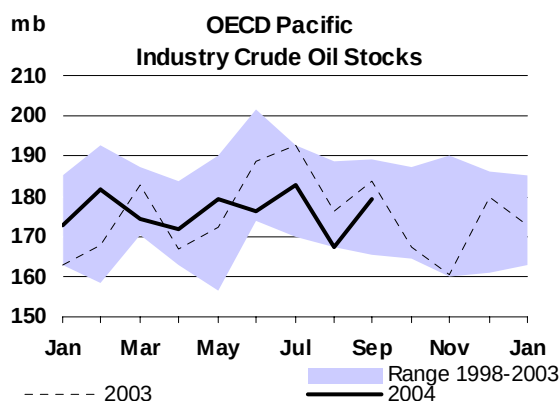
Industry gasoline stocks, contrary to expectations, ended marginally lower. High refinery output, contracting regional demand, and limited spot arbitrage to the US had favoured a build. In contrast, ARA independent storage trended at relatively high levels compared to seasonal norms. Though there was some refinery buying in early September to cover for maintenance in key refineries in Rotterdam, stocks built in early November on strong barge and cargo arrivals in the area.



Jet fuel in ARA independent storage was up over September-October despite growth in product demand in adjacent countries. Recent imports of non-EU material, generally of Middle Eastern origin, lifted supplies and forward prices supported holding stocks ahead of an uptick in travel demand during the holiday season. Jet swaps in Northwest Europe, at the time of writing were in a solid contango between November and December. But imports that sustained these relatively high levels are likely to wane as higher freight rates and backwardation in IPE gasoil futures discourage product arbitrage into Europe.

Pacific

Pacific crude stocks rebounded in September reaching 179 mb, or 5 mb below last year. Onshore crude stocks in Japan climbed 10 mb from an upward revised August base and Korean stocks rose 2 mb. Japanese custom-cleared imports of crude oil were high in September, reflecting an upswing in tanker arrivals at end-August. The UAE topped the list of suppliers, responding to Japan's need for distillate rich crudes such as Abu Dhabi Murban for the production of kerosene. With expanded volume allocations from term suppliers and active bidding for Mideast spot barrels by Japan, the volume of tanker arrivals at end-September is expected to remain high, suggesting that preliminary build is likely to be sustained at this level if not higher. October crude stocks in Japan will probably fall back a little as tanker arrivals decline, but will stay at comfortable levels, refinery runs resuming seasonally higher generally in November.



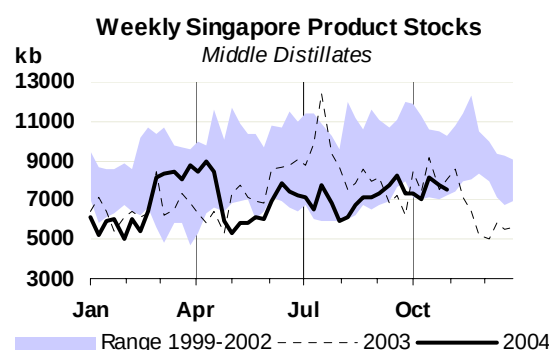
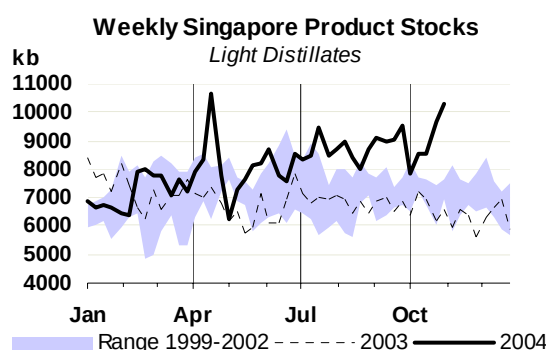
Distillate stocks rose mainly in Japan, building 5 mb on gains in kerosene stocks. Increases in Korea were more modest, despite relatively high runs. Year-to-date refinery output of kerosene in Korea has fallen significantly behind last year. Gasoil stocks ended lower in Japan, declining 4% on a monthly basis. Diesel inventories in Korea were marginally higher as transport demand picked up on a monthly basis and exports into a strong Asian market were sustained at high levels.

Singapore Stock Developments in October

Product stocks in Singapore, surveyed by International Enterprise, closed early November higher on builds in light product stocks. Increased supplies of naphtha were providing most of the thrust in this increase. Middle distillates and residual fuel oil stocks, in comparison, posted more modest gains.

Light distillate stocks (comprising gasoline and naphtha) built rapidly, closing early November at 10.3 mb, their highest level since April. Supplies of naphtha in the region have been buoyed by strong exports from India but also from Middle Eastern countries. Major consumers such as Japan and Korea were said to have covered their October requirements in early September, leaving weaker spot demand for Indian barrels. Typhoons across Japan also reduced operations across a number of petrochemical plants. With depressed prompt demand, a contango in Singapore naphtha prices developed in the second half of October, encouraging movement into storage of surplus material.

Gasoline demand was at a seasonal lull with some regular importers skipping spot gasoline purchases in September. Overall, light distillate stocks are likely to fall back in November despite ample supplies of naphtha from India but also Iran and Egypt. Regional gasoline demand is set to strengthen with deliveries to Indonesia, Vietnam and Australia but also to Middle Eastern countries. Exports from China are also likely to remain reduced due to strong domestic demand.



Middle distillate stocks edged marginally higher during October. Though regional refiners maximised distillate output, easing demand and extra-regional exports, in gasoil reduced supplies. Gasoil deliveries to main importers Indonesia and Vietnam, and Hong Kong were lower as demand was sidelined by high prices. Further signs of gasoil weakness were seen in falling premiums for cargoes over Singapore prices from major exporter Korea, whose exports are seen rising. Kerosene sales to Japan were also limited given rapidly building domestic stocks there, mild weather denting demand and domestic prices keeping below those of Singapore. Weakness in demand supported the development of a deep contango for Singapore distillate prices, suggesting that inventories are likely to pick up in November.

Residual fuel oil stocks remained at high levels despite rising deliveries to China's main fuel oil terminal in Huangpu. Demand was modest in the face of high prices and arbitrated material from Europe and the Caribbean remained in tanks as the material's quality did not meet requirements. Blending of these supplies into sought after 180cst material proved uneconomical given high prices for blending components, leaving the 380cst bunker market as a possible outlet for surplus product.

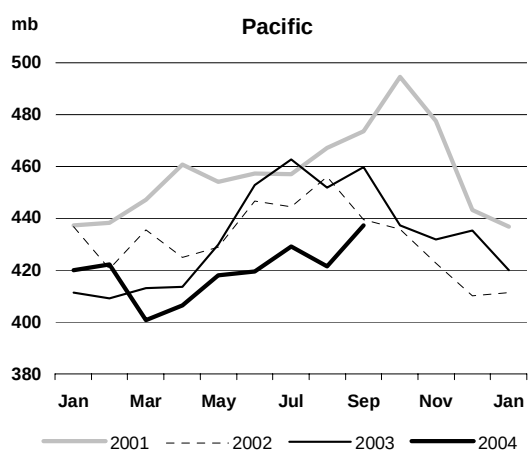
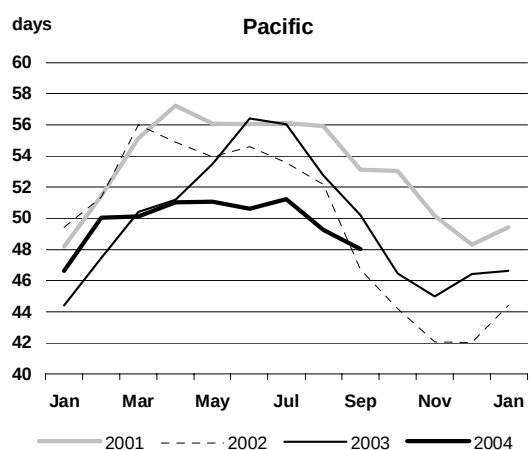
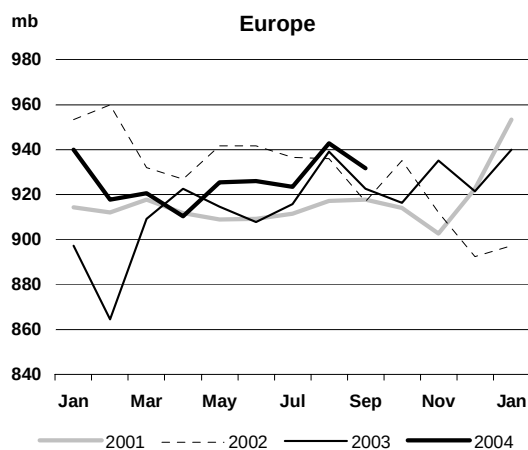
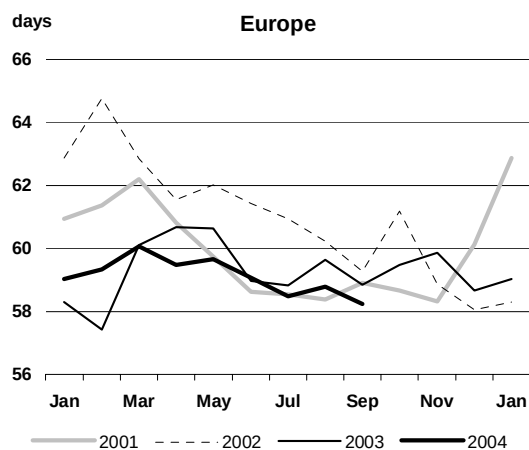
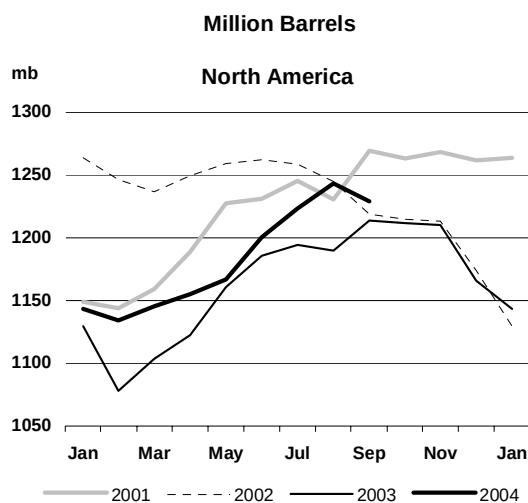
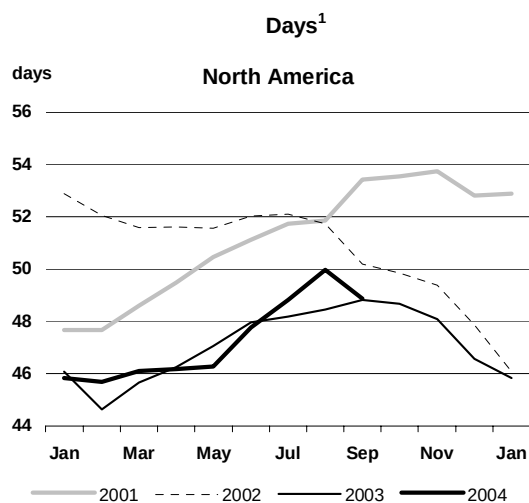
Singapore Crude & Product Trade

(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	4Q03	1Q04	2Q04	3Q04	Jul 04	Aug 04	Sep 04	Latest month vs. Aug 04 Sep 03	
Crude Oil	819	755	654	777	696	727	613	700	874	174	183
Products & Feedstocks	-35	-96	-18	-64	-150	-118	-215	-124	-12	111	57
Gasoil/Diesel	-154	-170	-161	-133	-206	-181	-231	-166	-146	20	44
Gasoline	-81	-83	-96	-88	-119	-79	-66	-105	-66	39	-3
Heavy Fuel Oil	334	320	341	304	289	238	206	278	228	-50	-116
LPG	-19	-22	-19	-24	-21	-20	-22	-20	-17	3	4
Naphtha	6	13	49	38	24	42	56	44	26	-18	-17
Jet & Kerosene	-65	-99	-77	-99	-50	-92	-93	-77	-106	-29	7
Other	-57	-55	-54	-62	-67	-26	-65	-78	68	146	138
Total	784	659	636	713	546	609	398	577	862	285	1241

Source: International Enterprise, IEA estimates

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

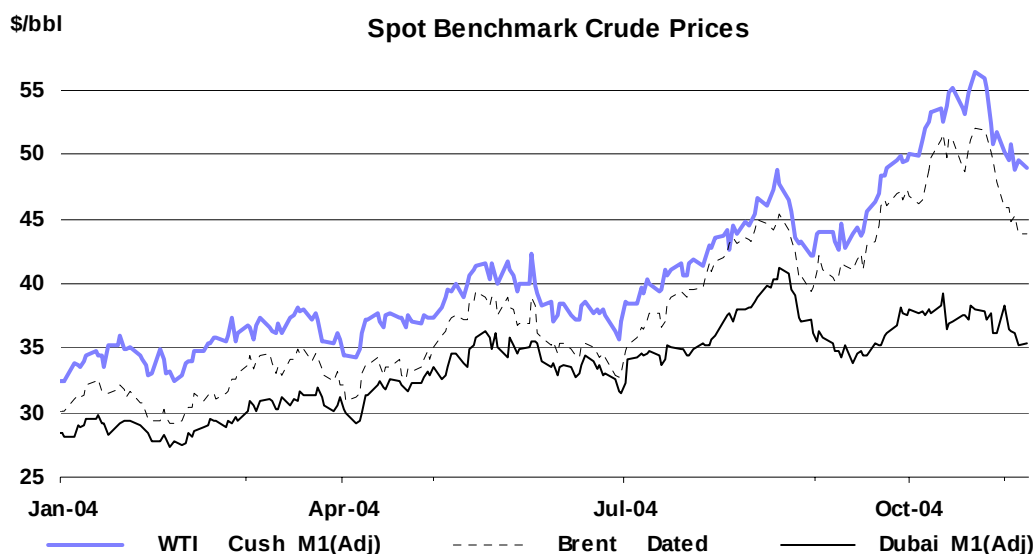


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **NYMEX light sweet crude futures** fell by more than \$7 from a mid-October peak of \$55.67 as distillate tightness eased in Europe and Asia and crude supplies from the Gulf of Mexico improved. A weakening of the US dollar was noted in the run up to the October peaks, but had little influence on other dollar denominated commodity prices. High natural gas prices continue to provide support for crude, but record gas storage is tempering this trend. Crude oil buyers have pulled back waiting for signs of a price floor, as they have during interim peaks at various points this year, making it difficult to conclude whether prices have peaked.
- **Light/sweet crudes retained strong premiums over heavy/sour crudes.** The return of some sweet production in the Gulf of Mexico combined with the end of North Sea maintenance and delays to Urals crude transit shipments in the Mediterranean have helped to narrow the difference. However sour crudes continue to come under pressure from Middle Eastern supplies and refiners continue to seek out sweet crude to help meet tighter sulphur specifications in Europe and US. Revisions to North Sea output in August underscored the limited availability of sweet crudes that resulted in the first breach of \$50 by WTI.
- **Mild October weather in Europe and US** helped to reduce end-user heating fuel demand, but there were indications of some consumer restocking in Europe and the US. Japanese kerosene stocks have recouped much of the deficit to year-ago levels, and the return of European and US refineries from seasonal maintenance in the coming weeks should help to further improve the availability of heating fuel. Cold weather was entering the northern US at the time of writing and remains an erratic variable that could influence prices over the coming months.
- **Speculative activity** was noted during the three days surrounding the US presidential elections, but this was an ephemeral influence on direction. Latest data show net-non commercial positions in NYMEX crude falling to the lowest level in over a year and turning negative in heating oil.
- **OECD refinery throughput** dipped in September, as European and US refineries undertook seasonal maintenance. US throughput was further reduced by precautionary shutdowns ahead of Hurricane Ivan, and accounted for the bulk of the decline (1.3 mb/d). European maintenance is believed to have peaked in October at over 1 mb/d, but remains substantial until mid-November. US throughput should recover in early November and Asian maintenance is relatively light.
- **Refinery margins** dipped towards the end of October in the main regions covered. European margins remained high enough to encourage full throughput, but light/sweet cracking and hydroskimming margins on the US Gulf Coast and Asia were more marginal.



- **Dirty freight rates** remained at record high levels in October. Congestion in the Black Sea, strong year-on year growth in Asian demand for West African crudes and the need for additional imports to offset outages in the Gulf of Mexico have tightened tanker availability. High freight rates compound the impact of still-high crude costs to consuming countries, complicating arbitrage.

Crude Oil Prices

Spot Crude Prices and Differentials

The run up to the record peaks in benchmark WTI and Brent in mid-October continued to be driven by tightness in light/sweet crudes and distillates. The constrictions have been compounded by the need to build low sulphur diesel stocks in Europe ahead of the switch to 50 ppm sulphur regulations and refinery maintenance which limited the ability to process sour crudes. The return of these refineries from maintenance (some of which included upgrading to meet sulphur regulations) and more North Sea sweet crude helped to redress the wide light/sweet-heavy/sour spread in Europe and the US.

Spot Crude Oil Prices and Differentials*

(monthly and weekly averages, \$/bbl)

	Aug 04	Sep 04	Oct 04	Oct-Sep		Week Commencing:				
				Change	%	04 Oct	04 Oct	04 Oct	04 Oct	01 Nov
Crudes										
Brent Dated	43.04	43.25	49.64	6.39	14.8	47.72	50.95	50.26	50.20	45.50
WTI Cushing 1 month (adjusted)	44.90	45.90	53.24	7.34	16.0	51.77	53.94	54.67	53.21	50.19
Urals (Mediterranean)	38.82	38.16	42.34	4.19	11.0	40.42	42.89	43.18	43.42	39.32
Dubai 1 month (adjusted)	38.55	35.55	37.54	1.99	5.6	37.74	37.61	37.71	37.03	37.00
Tapis	47.47	48.07	52.99	4.92	10.2	51.76	53.83	53.58	53.28	50.90
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	1.86	2.65	3.60	0.95		4.05	2.99	4.41	3.01	4.70
Urals (Mediterranean)	-4.22	-5.10	-7.30	-2.20		-7.30	-8.06	-7.08	-6.77	-6.18
Dubai	-4.49	-7.70	-12.10	-4.39		-9.98	-13.34	-12.55	-13.17	-8.50
Tapis	4.43	4.81	3.35	-1.47		4.04	2.87	3.32	3.09	5.40
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.28	0.53	0.56	0.03		0.63	0.57	0.43	0.21	0.21
WTI Cushing 1mth-2mth (adjusted)	0.51	0.16	0.58	0.11		0.57	0.82	0.49	0.11	0.11

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

In mid-October, North Sea crudes were exhibiting extreme tightness, with front-month forward and swap contracts in steep backwardations. By early November, these dissipated, with the paper markets moving into contango. High freight rates limited arbitrage movement to the US in the second half of the month improving sweet crude supplies in Europe. US demand for imported sweet crude also lessened in the latter part of the month as Gulf of Mexico supplies improved.

European refinery maintenance passed its peak of nearly 1.4 mb/d in mid-October, and is expected to fall to half that level by the date of publication and to minimal levels in the last week of the month. Refiners looking to buy forward ahead of their return from maintenance contributed to the early October strength in North Sea crude. The recent lull in activity suggests they have sufficient supplies.

Although difficult to track, some of the refinery maintenance will have covered desulphurisation investment that will increase the flexibility of refiners to run more sour crude. However, the dramatic widening of the sweet/sour spreads in recent months is not only indicative of sweet crude supply disruptions, but also input requirements to meet low sulphur regulations. The easiest way to produce low sulphur products is to run more low sulphur crude and the widening of the spread suggests that many (non-coking) refiners are meeting requirements this way.

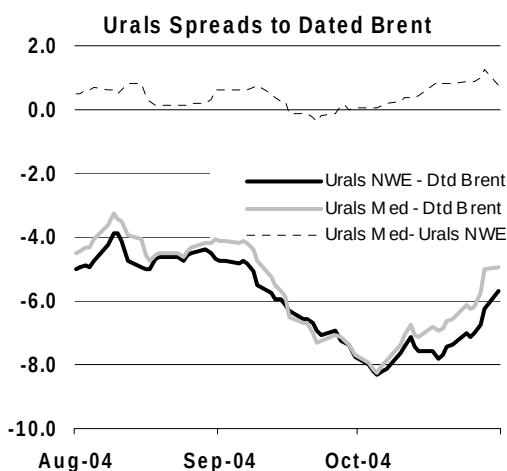
Price signals from the widening sweet/sour spread and weak fuel oil cracks will prompt investment for desulphurisation and upgrading capacity. Ultimately, this will increase the flexibility of refiners and redress the imbalance between crude grades. But, it will take time.

The discount of Urals to dated Brent narrowed in October, but at -\$7 remained well below its \$1-\$2 historical norm. Congestion in the Turkish straits constrained sour supplies to the Mediterranean, and

the return of sour-processing refineries in the region helped to raise Urals prices over North West Europe (NWE). Aggressive marketing by Middle Eastern producers continues to put Eastern European grades under pressure. Increasing volumes of CPC blend Kazakh crude put pressure on differentials to Brent.

The lack of reaction of Urals crude prices to the recent cessation of exports from northern Iraq to Ceyhan in Turkey is only partly reflective of the intermittent supplies from the region over the past 18 months. However, it is also indicative of Iraq's changed marketing and supply policy. Iraqi Kirkuk crude is now predominantly being sold on a term basis, and a dual pipeline feed to Ceyhan has led to more consistent supplies in recent months. Term buyers will therefore only become concerned if the outage is protracted, as opposed to the instant impact disruptions had when Kirkuk crude supplies first resumed on a spot basis.

A significant change in differentials for light/sweet crudes normally sold in the Mediterranean was seen in October, with CPC blend Kazakh crude and Saharan Blend differentials to dated Brent moving from a small premium to a substantial discount. Additional post-maintenance supplies of Kazakh crude are partly responsible (with new Russian volumes expected to augment CPC deliveries for the first time in November), but the premium is also indicative of reduced demand for sweet crude in the region as refiners come out of maintenance.

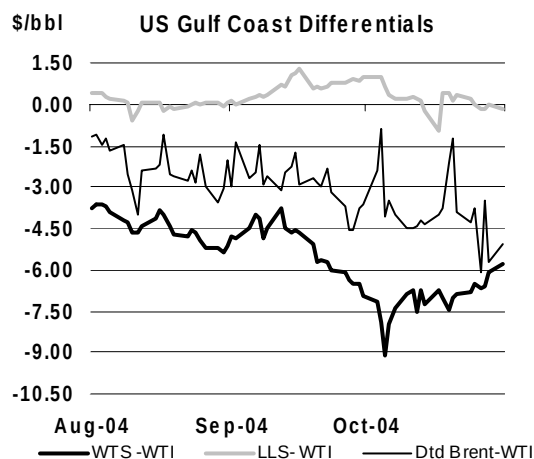


West African crude differentials also came under pressure in early October. Rampant demand from Asian customers in October was followed by a freight-rate tempered November. October demand estimates were for around 1.5 to 1.7 mb/d of West African crude heading to Asia. Initial estimates suggested that this could fall as low as 1.0 mb/d in November, but this was revised up to close to 1.2 mb/d. This belated increase in buying, coupled with renewed threats of industrial action threatening exports helped premiums to recover.

The swift return of some Ivan-affected production from the Gulf of Mexico and the postponement of planned maintenance at the 150 kb/d Mars field has resulted in a 70 kb/d upward revision to November domestic US supplies. Weather-delayed loadings eased and Alaskan output has risen by around 250 kb/d from summer lows. These were supplemented by high levels of Iraqi crude imports, contributing to a sharp rise in US crude stocks at the end of October as refiners stocked-up ahead of their return from maintenance.

The discount of heavy/sour to light/sweet crudes narrowed in parallel to movements in Europe – and for similar reasons. Increased sweet supplies, and the return of heavy/sour consuming refineries redressed some of the premium of light/sweet crudes. Even the news that Mars maintenance was being postponed until the end of Q1 2005 failed to have a significant impact on differentials. High sulphur differentials to low sulphur crudes however remain well below normal.

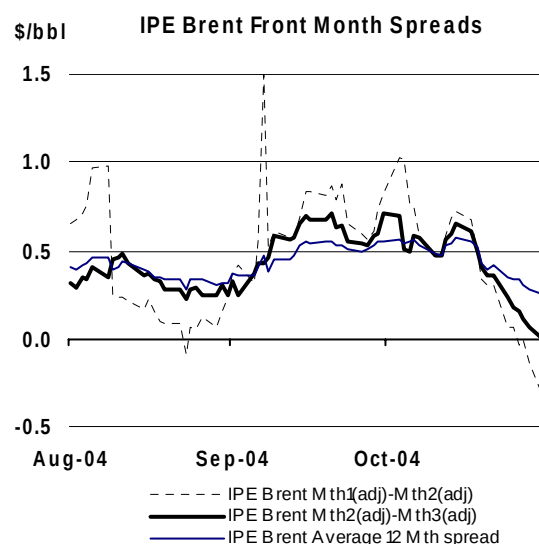
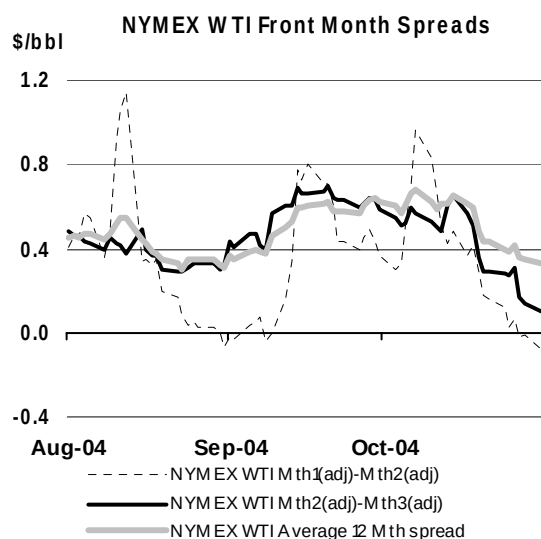
Perhaps the best indication of a change in direction in the crude market was a sharp slump in the premiums of Asian crudes to dated Brent. Although high freight rates should make regional crudes more attractive than foreign grades, regional benchmarks slipped. Weaker regional product markets and talk that China had completed its buying of fourth quarter crude supplies contributed to lower differentials for Tapis, Minas and Cinta crude. Direct burn crudes such as Minas were further depressed by the shoulder season between summer and winter and the return of some Japanese nuclear facilities.



Crude Futures

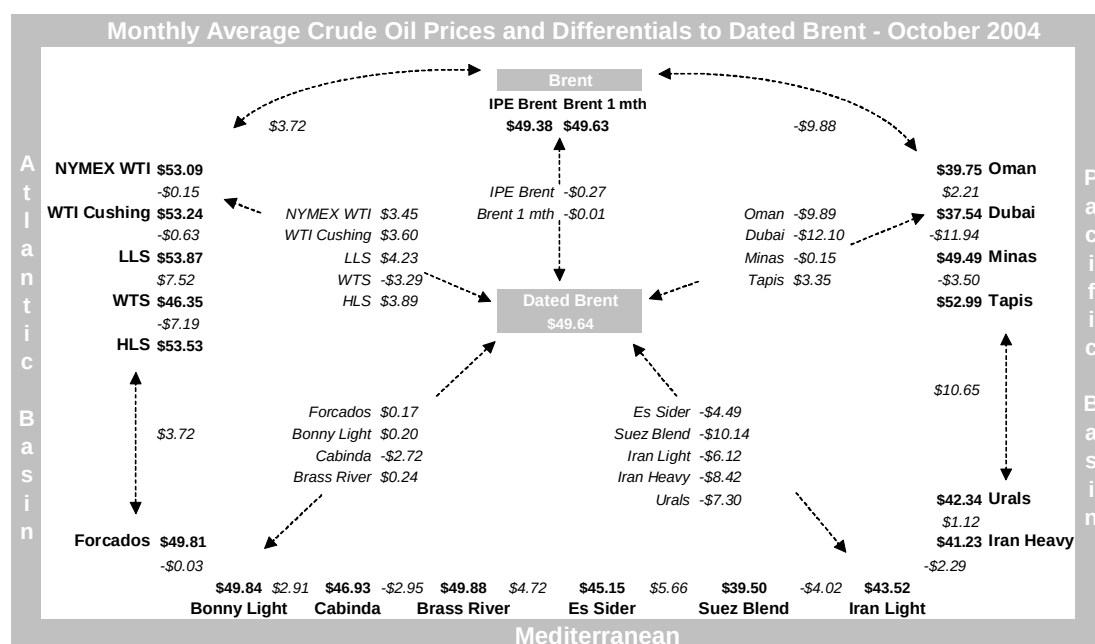
Both NYMEX Light Crude (WTI) and IPE Brent futures saw the premium of the nearby contract to the second month diminish sharply towards the end of August, having hit inter-month peaks of around \$1/bbl. The second-third month and average 12-month backwardations also fell sharply, as the forward curve flattened.

The shift in the futures markets spreads has been replicated in both the physical and forward markets and in CFD (contract for difference) spreads for Brent, where a definitive forward premium (contango) developed. The spread move was more severe than during the August price dip from \$50/bbl, which might suggest a more lasting change in market direction.



Delivered Crude Prices in August

Delivered prices for crude oil imported into IEA countries rose to record levels, gaining \$3.63 in August from July to \$39.81, as benchmark WTI broached \$50 for the first time. Gains were strongest in IEA Europe and IEA North America, but still rose by nearly \$2 in IEA Pacific. European delivered crude prices rose by \$4.83 to \$41.16 in July, and by \$3.50 in North America in line with trends in Brent and WTI respectively. IEA Pacific prices rose by \$1.87 to \$38.79 reflecting delivery time lags over the Atlantic Basin markets.



Product Prices

Spot Product Prices

Distillate markets eased globally towards the end of October as refinery maintenance came to an end. Tight heating fuel and diesel markets had been one of the prime drivers behind higher prices since the middle of August and the recent weakening is therefore significant for the petroleum complex.

The extreme strength of Northwest Europe (NWE) and Mediterranean gasoil prices in September and early October opened up a rare arbitrage opportunity to shift material from Singapore to Europe, with traders estimating that up to 750 kb was due to arrive in October and 700 kb to 1.4 mb in November. Arbitrage supplies were also available from the Arab Gulf, India and intermittently from the US. However, the impact of these additional supplies is minor in comparison to the impact of the end of refinery maintenance. The easing of gasoil prices in NWE coincided with the restart of key refining units in Europe and the Med. The return of refiners from maintenance not only increases production, but also enables the release of previously hoarded stocks.

Diesel demand has already shown signs of weakening in Europe as the harvest season comes to an end. The completion of refinery maintenance should also result in the switch of diesel output almost entirely to 50 ppm material ahead of the 1 January 2005 deadline. Traders report that there are already ample stocks of low sulphur diesel in NWE, but note that it is likely to remain tightly held until post-maintenance production is ramped up at the end of November.

Spot Product Prices

(monthly and weekly averages, \$/bbl)

	Aug	Sep	Oct	Oct-Sep Change	%	Week Commencing:					Aug	Sep	Oct
						04 Oct	11 Oct	20 Sep	27 Sep	04 Oct			
Rotterdam, Barges FOB											Differential to Brent		
Premium Unleaded (Cargo)	51.97	51.68	56.72	5.04	9.8	57.13	57.90	56.23	55.80	53.24	8.94	8.43	7.08
Regular Unleaded	51.29	50.96	56.06	5.10	10.0	56.48	57.33	55.48	55.06	52.58	8.25	7.70	6.42
Naphtha	46.24	46.18	51.50	5.32	11.5	51.17	52.64	51.79	50.89	47.87	3.21	2.93	1.86
Jet/Kerosene	55.89	58.65	66.09	7.44	12.7	64.84	67.46	66.81	65.54	60.66	12.85	15.39	16.45
Gasoil	50.78	53.86	64.06	10.19	18.9	61.37	66.36	65.52	63.79	57.31	7.74	10.61	14.41
Fuel Oil 1.0%S	24.67	24.33	29.22	4.89	20.1	27.03	29.09	29.87	31.52	28.68	-18.37	-18.93	-20.42
Fuel Oil 3.5%	25.67	25.14	26.98	1.83	7.3	26.46	27.37	27.40	26.93	25.37	-17.37	-18.11	-22.66
Mediterranean – Basis Italy, Cargoes FOB											Differential to Urals		
Premium Leaded (0.15 g/l)	50.35	51.45	56.13	4.67	9.1	56.52	57.34	55.89	54.99	51.35	11.54	13.30	13.79
Premium Unleaded	49.64	50.74	55.41	4.67	9.2	55.80	56.62	55.17	54.28	50.63	10.82	12.58	13.07
Naphtha	45.63	45.59	50.41	4.82	10.6	50.51	51.91	50.73	48.91	45.58	6.81	7.43	8.07
Jet/Kerosene	53.81	56.57	63.15	6.58	11.6	61.51	64.64	64.18	62.65	58.16	14.99	18.42	20.81
Gasoil	50.20	53.96	61.74	7.78	14.4	59.40	62.53	63.45	62.10	56.99	11.38	15.81	19.40
Fuel Oil 1.0%S	26.48	26.68	30.18	3.50	13.1	28.17	30.37	31.23	31.60	29.89	-12.34	-11.48	-12.16
Fuel Oil 3.5%S	24.60	23.78	25.23	1.45	6.1	25.01	25.62	25.39	25.04	23.50	-14.22	-14.37	-17.11
NY Harbour, Barges											Differential to WTI		
Super Unleaded *	56.94	58.10	60.10	2.00	3.4	60.56	60.98	60.22	58.52	56.21	12.04	12.20	6.86
Regular Unleaded *	50.60	53.01	57.88	4.87	9.2	57.80	59.05	58.23	56.59	54.21	5.70	7.11	4.64
Jet/Kerosene	52.50	58.37	66.13	7.76	13.3	63.98	67.11	68.27	65.46	60.07	7.61	12.47	12.89
No.2 Heating Oil	48.89	52.80	62.40	9.60	18.2	59.37	63.01	64.94	63.05	58.49	3.99	6.90	9.16
Fuel Oil 1.0%S (Cargo)	27.97	27.90	33.17	5.27	18.9	31.25	33.45	34.20	34.53	31.13	-16.93	-18.00	-20.07
Fuel Oil 3.0%S (Cargo)	25.09	26.11	30.92	4.80	18.4	29.38	31.00	32.03	31.85	29.54	-19.80	-19.79	-22.32
Singapore, Cargoes											Differential to Dubai		
Premium Unleaded 95	51.50	49.06	54.73	5.66	11.5	53.95	56.24	54.58	54.67	53.35	12.95	13.51	17.18
Naphtha	44.19	43.95	48.81	4.86	11.1	48.67	50.08	48.83	48.07	47.08	5.64	8.40	11.27
Jet/Kerosene	52.29	55.30	61.25	5.95	10.8	58.20	62.97	62.43	61.90	59.01	13.74	19.75	23.71
Gasoil	50.36	52.83	56.94	4.10	7.8	53.79	58.33	58.28	57.80	54.63	11.81	17.28	19.39
LSWR (0.3%S)	39.74	39.75	42.90	3.16	7.9	42.50	43.51	43.16	42.61	41.28	1.19	4.20	5.36
HSFO (3.5%S 180cst)	29.76	28.70	32.05	3.35	11.7	30.22	32.21	32.65	33.51	31.96	-8.79	-6.85	-5.50
HSFO 4%S	29.54	28.49	31.39	2.90	10.2	29.63	31.70	32.11	32.53	31.26	-9.00	-7.06	-6.15

* Assessments for NYH are for Max 0.3% MTBE

Inland European gasoil demand has been intermittent, and consumers are reported to be making only partial refills of domestic storage at current prices. Mild weather in October, with temperatures in some central European regions reaching mid-20 degrees centigrade, further reduced demand pressure. ARA stocks fell throughout the month, but improved refinery throughput in November should help

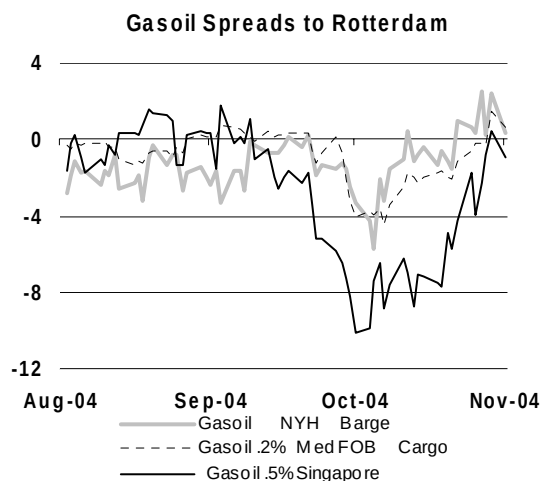
stocks to rebuild. However, it has to be noted that the apparent partial-tank filling policy of end users leaves the market vulnerable to a sharp increase in demand if either prices drop rapidly, or a protracted cold spell occurs.

It was a similar picture in North America where gasoil prices dipped sharply in the second half of the month. However, increased output from Gulf Coast refineries led to Colonial Pipeline distillate transit hitting capacity limits in mid-October. Shipment allocations are expected to be in place until January.

However, the US has still not yet reached its full production potential. Preliminary data show that although PADD 1 refiners are running at close to summer peaks, Gulf refiners have the potential to raise throughput by a further 600 kb/d. Additional throughput gains can also be expected in the Midwest and West Coast regions.

The strength of distillate demand in October, despite relatively mild weather suggests consumer restocking has been taking place at a modest and incremental pace. Stocks however remain 13 mb below the normal seasonal range. This again leaves the market vulnerable to a protracted cold spell.

At the time of publication, temperatures in the US Northeast and Midwest are projected to fall as much as 18 degrees Fahrenheit below normal, and are likely to remain normal-to-below normal for the next ten days. If US end-users have been embarking on a similar partial tank filling spree to those in Europe, then the current cold snap should only mildly inflate weekly demand. However, it raises the prospect that protracted cold weather will lead to further tank refilling in the New Year.

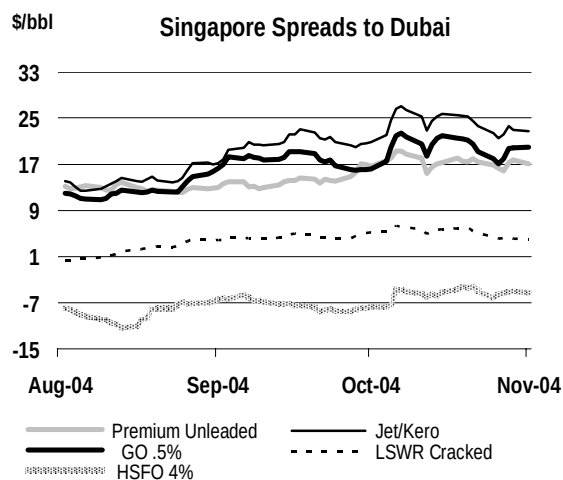
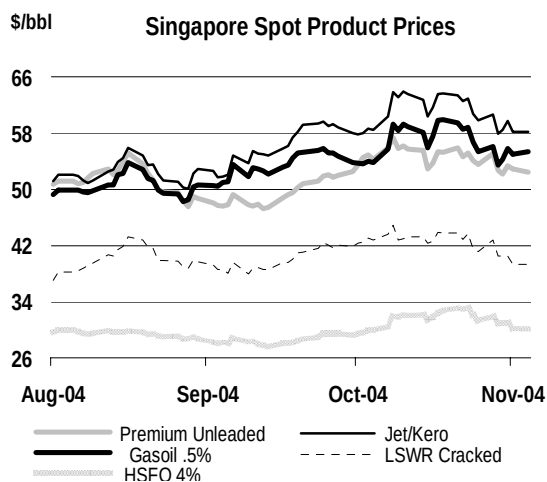
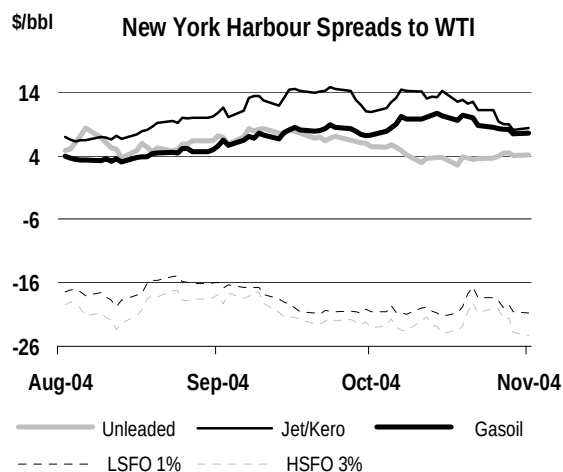
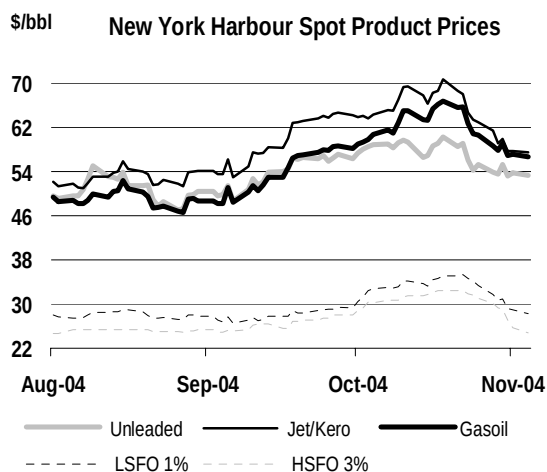
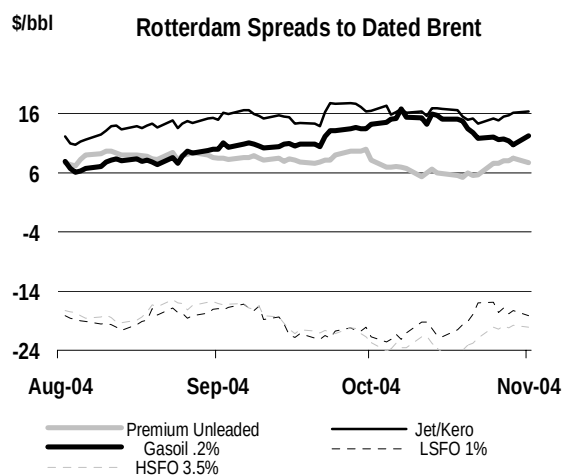
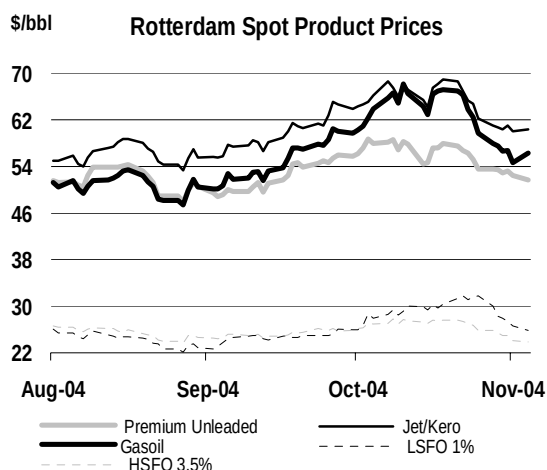


Japanese kerosene stocks remain below historical norms, but the deficit to year-ago levels has been sharply reduced by high refinery throughput and mild weather denting demand. Singapore middle distillate stocks also remain below normal levels, but weakening gasoil differentials to crude in the region suggests there is little panic. Arbitrage shipments to Europe were reported to have taken up to 300,000 tonnes out of the region in the past six weeks, while high freight rates have also constrained shipments to Asia from the Middle East. Chinese demand remains relatively weak, with increased supplies of non-oil thermal power generation and improved hydroelectric conditions obviating the need for backup power generation. Jet fuel has also been shipped from Asia to the US West Coast.

Jet/kerosene remains strong in Europe and the US, reflecting the continued emphasis on gasoil and diesel production and the use of jet as a blendstock. However, there has been some tempering of both markets in line with gasoil weakness. In the US, Asian imports have helped to improve West Coast availability, while increased Gulf Coast supplies have eased tightness both in PADD 3 and in the PADD 1 East Coast region. Japanese and South Korean jet and kerosene markets remain relatively tight, but the closure of European and US arbitrages should lead to improved supplies in the region.

Naphtha supplies in Europe were reduced by technical problems at a Scandinavian refiner and the closure of the Middle Eastern arbitrage due to high freight rates. However, lower supplies in the NWE region were offset by the downing of naphtha crackers at two large petrochemical plants. Asian naphtha prices have been less volatile, and the recent fall in European prices has helped to reinstate its attractiveness as a sales point for Middle Eastern material. Traders said that the Asian market is well supplied, but we note that strong polyethylene and polypropylene prices suggests that any dip in demand will prove temporary.

Gasoline prices remained volatile throughout the month. US prices retained their normal premium to European and Asian markets in September and October following early Q3 strength in Europe. The premium of New York Harbour (NYH) unleaded gasoline NWE remained relatively steady in October, but returning refinery capacity and high freight rates in the Mediterranean led to increasing regional differentials. As refineries in both Europe and the US increase production to meet winter heating demands, gasoline stocks are likely to build further. This will increase gasoline availability ahead of first quarter maintenance and next summer's driving season.



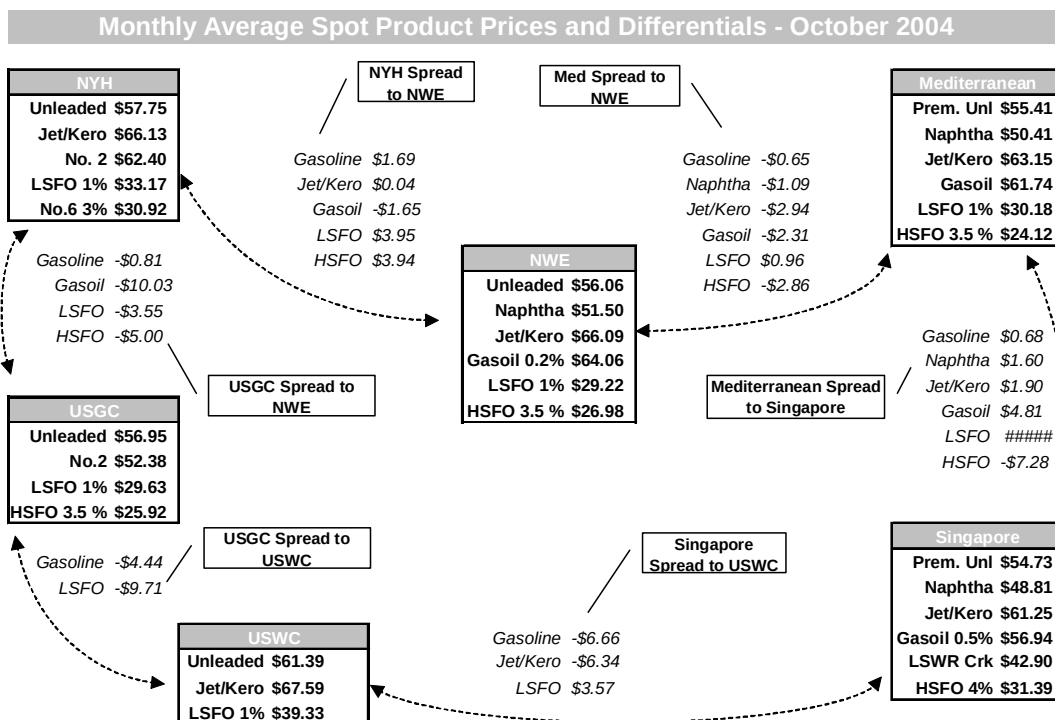
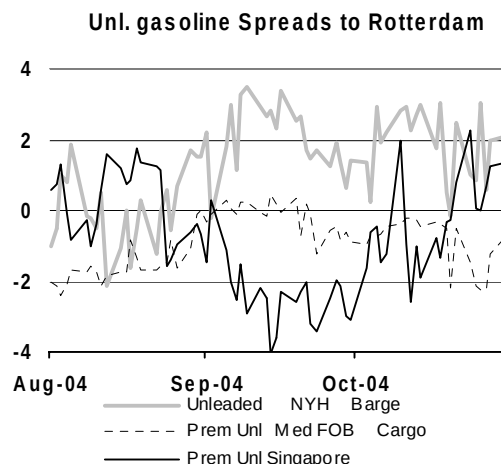
The discount of Asian gasoline prices to NYH decreased steadily throughout the month as refiners continue to focus on distillate production. Regional demand has also been strong, with Indonesia looking to increase its gasoline stocks by two days of consumption and Chinese exports diminishing. Australian purchases are also increasing ahead of the driving season.

Fuel oil prices were bolstered by the surge in natural gas prices following Hurricane Ivan. Concern over the ability to meet peak winter demand has kept natural gas prices at very high levels, despite the rise in storage to record levels. This has led to marginal fuel substitution in the US, particularly for low sulphur grades. Strong Mediterranean utility demand for low sulphur fuel also led to an unusual arbitrage from the US. However, in Asia LSWR availability increased following lower (seasonal) Japanese demand and increased supplies due to a problem at an Indonesian refinery.

High sulphur fuel oil prices have performed well relative to benchmark crudes, led by strong bunker demand. High freight rates increase the incentive for charterers to speed up sailing times wherever possible, which in turn increases fuel consumption. Arbitrage opportunities for high sulphur material from Europe to Asia have been limited by high freight rates and although Chinese demand remains moderate, it is for supplies of lower viscosity 180 CST material rather than the readily available higher viscosity material.

Product Futures

Both IPE gasoil and NYMEX No.2 Heating oil hit record highs in October. IPE gas oil hit an intraday peak of \$500/tonne twice during October and NYMEX heating oil touched \$1.60 per gallon. However, while prices have moderated back to levels seen at the end of September, 12 month futures prices have retained some of their gains underscoring the front-end weakness. December heating oil futures also reverted back to a modest contango structure to the January contract, which should encourage modest stock building during November.



End-User Product Prices in October

Retail product prices in Europe, US and Canada showed sharp increases in October, particularly in heating oil and diesel. These moves reflected underlying tightness in the spot product markets. The weakening dollar also accentuated the rise in US prices relative to those in Europe.

European gasoline prices rose up to 3% higher in October, compared with 7% in the US. However, the impact of the weaker dollar is highlighted by the convergence ex-tax dollar prices. Diesel and heating oil retail price increases were roughly double in percentage terms, reflecting distillate tightness in the Atlantic Basin. Prices were flat in Japan, continuing the trend of generally more muted retail price fluctuations than those in other countries and reflecting the large one-off price rise in September.

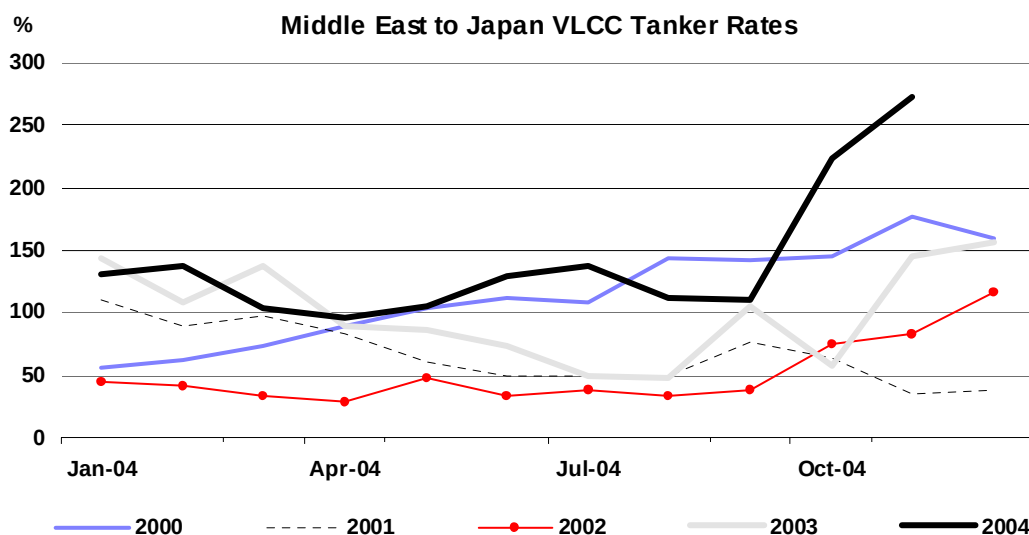
It was a similar picture in Europe for fuel oil, with the exception of Germany, where prices actually fell in local currency terms. There has been a big divergence in prices for fuel oil in the wholesale market recently, with very low sulphur material commanding a large premium over those with a slightly higher sulphur content.

Freight

The steep early October gains in dirty freight rates were maintained for the entire month, despite a turndown in crude prices. Higher freight rates have clearly resulted in decreased arbitrage movement of crude and heating oil - particularly fuel oil from Russia and Europe to Asia, and light sweet crude movements from West Africa and the North Sea to the US and Asia.

However, as shorter daylight hours descend on the northern hemisphere, congestion has increased from three to four days in the Turkish straits to up to 10 days (it should be recognised that this delay is an extreme, and that the actual average is lower). This ties up tanker space (clean and dirty) at the rate of 2.5 mb/d, which, with the tanker fleet stretched to capacity, is clearly a major feature behind higher prices.

Dirty freight rates are extremely seasonal, but as the graph below demonstrates, current prices are significantly higher than those of the past 4 years.



The high freight rates are slowing the rate of scrapping old tankers, enhancing supplies. However, most of these tankers cannot meet IMO standards, and this could therefore lead to higher scrapping levels and a sharp retracement in capacity next year. However, at the same time, order books are full, and it is likely that we see mitigating capacity swings over the next 12 months as new tankers come on line. It is unlikely that capacity shifts will be steady though as ship owners try to balance future earnings calculations with freight rate seasonality and scrap steel prices.

High freight rates also incentivise the need to minimise sailing times between destinations where possible. Faster steaming uses more fuel and it is therefore not surprising that bunker demand is

strong. Some demand will also have been reduced by the restart of production in the Gulf of Mexico. Overall these potential gains are relatively minor in comparison to the higher level of global supplies needing to be transported coupled with congestion losses.

Clean freight rates showed a similar upward trend. Although rates for product movement across the Atlantic were subdued by the lack of significant arbitrage opportunities, short-haul movement from the Caribbean to the US and from the Middle East to Asia were particularly strong.

Refining Margins

Refining margins in the six centres monitored in this Report broadly declined from early/mid October highs as refinery maintenance programmes in Europe and the US passed their peak and product output increased.

The dramatic and persistent outperformance of light/sweet crudes by heavy/sours reflects both the financial incentive to invest in upgrading capacity, and also the lack of such capacity. If refiners had capacity capable of refining heavy/sour crudes rather than light/sweets, they would, thus increasing the demand for sour crudes. But they cannot, sour crude refining capacity is clearly maximised.

Also, the underperformance of imported crudes versus regional crude highlights the impact of freight rates in the calculations.

A general improvement in fuel oil cracks contributed to the outperformance of heavy/sour crudes in comparison to light/sweets, but cracking margins still generated a more attractive net-worth than hydroskimming margins. Coking margins continued to outperform, underscoring the financial incentive to invest in upgrading equipment. However, upgrading investments are likely to be of smaller scale than those required to put cokers in place, and refiners will need to be convinced that the current market structure will remain in place for years rather than months.

Key Refining Margins in Major Refining Centres

(\$/bbl)

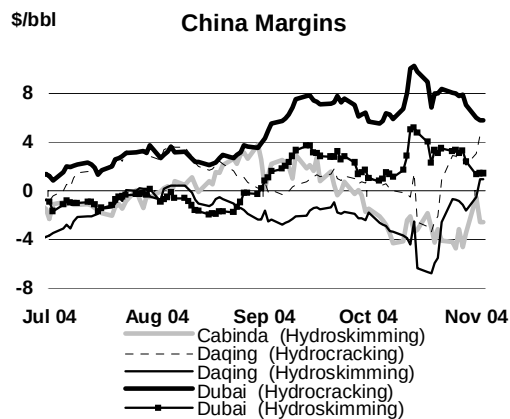
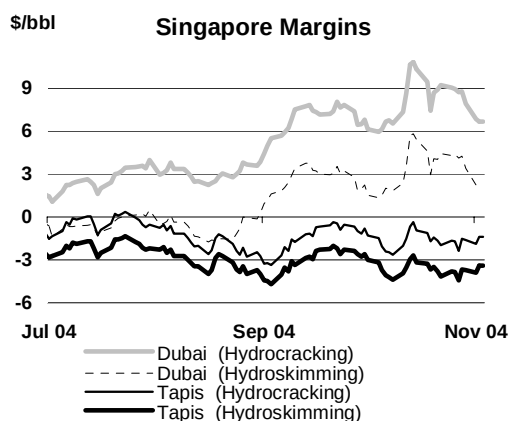
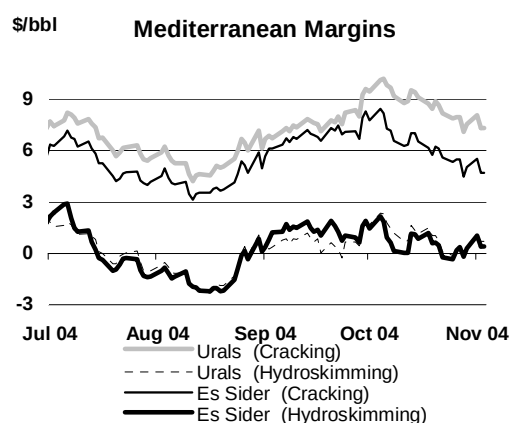
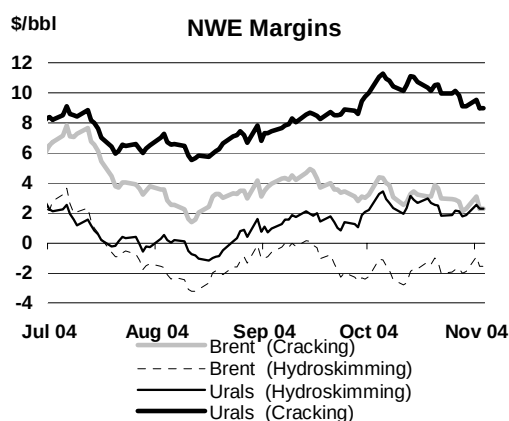
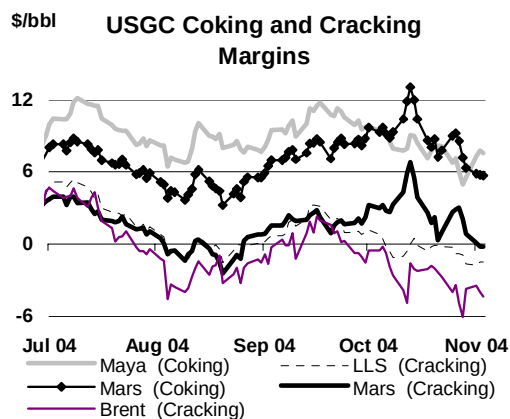
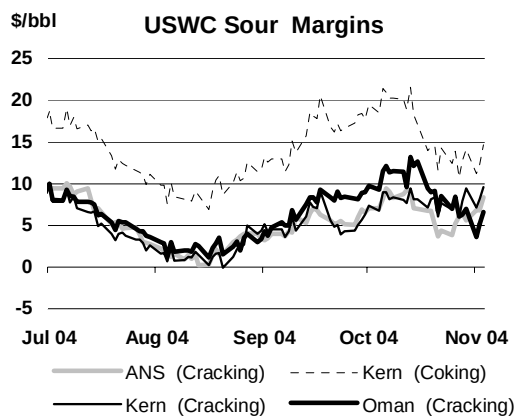
	Monthly Average			Change	Week Ending:				
	Aug 04	Sep 04	Oct 04	Oct-Sep 04	01 Oct	08 Oct	15 Oct	22 Oct	29 Oct
NW Europe									
Brent (Cracking)	2.85	3.87	3.22	-0.64	3.23	3.05	3.23	2.97	2.29
Brent (Hydroskimming)	-1.97	-1.01	-1.77	-0.76	-2.22	-2.47	-1.71	-2.00	-1.91
Mediterranean									
Urals (Cracking)	5.46	7.66	8.81	1.15	9.42	9.16	9.08	8.16	7.55
Urals (Hydroskimming)	-1.08	0.66	1.03	0.37	1.69	1.17	1.16	0.11	0.44
US Gulf Coast									
Brent (Cracking)	-2.38	0.23	-2.59	-2.81	-0.52	-2.63	-2.25	-2.72	-3.72
LLS (Cracking)	-0.28	1.63	-0.31	-1.94	1.15	-1.11	-0.08	-0.19	-1.66
Maya (Coking)	8.08	10.16	7.93	-2.23	9.76	7.91	8.38	8.13	5.55
US West Coast									
ANS (Cracking)	2.09	5.26	6.85	1.60	7.01	8.26	6.98	4.37	5.61
Oman (Cracking)	2.52	7.17	9.61	2.44	9.76	11.49	12.67	8.54	6.97
Kern (Coking)	9.64	15.90	16.63	0.73	19.48	20.23	17.10	14.28	14.12
Singapore									
Tapis (Hydroskimming)	-3.17	-3.03	-3.67	-0.64	-2.99	-4.42	-3.18	-4.17	-3.74
Dubai (Hydrocracking)	3.07	6.83	8.26	1.43	6.13	6.53	10.36	9.23	7.94
Tapis (Hydrocracking)	-1.76	-1.46	-1.65	-0.20	-1.30	-2.66	-0.93	-1.98	-1.61
China*									
Cabinda (Hydroskimming)	1.36	1.07	-3.26	-4.33	-1.47	-4.33	-3.23	-4.11	-3.49
Daqing (Hydrocracking)	2.13	0.70	0.18	-0.52	1.22	0.00	-2.60	0.89	2.11

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

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

Sources: IEA, Purvin & Gertz Inc.

Refinery Margin Charts



European refining margins remain attractive in all but light/sweet hydroskimming. With Urals, and Urals-related Es Sider showing potentially healthy returns for cracking and hydroskimming refineries able to process these crudes. Full-cost Brent cracking margins of over \$3/barrel in October remain attractive despite a \$1 decline by the end of the month.

US Gulf Coast margins turned sharply negative in October for Brent and LLS light/sweet crudes. While high freight costs were clearly the main factor in depressing Brent margins, LLS cracking margins moved to the lowest level since August. Such levels on a full-cost basis are unlikely to lead to economic cutbacks in the short term, but are a sign of regional imbalance.

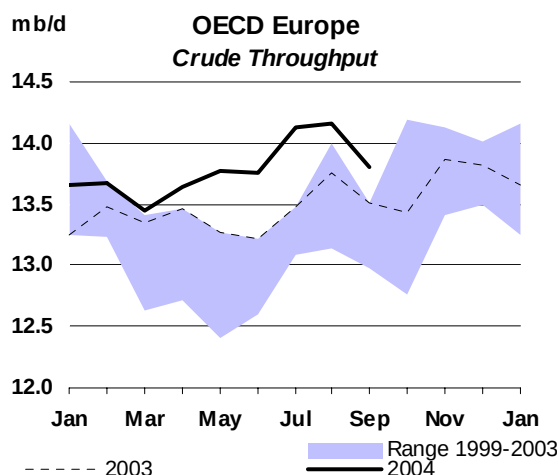
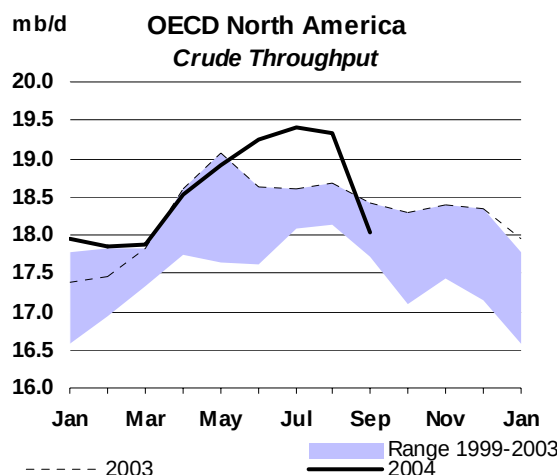
However, as maintenance programmes draw to an end, it is likely that sweet crudes will lose ground to heavy/sour crudes, thus enhancing margins. Low US distillate stocks also require a rapid return of refining capacity to near-maximum utilisation, which will in turn require a widening of product cracks.

In Asia, the high price of regional light/sweet crudes such as Tapis continued to depress margins for both hydrocracking and hydroskimming. Distillate-rich heavy/sours such as Dubai continued to outperform, but the fact that such a large margin differential has been maintained is indicative that refinery capacity capable of utilising such crudes is already maximised.

Refinery Throughput

OECD refinery throughput fell sharply in September as the autumn refinery maintenance programmes started in Europe and the US. Hurricane Ivan further reduced refinery runs in the US Gulf Coast. OECD September throughput fell by 2 mb/d to 38.6 mb/d. August runs were also revised higher by 460kb/d reflecting large upward revisions to North American data and a sizeable upward revision to Europe only partly offset by lower OECD Pacific runs.

European refinery throughput was revised up by 152 kb/d in August to 14.15 mb/d following upward revisions to preliminary Spanish and Italian runs. This was expected following a series of upward revisions throughout the second and third quarters. September OECD Europe runs represent a 350 kb/d drop from August data. This represents around half of the estimated 610 kb/d of European refinery capacity that was taken down in September for maintenance. Historically, the average maintenance-related drop in European throughputs has been offset by use of idled capacity. However, with most countries running close to capacity, the potential for such offsets is greatly reduced.



October refinery maintenance is expected to peak at 1.3 mb/d in the middle of the month and average just over 1 mb/d. While this is a heavier-than-normal maintenance level, it would still only leave throughputs in the middle of their four-year range.

The drop in IEA North American throughput is dramatic, and considerably higher-than-normal. The bulk of the reduction is accounted for by lower US throughput as refineries moved into maintenance and the impact of Hurricane Ivan. Provisional weekly data showed a 1.4 mb/d fall in Gulf Coast throughput in the week ending 24 September, but throughput only recovered half of that amount in the ensuing weeks. Although throughput in the US Gulf Coast remained around 7.1 to 7.2 mb/d for most

of October, price differentials in the product markets suggested that supplies were improving towards the end of the month. Maintenance constrained US Midwest runs below summer averages in October, while the East Coast returned to near maximum capacity.

Low heating oil stocks are likely to mean that regardless of the volatility in the crude market, refinery margins are likely to incentivise a return to maximum throughput as it is unlikely that a considerable surplus will develop in Europe until the New Year.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day						Change from Sep 03		Utilisation rate ²	
	Apr 04	May 04	Jun 04	Jul 04	Aug 04	Sep 04	mb/d	%	Sep 04	Sep 03
OECD North America										
US ³	15.55	15.96	16.24	16.14	16.14	14.98	-0.46	-3.0	88.7	92.2
Canada	1.72	1.65	1.71	1.96	1.91	1.82	0.11	6.1	91.7	86.6
Mexico	1.26	1.30	1.29	1.30	1.27	1.23	-0.02	-1.4	73.0	72.0
Total	18.52	18.92	19.24	19.39	19.32	18.03	-0.38	-2.0	87.7	90.1
OECD Europe										
France	1.87	1.63	1.64	1.81	1.78	1.78	-0.04	-2.2	91.2	95.6
Germany	2.24	2.28	2.25	2.39	2.36	2.29	-0.05	-2.1	97.6	99.7
Italy	1.77	1.83	1.86	1.84	1.95	1.89	0.23	14.1	81.7	71.9
Netherlands	1.11	1.13	1.13	1.11	1.08	0.93	-0.14	-13.3	76.0	88.7
Spain	1.16	1.24	1.22	1.21	1.23	1.19	0.07	6.7	93.4	84.2
UK	1.73	1.68	1.60	1.76	1.73	1.66	0.19	13.0	91.1	81.9
Other OECD Europe	3.74	3.97	4.04	4.00	4.03	4.07	0.01	0.4	89.8	89.3
Total	13.64	13.77	13.75	14.13	14.15	13.80	0.28	2.1	89.3	87.7
OECD Pacific										
Japan	4.01	3.36	3.36	3.88	4.24	3.86	0.07	2.0	82.0	79.3
Korea	2.29	2.18	2.10	1.92	2.18	2.20	0.27	14.0	86.6	75.5
Other OECD Pacific	0.74	0.66	0.70	0.79	0.74	0.72	0.02	2.3	83.7	73.6
Total	7.04	6.20	6.16	6.60	7.17	6.78	0.36	5.6	83.6	77.5
OECD Total	39.20	38.88	39.15	40.12	40.64	38.61	0.27	0.7	87.5	86.9

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US\$0

Japanese refinery activity was largely unaffected by typhoon activity in September, although two storms resulted in a suspension of berthing activities. Although Japanese refineries generally undertake maintenance in the second quarter, around 180 kb/d was taken down for scheduled work in September, followed by around 210 kb/d in October. Preliminary data show Japanese refinery runs falling by 385 kb/d in September, accounting for the bulk of the 388 kb/d drop in OECD Pacific throughput from August levels. Weekly PAJ data would suggest that October throughput was held at a similar level. August throughput was revised down by 78 kb/d to 7.17 mb/d.

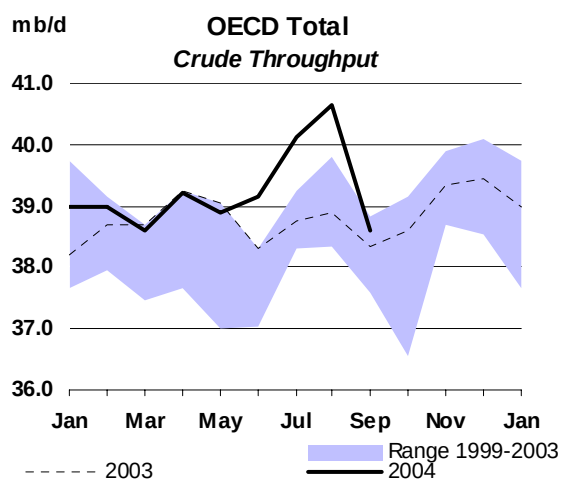
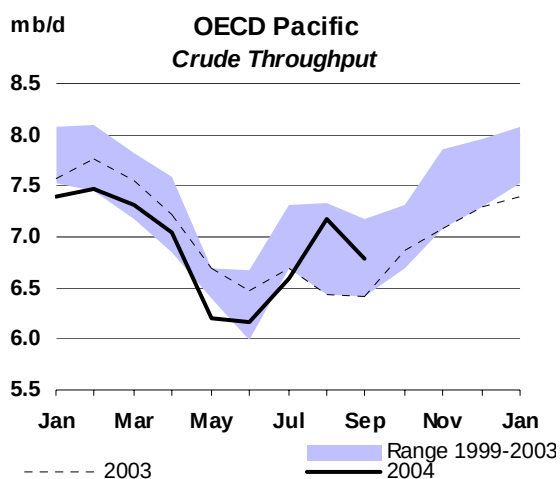


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	24.0	24.1	24.5	24.2	24.7	24.9	24.6	25.0	24.8	25.1	25.1	25.0	25.2	25.0	25.4	25.4	25.3
Europe	15.3	15.2	15.4	15.1	15.4	15.7	15.4	15.7	15.3	15.7	16.0	15.7	15.8	15.4	15.8	16.0	15.7
Pacific	8.7	8.6	9.8	8.2	8.0	9.2	8.8	9.4	8.0	8.3	9.1	8.7	9.3	7.9	8.1	9.0	8.6
Total OECD	47.9	48.0	49.6	47.5	48.1	49.7	48.7	50.1	48.2	49.1	50.2	49.4	50.3	48.4	49.3	50.5	49.6
NON-OECD DEMAND																	
FSU	3.7	3.5	3.8	3.2	3.5	3.9	3.6	3.5	3.7	3.7	3.9	3.7	3.9	3.7	3.8	4.0	3.9
Europe	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.9	0.8	0.7	0.8	0.8	0.9	0.8	0.8	0.8	0.8
China	4.7	5.0	5.2	5.2	5.8	5.9	5.5	6.2	6.5	6.2	6.3	6.3	6.5	6.6	6.7	6.9	6.7
Other Asia	7.6	7.9	8.0	7.9	8.0	8.5	8.1	8.5	8.6	8.4	8.8	8.6	8.7	8.8	8.6	9.1	8.8
Latin America	4.9	4.8	4.5	4.7	4.8	4.9	4.7	4.7	4.9	5.0	5.0	4.9	4.8	5.0	5.1	5.1	5.0
Middle East	5.2	5.4	5.5	5.3	5.7	5.7	5.6	5.8	5.8	6.0	6.0	5.9	6.1	6.1	6.3	6.2	6.2
Africa	2.6	2.7	2.8	2.8	2.7	2.8	2.7	2.8	2.8	2.7	2.9	2.8	2.9	2.9	2.8	2.9	2.9
Total Non-OECD	29.4	29.9	30.7	29.8	31.1	32.4	31.0	32.3	33.0	32.8	33.7	33.0	33.7	33.9	34.1	35.0	34.2
Total Demand¹	77.3	77.9	80.3	77.2	79.3	82.1	79.7	82.4	81.2	81.9	83.9	82.4	84.0	82.3	83.4	85.5	83.8
OECD SUPPLY																	
North America	14.4	14.5	14.6	14.4	14.6	14.7	14.6	14.8	14.7	14.4	14.7	14.6	15.0	14.9	14.9	14.9	14.9
Europe	6.7	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	5.8	6.1	6.1	6.1	5.9	5.7	5.9	5.9
Pacific	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Total OECD	21.8	21.8	22.1	21.3	21.3	21.8	21.6	21.8	21.5	20.8	21.4	21.4	21.7	21.3	21.1	21.4	21.3
NON-OECD SUPPLY																	
FSU	8.6	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.1	11.3	11.5	11.2	11.6	11.7	11.9	12.1	11.8
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.6	3.5	3.5	3.5	3.5
Other Asia	2.4	2.5	2.6	2.6	2.6	2.7	2.6	2.7	2.7	2.7	2.8	2.7	2.8	2.7	2.7	2.7	2.7
Latin America	3.8	4.0	4.0	3.9	4.0	4.1	4.0	4.0	4.0	4.1	4.1	4.1	4.3	4.3	4.4	4.4	4.4
Middle East	2.1	2.1	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Africa	2.8	3.0	2.9	3.0	3.1	3.3	3.1	3.3	3.3	3.5	3.6	3.4	3.6	3.7	3.8	3.8	3.7
Total Non-OECD	23.2	24.5	25.0	25.2	25.7	26.3	25.6	26.4	26.7	27.2	27.5	26.9	27.8	28.0	28.3	28.5	28.2
Processing Gains ²	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.9
Total Non-OPEC	46.8	48.1	48.9	48.3	48.7	49.9	49.0	50.0	50.0	49.7	50.8	50.1	51.3	51.1	51.2	51.8	51.3
OPEC																	
Crude ³	27.0	25.1	26.7	26.2	26.6	27.7	26.8	27.9	28.1	29.2							
NGLs	3.4	3.7	3.5	3.9	4.0	4.2	3.9	4.3	4.3	4.3	4.4	4.3	4.7	4.7	4.8	4.9	4.8
Total OPEC	30.4	28.8	30.2	30.1	30.6	31.8	30.7	32.2	32.3	33.5							
Total Supply⁴	77.2	76.9	79.1	78.3	79.4	81.7	79.6	82.2	82.3	83.3							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.4	-0.6	1.3	0.5	-0.8	0.1	-0.6	0.9	0.6							
Government	0.0	0.2	0.2	0.0	0.2	0.3	0.2	0.1	0.1	0.1							
Total	0.3	-0.3	-0.5	1.4	0.7	-0.5	0.3	-0.5	0.9	0.6							
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.1	0.0	0.3	0.2	-0.2	-0.1	0.0							
Miscellaneous to balance ⁵	-0.4	-0.8	-1.0	-0.4	-0.7	-0.2	-0.6	0.5	0.3	0.7							
Total Stock Ch. & Misc	-0.1	-1.1	-1.2	1.1	0.1	-0.4	-0.1	-0.3	1.1	1.3							
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.2	26.1	27.9	25.1	26.5	28.1	26.9	28.2	26.9	27.9	28.7	27.9	28.0	26.5	27.4	28.9	27.7
Total Demand ex. FSU	73.7	74.5	76.5	74.1	75.8	78.2	76.2	79.0	77.5	78.2	80.1	78.7	80.2	78.6	79.6	81.5	80.0
Total demand exc. FSU (% ch) ⁷	0.9	1.1	2.9	1.3	2.2	2.6	2.3	3.2	4.6	3.1	2.3	3.3	1.5	1.4	1.8	1.8	1.6

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

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

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

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

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

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

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

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

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

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

Table 2
Summary of Global Oil Demand

	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
Demand (mb/d)																
North America	24.11	24.52	24.15	24.72	24.86	24.57	25.03	24.85	25.14	25.15	25.04	25.21	24.98	25.40	25.44	25.26
Europe	15.24	15.37	15.12	15.40	15.68	15.39	15.71	15.33	15.67	16.00	15.68	15.76	15.44	15.77	16.01	15.75
Pacific	8.63	9.76	8.19	8.03	9.15	8.78	9.38	8.00	8.29	9.10	8.69	9.34	7.92	8.12	9.03	8.60
Total OECD	47.99	49.65	47.47	48.15	49.69	48.74	50.11	48.17	49.10	50.25	49.41	50.31	48.35	49.30	50.48	49.61
FSU	3.45	3.81	3.19	3.45	3.85	3.58	3.47	3.67	3.72	3.88	3.69	3.88	3.72	3.80	4.03	3.86
Europe	0.77	0.84	0.77	0.72	0.78	0.78	0.85	0.79	0.74	0.81	0.80	0.88	0.81	0.76	0.83	0.82
China	4.97	5.23	5.20	5.75	5.87	5.52	6.24	6.49	6.24	6.35	6.33	6.46	6.65	6.74	6.88	6.68
Other Asia	7.88	7.98	7.87	8.03	8.52	8.10	8.49	8.57	8.42	8.84	8.58	8.70	8.76	8.64	9.06	8.79
Latin America	4.82	4.49	4.67	4.83	4.88	4.72	4.66	4.86	4.98	4.98	4.87	4.78	4.96	5.09	5.07	4.98
Middle East	5.36	5.54	5.31	5.69	5.70	5.56	5.82	5.80	6.01	5.98	5.90	6.13	6.10	6.28	6.22	6.18
Africa	2.70	2.77	2.76	2.66	2.78	2.74	2.80	2.83	2.73	2.86	2.80	2.90	2.93	2.81	2.94	2.89
Total Non-OECD	29.95	30.65	29.78	31.13	32.39	30.99	32.33	32.99	32.83	33.69	32.96	33.72	33.94	34.13	35.03	34.21
World	77.93	80.30	77.25	79.28	82.09	79.73	82.44	81.16	81.93	83.94	82.37	84.03	82.29	83.43	85.51	83.82
of which:																
US	19.76	20.02	19.65	20.21	20.25	20.03	20.36	20.25	20.53	20.50	20.41	20.51	20.39	20.74	20.75	20.60
Euro4	8.34	8.27	8.22	8.29	8.40	8.29	8.51	8.23	8.47	8.64	8.46	8.55	8.31	8.49	8.57	8.48
Japan	5.46	6.37	5.17	5.04	5.76	5.58	6.06	4.95	5.23	5.73	5.49	5.98	4.86	5.04	5.62	5.37
Korea	2.15	2.38	2.00	1.95	2.34	2.17	2.29	2.01	1.99	2.27	2.14	2.29	2.01	1.99	2.28	2.15
Mexico	1.94	1.98	2.03	2.02	2.03	2.02	2.02	2.02	2.00	2.04	2.02	2.05	2.01	2.03	2.05	2.04
Canada	2.08	2.17	2.16	2.16	2.24	2.18	2.27	2.25	2.27	2.25	2.26	2.27	2.26	2.29	2.28	2.28
Brazil	2.12	1.97	2.02	2.10	2.13	2.05	2.07	2.13	2.19	2.18	2.14	2.12	2.15	2.23	2.21	2.18
India	2.32	2.38	2.30	2.26	2.44	2.34	2.53	2.51	2.32	2.52	2.47	2.57	2.55	2.39	2.60	2.53
Annual Change (% per annum)																
North America	0.4	2.6	0.7	1.9	2.4	1.9	2.0	2.9	1.7	1.1	1.9	0.7	0.5	1.0	1.1	0.9
Europe	-0.1	0.1	2.0	0.4	1.4	1.0	2.2	1.4	1.8	2.0	1.9	0.3	0.7	0.7	0.1	0.5
Pacific	-0.4	6.4	5.3	-1.9	-2.7	1.7	-3.8	-2.4	3.2	-0.5	-1.0	-0.5	-0.9	-2.0	-0.8	-1.0
Total OECD	0.1	2.5	1.9	0.8	1.1	1.6	0.9	1.5	2.0	1.1	1.4	0.4	0.4	0.4	0.5	0.4
FSU	-5.5	9.3	2.6	2.3	0.2	3.5	-8.9	15.1	7.7	0.7	3.1	11.7	1.5	2.2	3.9	4.7
Europe	1.9	1.8	1.5	1.6	1.7	1.6	1.8	2.0	2.6	3.0	2.3	2.8	2.8	3.1	3.3	3.0
China	6.3	12.2	3.3	16.0	12.5	11.0	19.3	24.6	8.5	8.1	14.7	3.6	2.5	8.0	8.3	5.6
Other Asia	3.5	3.0	-0.5	2.8	5.6	2.7	6.5	8.9	4.8	3.7	5.9	2.4	2.2	2.7	2.5	2.5
Latin America	-0.9	-4.6	-3.2	-1.2	0.6	-2.1	3.6	3.9	3.1	2.0	3.1	2.7	2.2	2.3	1.7	2.2
Middle East	3.3	4.4	1.5	4.3	4.9	3.8	5.1	9.2	5.6	4.8	6.1	5.3	5.2	4.5	4.0	4.8
Africa	2.9	2.1	1.6	0.9	2.0	1.7	1.1	2.4	2.6	2.6	2.2	3.7	3.6	3.2	2.8	3.3
Total Non-OECD	2.0	4.1	0.6	4.4	4.8	3.5	5.5	10.8	5.4	4.0	6.3	4.3	2.9	4.0	4.0	3.8
World	0.8	3.1	1.4	2.2	2.5	2.3	2.7	5.1	3.3	2.3	3.3	1.9	1.4	1.8	1.9	1.8
Annual Change (mb/d)																
North America	0.10	0.63	0.18	0.46	0.57	0.46	0.50	0.69	0.42	0.29	0.47	0.18	0.14	0.26	0.29	0.22
Europe	-0.02	0.02	0.29	0.07	0.21	0.15	0.34	0.21	0.28	0.32	0.29	0.05	0.11	0.10	0.02	0.07
Pacific	-0.04	0.58	0.41	-0.15	-0.26	0.14	-0.38	-0.20	0.26	-0.05	-0.09	-0.04	-0.07	-0.17	-0.07	-0.09
Total OECD	0.05	1.23	0.88	0.38	0.53	0.75	0.47	0.70	0.95	0.56	0.67	0.19	0.18	0.20	0.23	0.20
FSU	-0.20	0.33	0.08	0.08	0.01	0.12	-0.34	0.48	0.27	0.03	0.11	0.41	0.05	0.08	0.15	0.17
Europe	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.03	0.02
China	0.30	0.57	0.17	0.79	0.65	0.55	1.01	1.28	0.49	0.48	0.81	0.23	0.16	0.50	0.53	0.36
Other Asia	0.27	0.23	-0.04	0.22	0.45	0.22	0.52	0.70	0.39	0.32	0.48	0.20	0.19	0.22	0.22	0.21
Latin America	-0.04	-0.22	-0.15	-0.06	0.03	-0.10	0.16	0.18	0.15	0.10	0.15	0.13	0.11	0.12	0.09	0.11
Middle East	0.17	0.23	0.08	0.23	0.27	0.20	0.28	0.49	0.32	0.28	0.34	0.31	0.30	0.27	0.24	0.28
Africa	0.08	0.06	0.04	0.02	0.06	0.04	0.03	0.07	0.07	0.07	0.06	0.10	0.10	0.09	0.08	0.09
Total Non-OECD	0.58	1.22	0.18	1.30	1.47	1.05	1.68	3.21	1.70	1.29	1.97	1.39	0.94	1.30	1.34	1.25
World	0.63	2.45	1.07	1.68	2.00	1.80	2.14	3.92	2.65	1.85	2.64	1.58	1.12	1.50	1.57	1.44
Changes from Last Month's Report																
North America	-	-	-	-	-	-	-	-	-0.05	-0.04	-0.02	-0.01	0.01	-0.05	-0.04	-0.02
Europe	-	0.04	0.04	0.04	0.04	0.04	0.05	0.02	0.06	0.05	0.04	0.01	0.01	0.05	0.04	0.03
Pacific	-	-	-	-	-	-	-	-	-0.01	-	-	-0.01	-0.02	-0.08	-0.03	-0.03
Total OECD	-	0.04	0.04	0.04	0.04	0.04	0.05	0.02	-	-	0.02	-0.01	-	-0.08	-0.03	-0.03
FSU	-	-	-0.01	-	-0.01	-	-	-0.02	-0.08	-0.07	-0.04	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	0.01	0.01	-	0.01	0.02	-0.02	0.01	0.01
Other Asia	-	-	-0.01	0.00	-	-	-	-	-0.06	-0.01	-0.02	-0.01	-0.01	-0.06	-0.01	-0.02
Latin America	-	-	-	-	-	-	-	0.01	0.02	-	0.01	-	0.01	0.02	-	0.01
Middle East	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Africa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-OECD	-	-	-0.01	0.00	-0.01	-	-	-0.01	-0.12	-0.07	-0.05	-	0.03	-0.06	-	-0.01
World	-	0.04	0.03	0.05	0.03	0.04	0.06	0.02	-0.12	-0.07	-0.03	-0.01	0.03	-0.13	-0.03	-0.04

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2003	2004	2005	2Q04	3Q04	4Q04	1Q05	2Q05	Aug 04	Sep 04	Oct 04
OPEC											
Crude Oil											
Saudi Arabia	8.48			8.41	9.12				9.17	9.25	9.30
Iran	3.78			3.95	3.92				3.91	3.95	3.95
Iraq	1.33			1.96	1.92				1.64	2.25	2.22
UAE	2.29			2.24	2.43				2.45	2.44	2.47
Kuwait	1.87			2.02	2.07				2.06	2.10	2.15
Neutral Zone	0.61			0.58	0.61				0.62	0.60	0.60
Qatar	0.74			0.78	0.80				0.80	0.80	0.80
Nigeria	2.15			2.29	2.35				2.34	2.34	2.37
Libya	1.42			1.51	1.59				1.59	1.59	1.61
Algeria	1.11			1.17	1.24				1.25	1.25	1.27
Venezuela	2.01			2.20	2.21				2.22	2.21	2.25
Indonesia	1.01			0.96	0.96				0.97	0.98	0.98
Total Crude Oil	26.78			28.06	29.22				29.00	29.74	29.96
Total NGLs ¹	3.90	4.33	4.77	4.29	4.32	4.41	4.68	4.70	4.33	4.33	4.32
Total OPEC	30.68			32.34	33.54				33.32	34.07	34.28
NON-OPEC²											
OECD											
North America	14.61	14.65	14.90	14.70	14.39	14.71	14.99	14.86	14.43	14.21	14.46
United States	7.82	7.70	7.83	7.73	7.52	7.72	7.88	7.83	7.60	7.31	7.51
Mexico	3.79	3.84	3.87	3.88	3.82	3.85	3.87	3.88	3.78	3.87	3.83
Canada	3.00	3.10	3.20	3.09	3.05	3.15	3.24	3.16	3.04	3.03	3.12
Europe	6.34	6.13	5.90	6.22	5.79	6.14	6.12	5.87	5.44	5.73	6.06
UK	2.28	2.10	1.93	2.12	1.98	2.07	2.04	1.90	1.92	1.99	2.05
Norway	3.26	3.19	3.13	3.24	2.96	3.21	3.23	3.12	2.73	2.87	3.15
Others	0.80	0.84	0.84	0.86	0.84	0.85	0.85	0.84	0.78	0.87	0.85
Pacific	0.65	0.58	0.54	0.57	0.59	0.56	0.56	0.53	0.61	0.57	0.51
Australia	0.61	0.54	0.50	0.53	0.54	0.52	0.52	0.49	0.56	0.53	0.47
Others	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.05	0.04	0.04
Total OECD	21.59	21.36	21.33	21.49	20.76	21.41	21.67	21.26	20.47	20.51	21.03
NON-OECD											
Former USSR	10.31	11.18	11.82	11.08	11.32	11.48	11.55	11.68	11.35	11.36	11.46
Russia	8.49	9.23	9.68	9.14	9.37	9.45	9.49	9.61	9.38	9.42	9.43
Others	1.82	1.95	2.14	1.94	1.95	2.03	2.06	2.07	1.97	1.95	2.03
Asia	6.03	6.23	6.23	6.17	6.27	6.33	6.31	6.25	6.32	6.31	6.31
China	3.41	3.50	3.52	3.47	3.54	3.55	3.55	3.53	3.54	3.57	3.54
Malaysia	0.83	0.85	0.80	0.83	0.86	0.85	0.84	0.81	0.88	0.85	0.86
India	0.79	0.80	0.77	0.80	0.79	0.80	0.79	0.78	0.81	0.81	0.80
Others	1.01	1.09	1.13	1.07	1.09	1.13	1.14	1.13	1.09	1.09	1.11
Europe	0.17	0.17	0.16	0.17	0.17	0.17	0.16	0.16	0.17	0.17	0.17
Latin America	4.00	4.05	4.36	4.00	4.06	4.15	4.26	4.34	4.05	4.08	4.13
Brazil	1.77	1.78	2.03	1.74	1.80	1.84	1.95	2.02	1.78	1.82	1.83
Argentina	0.83	0.77	0.76	0.78	0.77	0.77	0.76	0.76	0.77	0.77	0.77
Colombia	0.55	0.54	0.53	0.55	0.55	0.54	0.54	0.53	0.55	0.54	0.54
Ecuador	0.43	0.53	0.57	0.53	0.53	0.54	0.55	0.56	0.53	0.53	0.54
Others	0.42	0.42	0.48	0.41	0.41	0.45	0.46	0.47	0.42	0.41	0.44
Middle East³	1.99	1.89	1.86	1.90	1.88	1.86	1.86	1.85	1.87	1.88	1.87
Oman	0.82	0.76	0.76	0.77	0.76	0.75	0.75	0.76	0.75	0.76	0.76
Syria	0.53	0.51	0.48	0.51	0.50	0.50	0.49	0.48	0.50	0.50	0.50
Yemen	0.44	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
Africa	3.05	3.42	3.72	3.34	3.46	3.56	3.63	3.70	3.43	3.54	3.53
Egypt	0.75	0.71	0.74	0.71	0.71	0.72	0.74	0.74	0.70	0.71	0.71
Angola	0.88	0.99	1.18	0.92	0.99	1.10	1.14	1.18	0.96	1.08	1.08
Gabon	0.24	0.24	0.24	0.24	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Others	1.18	1.48	1.58	1.48	1.53	1.52	1.52	1.55	1.54	1.53	1.51
Total Non-OECD	25.56	26.93	28.15	26.66	27.15	27.54	27.78	27.98	27.18	27.34	27.46
Processing Gains ⁴	1.80	1.83	1.86	1.81	1.81	1.85	1.88	1.85	1.81	1.81	1.85
TOTAL NON-OPEC	48.95	50.12	51.35	49.97	49.73	50.81	51.33	51.09	49.46	49.66	50.35
TOTAL SUPPLY	79.64			82.31	83.27				82.79	83.73	84.62

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

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

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

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

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	May2004	Jun2004	Jul2004	Aug2004	Sep2004*	Sep2001	Sep2002	Sep2003	4Q2003	1Q2004	2Q2004	3Q2004
North America												
Crude	414.8	416.6	404.5	393.3	383.4	423.9	380.9	396.9	-0.16	0.32	0.06	-0.36
Motor Gasoline	234.0	237.7	243.9	242.6	236.5	236.1	237.1	228.7	0.06	-0.02	0.06	-0.01
Middle Distillate	174.0	182.2	195.9	209.6	207.3	204.1	201.6	206.3	0.04	-0.44	0.14	0.27
Residual Fuel Oil	44.5	45.0	42.7	45.7	44.9	46.1	42.3	40.9	0.05	0.02	-0.03	0.00
Total Products ³	615.7	635.9	665.1	688.4	682.0	678.0	677.0	655.6	-0.11	-0.52	0.42	0.50
Total ⁴	1166.8	1200.5	1223.2	1243.2	1228.7	1269.3	1218.8	1213.7	-0.52	-0.22	0.60	0.31
Europe												
Crude	336.4	340.0	326.0	330.4	327.3	325.1	307.5	318.1	0.01	0.27	-0.04	-0.14
Motor Gasoline	112.8	109.5	109.5	113.9	113.1	114.3	113.9	107.5	0.08	0.00	-0.06	0.04
Middle Distillate	230.0	232.1	238.9	250.3	241.5	216.9	259.1	250.8	-0.14	-0.24	0.17	0.10
Residual Fuel Oil	73.8	75.5	77.4	76.6	79.5	76.1	72.5	71.0	0.08	-0.04	0.01	0.04
Total Products ³	515.6	515.3	528.1	544.3	537.1	525.7	547.7	531.8	0.01	-0.33	0.14	0.24
Total ⁴	925.3	925.9	923.4	942.7	931.6	917.8	916.8	922.5	-0.01	-0.01	0.06	0.06
Pacific												
Crude	179.1	176.6	182.7	167.5	179.1	173.9	165.4	183.9	-0.04	-0.06	0.02	0.03
Motor Gasoline	25.0	24.6	23.6	23.3	24.6	25.9	24.2	24.0	-0.02	0.03	-0.01	0.00
Middle Distillate	57.1	60.3	62.6	69.5	74.6	86.6	82.5	83.7	-0.10	-0.21	0.06	0.16
Residual Fuel Oil	24.0	22.6	22.3	23.3	21.7	24.6	22.3	23.1	0.00	-0.03	0.03	-0.01
Total Products ³	168.1	172.3	174.4	182.1	186.8	211.0	198.9	204.6	-0.22	-0.28	0.15	0.16
Total ⁴	418.0	419.5	429.1	421.5	437.2	473.4	439.6	459.6	-0.26	-0.38	0.21	0.19
Total OECD												
Crude	930.4	933.1	913.2	891.2	889.7	923.0	853.7	898.9	-0.20	0.53	0.05	-0.47
Motor Gasoline	371.8	371.8	377.1	379.8	374.2	376.2	375.1	360.2	0.12	0.02	-0.01	0.03
Middle Distillate	461.1	474.5	497.3	529.4	523.4	507.6	543.1	540.7	-0.21	-0.89	0.37	0.53
Residual Fuel Oil	142.2	143.1	142.4	145.6	146.1	146.7	137.1	135.0	0.13	-0.05	0.01	0.03
Total Products ³	1299.4	1323.4	1367.7	1414.8	1405.8	1414.7	1423.6	1392.0	-0.33	-1.14	0.72	0.90
Total ⁴	2510.0	2545.9	2575.6	2607.3	2597.4	2660.4	2575.2	2595.7	-0.80	-0.61	0.87	0.56

OECD GOVERNMENT-CONTROLLED STOCKS⁵ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ²					PRIOR YEARS' STOCKS ²			STOCK CHANGES			
	in Million Barrels					in Million Barrels			in mb/d			
	May2004	Jun2004	Jul2004	Aug2004	Sep2004*	Sep2001	Sep2002	Sep2003	4Q2003	1Q2004	2Q2004	3Q2004
North America												
Crude	661.3	662.4	665.7	669.0	670.4	544.8	587.2	624.4	0.15	0.15	0.11	0.09
Products	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe												
Crude	156.8	157.1	157.2	156.9	156.9	141.7	149.6	150.8	0.06	0.01	0.00	0.00
Products	204.6	203.5	204.1	204.7	204.7	200.7	193.9	207.9	0.04	-0.04	-0.05	0.01
Pacific												
Crude	386.9	386.8	386.7	386.7	384.9	367.6	378.4	382.8	0.02	0.02	0.00	-0.02
Products	11.0	11.0	11.0	11.0	11.0	7.3	7.3	10.3	0.01	0.00	0.00	0.00
Total OECD												
Crude	1205.0	1206.3	1209.6	1212.6	1212.2	1054.0	1115.2	1157.9	0.24	0.18	0.11	0.06
Products	217.7	216.5	217.1	217.7	217.7	210.0	203.3	220.2	0.05	-0.04	-0.05	0.01
Total ⁴	1423.6	1423.8	1427.7	1431.3	1430.9	1265.0	1319.5	1379.1	0.29	0.14	0.06	0.08

* estimated

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

2 Closing stock levels.

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

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

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

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

	End September 2003		End December 2003		End March 2004		End June 2004		End September 2004 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	176.6	79	174.6	77	170.4	76	172.4	-	-	-
Mexico	41.4	20	39.0	19	38.9	19	39.5	-	-	-
United States ⁴	1600.0	79	1570.3	77	1568.2	77	1630.9	-	-	-
Total⁵	1840.1	74	1806.1	72	1799.6	72	1864.9	74	1901.1	76
Pacific										
Australia	36.0	40	32.4	37	33.8	39	34.9	-	-	-
Japan	653.6	114	636.3	105	614.4	124	622.0	-	-	-
Korea	154.5	66	154.5	67	142.9	71	152.9	-	-	-
New Zealand	8.5	58	7.9	49	7.5	48	7.7	-	-	-
Total	852.6	93	831.1	89	798.5	100	817.4	99	833.1	92
Europe⁶										
Austria	20.3	69	20.9	80	23.2	80	23.0	-	-	-
Belgium	29.1	45	27.7	42	24.6	42	24.7	-	-	-
Czech Republic	13.4	69	16.4	95	15.6	76	15.9	-	-	-
Denmark	16.3	86	16.8	87	15.9	88	15.8	-	-	-
Finland	23.2	101	26.5	120	27.8	133	23.4	-	-	-
France	179.2	85	185.3	87	176.4	90	183.5	-	-	-
Germany	265.9	100	272.3	103	269.8	106	266.9	-	-	-
Greece	30.9	66	27.5	57	29.4	77	30.8	-	-	-
Hungary	18.3	122	16.8	143	19.5	153	20.1	-	-	-
Ireland	11.9	66	12.0	63	11.5	69	10.7	-	-	-
Italy	140.7	74	135.2	72	135.6	73	134.6	-	-	-
Luxembourg	0.8	16	1.0	17	0.8	13	1.0	-	-	-
Netherlands	111.1	116	100.1	105	108.2	111	102.3	-	-	-
Norway	23.1	93	27.2	99	28.5	116	30.0	-	-	-
Poland	26.9	53	28.7	64	29.7	62	30.1	-	-	-
Portugal	25.6	79	25.3	81	24.4	74	26.2	-	-	-
Spain	121.4	77	122.4	78	123.5	79	127.3	-	-	-
Sweden	34.1	99	35.9	101	31.8	89	31.1	-	-	-
Switzerland	37.4	141	36.1	138	35.4	149	37.5	-	-	-
Turkey	54.3	83	54.9	84	54.9	79	54.8	-	-	-
United Kingdom	98.0	56	101.9	55	100.7	54	97.6	-	-	-
Total	1282.1	82	1290.9	82	1287.1	84	1287.4	82	1294.1	81
Total OECD	3974.8	80	3928.0	78	3885.2	81	3969.7	81	4028.3	80
DAYS OF IEA Net Imports⁷	-	116	-	112	-	111	-	113	-	-

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

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

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

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled	Industry	Total	Government ¹ controlled	Industry
	Millions of Barrels			Days of Fwd. Demand ²		
3Q2001	3925	1265	2660	81	26	55
4Q2001	3912	1284	2628	81	27	54
1Q2002	3906	1302	2604	84	28	56
2Q2002	3964	1314	2650	83	28	55
3Q2002	3895	1319	2575	79	27	52
4Q2002	3819	1343	2476	77	27	50
1Q2003	3782	1357	2425	80	29	51
2Q2003	3907	1361	2546	81	28	53
3Q2003	3975	1379	2596	80	28	52
4Q2003	3928	1406	2522	78	28	50
1Q2004	3885	1418	2467	81	29	51
2Q2004	3970	1424	2546	81	29	52
3Q2004	4028	1431	2597	80	28	52

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

2 Days of forward demand calculated using actual demand except in 2Q2004 and 3Q2004 (when latest forecasts are used).

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

	2001	2002	2003	3Q03	4Q03	1Q04	2Q04	Jun 04	Jul 04	Aug 04	Year Earlier Aug 03	change
Saudi Light & Extra Light												
North America	0.69	0.70	0.64	0.63	0.66	0.55	0.56	0.69	0.51	0.64	0.74	-0.10
Europe	0.92	0.92	1.00	0.99	0.95	0.96	0.96	0.87	1.01	0.75	1.06	-0.31
Pacific	1.22	1.22	1.18	1.04	1.12	1.14	1.13	1.10	1.23	1.16	0.93	0.23
Saudi Medium												
North America	0.73	0.86	0.83	0.79	0.71	0.72	0.73	0.83	0.85	0.93	0.74	0.19
Europe	0.15	0.11	0.11	0.14	0.07	0.08	0.07	0.04	0.05	0.08	0.18	-0.10
Pacific	0.17	0.16	0.24	0.20	0.30	0.31	0.20	0.21	0.16	0.20	0.20	0.00
Saudi Heavy												
North America	0.21	0.20	0.30	0.25	0.19	0.19	0.14	0.13	0.27	0.33	0.25	0.08
Europe	0.14	0.09	0.19	0.21	0.16	0.16	0.26	0.34	0.33	0.30	0.17	0.13
Pacific	0.15	0.12	0.16	0.15	0.15	0.13	0.13	0.11	0.18	0.13	0.18	-0.04
Iraqi Basrah Light²												
North America	0.65	0.35	0.44	0.20	0.82	0.75	0.74	0.73	0.48	0.86	0.17	0.69
Europe	0.15	0.08	0.09	0.04	0.15	0.22	0.27	0.14	0.24	0.20	0.10	0.11
Pacific	0.01	0.02	0.03	..	0.11	0.14	0.08	0.03	0.12	0.14	..	..
Iraqi Kirkuk												
North America	0.09	0.14	0.06	..	..	..	0.04	0.07	..	..	..	..
Europe	0.31	0.32	0.12	0.04	..	0.04	0.07	0.08	..	0.03	0.00	0.03
Pacific	0.01	0.00	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.16	0.17	0.19	0.17	0.18	0.20	0.19	0.19	0.18	0.18	0.17	0.00
Pacific	0.13	0.12	0.17	0.16	0.17	0.18	0.13	0.11	0.18	0.13	0.14	-0.01
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.53	0.44	0.59	0.74	0.55	0.50	0.55	0.59	0.48	0.47	0.77	-0.29
Pacific	0.63	0.54	0.69	0.58	0.74	0.73	0.65	0.62	0.58	0.60	0.57	0.03
Venezuelan Light & Medium												
North America	0.61	0.68	0.69	0.75	0.84	0.63	0.78	0.81	0.64	0.58	0.70	-0.13
Europe	0.07	0.08	0.02	0.01	0.01	..	0.02	0.02	0.03	..	0.01	..
Pacific	0.00	0.00	0.00	0.00	0.00	..	..	..	..	..	..	..
Venezuelan 22 API and heavier												
North America	0.65	0.55	0.60	0.83	0.73	0.81	0.91	0.92	0.94	0.82	0.81	0.02
Europe	0.07	0.05	0.06	0.07	0.09	0.05	0.07	0.07	0.09	0.04	0.05	-0.01
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92	1.32	1.46	1.37	1.31	1.43	1.49	1.30	1.38	1.47	-0.09
Europe	0.14	0.17	0.16	0.21	0.13	0.14	0.19	0.20	0.21	0.18	0.17	0.01
Pacific	0.01	0.00	0.00	0.01	..	0.01	..	..	..	..	..	..
Mexican Isthmus												
North America	0.04	0.01	0.00	..	..	..	..	..	..	..	..	..
Europe	0.03	0.01	0.00	..	0.00	..	..	..	..	..	..	..
Pacific	0.01	0.01	0.00	0.01	..	0.01	..	..	..	..	..	..
Russian Urals												
North America	..	0.03	0.14	0.33	..	0.01	0.14	0.25	0.26	0.06	0.28	-0.22
Europe	1.10	1.32	1.62	1.70	1.75	2.14	1.93	1.76	1.68	1.58	1.82	-0.24
Pacific	0.01	0.01	0.00	..	0.01	0.00	0.01	..	0.04	..	..	..
Nigerian Light⁴												
North America	0.50	0.39	0.63	0.78	0.67	0.80	0.90	0.97	0.76	0.78	0.75	0.04
Europe	0.38	0.32	0.41	0.44	0.38	0.32	0.22	0.32	0.36	0.26	0.48	-0.23
Pacific	0.02	0.06	0.08	0.05	0.09	0.12	0.10	0.03	0.08	0.10	0.07	0.04
Nigerian Medium												
North America	0.31	0.16	0.17	0.10	0.21	0.26	0.21	0.26	0.27	0.24	0.19	0.05
Europe	0.10	0.06	0.06	0.04	0.09	0.03	0.04	0.03	0.03	0.02	0.06	-0.04
Pacific	0.00	0.01	0.01	..	..	0.02	..	..	..	..	..	..

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

IEA North America includes United States and Canada.

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

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

² Iraqi Total minus Kirkuk.

³ Iranian Total minus Iranian Light.

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

Table 7
Regional OECD Imports^{1,2}
(thousand barrels per day)

	2001	2002	2003	3Q03	4Q03	1Q04	2Q04	Jun 04	Jul 04	Aug 04	Year Earlier	
											Aug 03	% change
Crude Oil												
North America	8020	7584	8030	8475	8013	8027	8557	8574	8688	8943	8524	5%
Europe	8592	8622	8984	9228	9048	9295	9451	9675	10123	10186	9297	9%
Pacific	6895	6422	6711	6096	6683	7011	6170	5809	6565	6392	5638	12%
Total OECD	23506	22628	23725	23799	23744	24333	24178	24057	25375	25521	23459	8%
LPG												
North America	28	39	27	16	33	29	10	22	4	39	23	41%
Europe	251	224	196	177	226	252	194	183	237	209	181	14%
Pacific	546	553	541	553	523	550	585	596	493	475	657	-38%
Total OECD	825	816	764	745	781	831	789	801	734	723	861	-19%
Naphtha												
North America	59	42	68	90	64	53	49	81	52	116	72	38%
Europe	298	298	312	273	323	310	320	315	292	290	251	13%
Pacific	647	705	770	839	761	782	761	859	771	798	835	-5%
Total OECD	1005	1045	1150	1202	1148	1145	1131	1254	1115	1204	1158	4%
Gasoline³												
North America	673	680	697	695	569	673	896	909	1008	789	670	15%
Europe	148	176	170	147	182	243	193	205	157	240	163	32%
Pacific	36	58	70	79	75	105	118	103	87	80	76	5%
Total OECD	857	914	936	920	826	1021	1207	1217	1252	1109	910	18%
Jet & Kerosene												
North America	139	97	98	114	67	45	102	111	67	147	99	33%
Europe	247	216	211	249	228	173	236	298	324	234	226	3%
Pacific	73	97	102	48	132	92	60	60	62	34	50	-48%
Total OECD	459	411	411	410	426	310	398	469	453	415	376	9%
Gasoil/Diesel												
North America	186	102	128	126	87	199	92	107	116	138	175	-26%
Europe	601	686	685	637	663	708	686	782	818	786	597	24%
Pacific	31	53	73	66	73	56	92	93	80	74	60	19%
Total OECD	817	841	886	829	823	962	870	982	1014	999	833	17%
Heavy Fuel Oil												
North America	314	237	325	306	323	364	317	354	346	355	347	2%
Europe	403	475	399	457	448	368	435	549	457	369	445	-21%
Pacific	81	89	88	72	80	76	77	48	90	82	37	55%
Total OECD	799	801	812	835	852	809	829	951	893	806	830	-3%
Other Products												
North America	703	689	701	759	618	869	701	718	931	980	722	26%
Europe	737	733	684	716	702	666	701	869	775	764	722	6%
Pacific	218	256	236	224	218	249	266	289	233	262	183	30%
Total OECD	1658	1678	1620	1698	1538	1784	1668	1877	1940	2007	1627	19%
Total Products												
North America	2103	1887	2043	2106	1762	2233	2165	2301	2524	2565	2110	18%
Europe	2686	2808	2657	2655	2771	2721	2766	3202	3060	2891	2585	11%
Pacific	1631	1811	1879	1879	1862	1910	1960	2049	1816	1806	1899	-5%
Total OECD	6420	6506	6579	6640	6395	6863	6891	7552	7400	7263	6593	9%
Total Oil												
North America	10122	9471	10073	10581	9775	10260	10722	10875	11212	11509	10634	8%
Europe	11277	11431	11641	11882	11819	12015	12217	12876	13182	13077	11882	9%
Pacific	8526	8233	8590	7975	8545	8921	8130	7857	8380	8198	7537	8%
Total OECD	29925	29135	30304	30439	30138	31196	31069	31609	32775	32783	30052	8%

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

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

3 Includes additives

© OECD/IEA. All Rights Reserved

The International Energy Agency's ('IEA') makes every attempt to ensure, but does not guarantee, the accuracy and completeness of the information or the clarity of content of the Oil Market Report (hereafter the 'OMR'). The IEA shall not be liable to any party for any inaccuracy, error or omission contained or provided in this OMR or for any loss, or damage, whether or not due to reliance placed by that party on information in this OMR.

The Executive Director and Secretariat of the IEA are responsible for the publication of the OMR. Although some of the data are supplied by IEA Member-country governments, largely on the basis of information they in turn receive from oil companies, neither these governments nor these oil companies necessarily share the Secretariat's views or conclusions as expressed in the OMR. The OMR is prepared for general circulation and is distributed for general information only. Neither the information nor any opinion expressed in the OMR constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities.

The OMR is copyrighted by the IEA. The user may reference or copy this OMR for personal, non-commercial use provided that there be a specific written reference to the IEA as the source of the material. No part of the OMR may be copied, reproduced, republished, displayed, distributed or posted on servers in any manner for commercial purposes or for compensation of any kind without the prior written permission of the IEA (rights@iea.org).

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halff (+33) 0*1 40 57 65 93 e-mail: antoine.halff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org
	Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France
Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 69
E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

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

The monthly Oil Market Report is published on the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member Governments, largely on the basis of information received from oil companies, neither governments nor companies necessarily share the Secretariat's views or conclusions as expressed therein. ©OECD/IEA2004

10 December 2004

HIGHLIGHTS

- Mild weather and higher November refinery runs eased distillate supply concerns and, combined with rising crude stocks, triggered a near \$10 fall in crude futures in early December. Light/sweet crude differentials versus heavy/sours in the spot market saw their premium fall from their October highs. Upside price risks remain from the weather, geopolitical issues, low spare capacity and economic uncertainty.
- OECD industry oil stocks rose 15 mb in October to 2616 mb, closing 47 mb above 2003. Gains in crude outpaced declines in product stocks. Distillate stocks fell counter seasonally on reduced Atlantic Basin refinery output and diesel demand, preventing a recovery in days of forward demand cover. Cover held flat in October at 52 days.
- Lower OPEC output led to a minor decline in world oil supply of 40 kb/d in November to 84.4 mb/d. Non-OPEC production rose 420 kb/d on gains from US Gulf of Mexico and offshore China. Russian growth eased and OECD supply was also revised down. Non-OPEC supply growth remains at 1.1 mb/d for 2004 and is revised down to 1.2 mb/d for 2005.
- OPEC crude supply declined 500 kb/d to 29.4 mb/d, with disruptions to Iraqi exports driving the fall. Production from the OPEC-10 fell 75 kb/d to 27.6 mb/d. Effective OPEC spare capacity is low at around 1.0 mb/d. The call on OPEC crude plus stock change is revised up by 300 kb/d for this quarter and by 100 kb/d for both 2004 and 2005.
- The 2004 demand projection is unchanged at 82.4 mb/d. The 2005 growth forecast is trimmed by 80 kb/d, to 1.4 mb/d, with modest cuts to FSU and Middle Eastern demand. In addition to the weather, China is the main wildcard for the short term.

Henceforth, throughout this report, OECD includes the Slovak Republic

Next Issue: 18 January 2005



INTERNATIONAL ENERGY AGENCY

AGENCE INTERNATIONALE DE L'ENERGIE

The IEA is Seeking to Recruit a Head of the Oil Industry & Markets Division

The International Energy Agency (IEA), an intergovernmental body committed to advancing security of energy supply, economic growth and environmental sustainability through energy policy co-operation, is seeking a dynamic and experienced energy expert to serve as the Editor of the IEA Oil Market Report and to lead its Oil Industry and Markets Division in the Office of Oil Markets and Emergency Preparedness. He or she will supervise and co-ordinate the IEA's work on monitoring and reporting on oil industry and market developments.

The ideal candidate will possess:

- Advanced university degree in economics, science, engineering, or a related discipline.
- Ten to fifteen years' experience in the international oil industry with experience in the field of oil and energy policy. Specific areas of expertise include any or all of the following: oil production, refining and distribution, oil trade, oil stock policy or product quality issues.
- Strong analytical, communication and interpersonal skills, political sensitivity and ability to establish and maintain effective working relations with senior government and industry officials. Ability to synthesise complex material and set out the main issues succinctly and clearly.
- Proven experience in team-building as well as in planning, co-ordinating and supervising the work of a team. Strong achievement orientation and personal initiative, as well as ability to work under pressure, often to tight deadlines.
- Excellent level of oral and written communication skills and excellent drafting ability in English; working knowledge of French and other languages would be an advantage.

The IEA operates as an autonomous agency within the Organisation for Economic Co-operation and Development, a forum where the governments of 30 market democracies work together to address the economic, social and governance challenges of the globalising world economy, as well as to exploit its opportunities.

The OECD is an equal opportunity employer and offers an attractive remuneration package. We encourage applications from female candidates.

For further information on the OECD and the IEA: www.oecd.org (click on *Recruitment* for the full vacancy notice and the online application form) and www.iea.org.

Applications (in English or French) from nationals of OECD member countries should include a CV, specify the reference VAC(04)072 and be sent online by **16 December 2004**.

Please note that only candidates selected for interview will be contacted.

CONTENTS

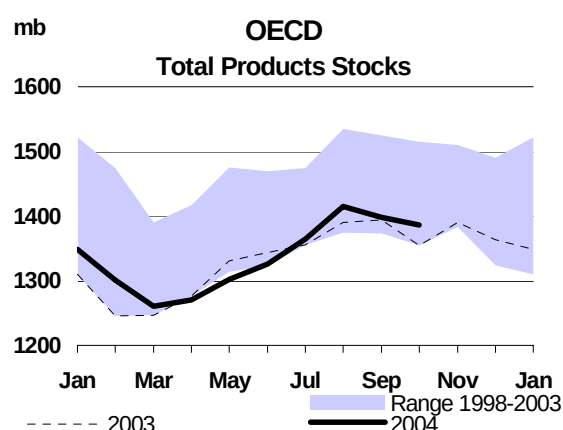
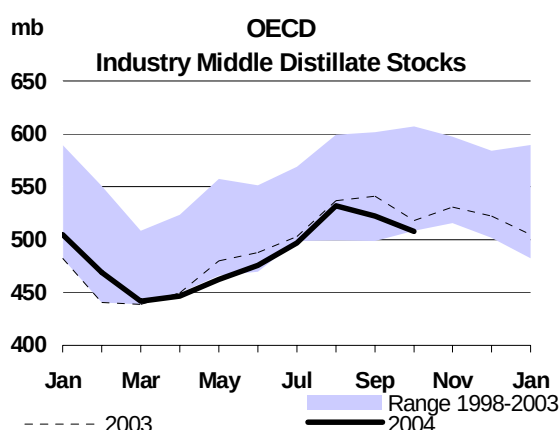
HIGHLIGHTS.....	1
NOT OUT OF THE WOODS YET.....	4
DEMAND	5
Summary	5
OECD.....	6
Early Indications of Current Demand	6
Europe	8
Incorporating Slovak Republic Data.....	9
Pacific.....	9
North America	10
Non-OECD.....	10
China	10
FSU	11
Price Effects and Non-OECD Demand	12
Other Non-OECD	13
SUPPLY.....	14
Summary	14
OPEC	15
Saudi Arabia's Sustainable Production Capacity.....	17
OECD.....	18
North America	18
North Sea.....	19
Former Soviet Union (FSU).....	20
Other Non-OPEC.....	21
OECD STOCKS.....	22
Summary	22
OECD Industry Stock Changes in October 2004	23
Revisions to Preliminary OECD Stocks and Inventory Position at End-October	23
OECD Regional Stock Developments	24
North America	24
Europe	25
Pacific.....	25
Singapore Stock Developments in November.....	26
PRICES AND REFINERY ACTIVITY	28
Summary	28
Crude Oil Prices.....	29
Spot Crude Prices and Differentials.....	29
Crude Futures	30
Delivered Crude Prices in September	31
Product Prices.....	31
Spot Product Prices	31
Product Futures.....	34
End-User Product Prices in November	35
Freight.....	36
Refining Margins	36
Refinery Throughput.....	38
TABLES	40
OIL MARKET REPORT CONTACTS	

NOT OUT OF THE WOODS YET

Oil prices fell sharply at month-end with WTI NYMEX closing at \$42.54 on 3 December, \$13.13 off its 25 October peak. A variety of factors contributed to this decline including a build in OECD industry crude oil stocks, mild weather in key northern hemisphere heating oil consuming regions, an upward revision to US natural gas storage and the return from maintenance of US Gulf Coast and North Sea production.

Rising crude inventory levels suggest that the hitherto tight crude oil market is easing. OECD industry crude stocks are now trending above last year and above the average of their five-year range. This trend is somewhat deceptive, however, in that the market is amply supplied with sour crude which can not be readily processed. This is evidenced by light-heavy, sweet-sour differentials that, despite narrowing significantly in November, remain wide by historical standards. The latter is attributable to rising OPEC supply to meet global demand combined with underinvestment in refinery conversion and desulphurization capacity.

While the crude market is becoming more balanced, the product side is moving in a different direction. With the exception of gasoline and fuel oil, developments here are much more troublesome. Middle distillate stocks are trending below last year and at the bottom of their five-year range. This situation is disconcerting given supply risks associated with capacity constraints, geopolitical uncertainty and weather-related supply disruptions and demand uncertainties surrounding weather, refinery margins and non-OECD demand.



Producers, haunted by the ghost of Jakarta, are understandably nervous. They want to avoid a further precipitous fall in prices. They are spooked by the recent build in crude stocks and price differentials and are growing increasingly concerned about the shape of the forward curve. Furthermore, they feel helpless with regard to developments in the products market as they have limited control over global refining and distribution logistics.

Notwithstanding these concerns, the market is not out of the woods just yet. An upward gyrations in crude oil prices could further undermine refining margins, weakened by fragility in the gasoline and fuel oil components of the product market. In a weak product market, refiners are not able to pass through the added feedstock cost, squeezing margins. Depressed refining margins translate into reduced throughputs, lowering product availability and causing product stocks to draw. Middle distillates comprise approximately 29% of the overall product barrel, and while demand in this product segment may be strong and inventory levels may be low, a fall in margins will curtail refinery runs. Reduced throughputs will exacerbate an already volatile market.

Producer concern over a precipitous fall in prices is somewhat overstated. Plus forty dollar oil is still high and capacity constraints, geopolitical uncertainty and demand growth will not disappear overnight and will continue to provide price support over the medium-term. In a capacity constrained environment with significant supply and demand risks, higher inventory levels are the only way to stabilize markets over the short-term.

DEMAND

Summary

- The projection of global oil product demand for 2004 is unchanged, at 82.4 mb/d. This represents a yearly increase of 2.6 mb/d, the steepest demand growth since 1976.
- The demand growth forecast for 2005 has been trimmed marginally, by 70 kb/d, to 1.4 mb/d. Minor downward adjustments to the forecast of FSU apparent demand – reflecting a more pronounced slowdown in supply growth than expected – and Middle East demand – due to fuel switching out of oil for power generation – account for the bulk of the revision.
- There is significant risk to the 2005 growth forecast. In addition to the weather, the main wildcard is China. Barring any hard landing, we expect continued Chinese economic expansion to keep fuelling steep oil demand growth through 2005 and beyond. But we anticipate this to be partially offset in the short to medium term by reduced diesel demand growth for stand-alone generators, as non-oil power generating capacity is gradually catching up with power demand. Uncertainties about domestic and international oil prices add further risk to the forecast.

Global Oil Demand from 2003 to 2005

	Demand (mb/d)	Annual Change*		Changes from last month's Report (mb/d)
		(%)	(mb/d)	
1Q03	80.3	3.1	2.4	-
2Q03	77.3	1.4	1.1	-
3Q03	79.3	2.2	1.7	-
4Q03	82.1	2.5	2.0	-
1Q04	82.4	2.7	2.1	-
2Q04	81.2	5.1	3.9	-
3Q04	81.9	3.2	2.6	-
4Q04	84.0	2.3	1.9	-
1Q05	84.0	1.9	1.6	-
2Q05	82.3	1.3	1.1	-
3Q05	83.3	1.7	1.4	-0.1
4Q05	85.5	1.8	1.5	-
2003	79.7	2.3	1.8	-
2004	82.4	3.3	2.6	-
2005	83.7	1.7	1.4	-0.1

* year-on-year change

- Preliminary oil delivery data for seven of the largest OECD economies point, as forecast, to a year-on-year contraction in October demand, but robust growth is believed to have resumed in November. The October dip spanned the demand barrel except diesel, for which demand was supported by soaring North American trucking demand. September OECD demand rose by 690 kb/d on the year, with North America accounting for most of the increment. OECD Asian demand appears to have shifted into contraction in the fourth quarter on the back of better Japanese nuclear power output. That will help quarterly OECD demand growth slow to a projected 570 kb/d, or 1.1%, down from 900 kb/d in the third quarter.
- As of this Report, Slovak demand is incorporated with OECD demand and taken out of the non-OECD aggregate. This results in an increase of roughly 70 kb/d to the OECD historical baseline, offset by a corresponding cut for the non-OECD region. Detailed monthly assessments of Slovak demand by main products are available from January 2001, and have been estimated based on annual data submissions for prior years.

Estimated Annual World Oil Demand Growth 2000-2005

(million barrels per day)

	00-99	01-00	02-01	03-02	04-03	05-04
North America	0.26	-0.06	0.10	0.47	0.50	0.21
Latin America	0.00	0.00	-0.04	-0.10	0.17	0.11
FSU	0.08	0.00	-0.20	0.12	0.13	0.12
Europe	-0.12	0.21	0.00	0.16	0.28	0.10
OECD Pacific	-0.04	-0.07	-0.04	0.14	-0.10	-0.08
China	0.26	0.12	0.30	0.55	0.81	0.36
Other Asia	0.09	0.18	0.27	0.22	0.45	0.21
Subtotal, Asia	0.31	0.23	0.53	0.91	1.16	0.49
Middle East	0.12	0.17	0.17	0.20	0.32	0.26
Africa	0.00	0.13	0.08	0.04	0.07	0.09
World	0.66	0.67	0.63	1.80	2.63	1.38

- Record high prices so far appear to have had limited impact on global demand. Demand growth has been particularly strong from the non-OECD region, where product prices remain partly subsidised, and where consumers have thus often been shielded from the full effect of the international price increases. However, that has exerted significant pressures on government budgets, a situation which may not be sustainable and which may also cause delayed demand effects through reduced government expenditures. Non-OECD consumption may emerge relatively unscathed if international crude prices ease further soon. On the other hand, price effects on GDP and demand tend to be lagged, as perceptions about future price levels are reflected in consumption and capital asset decisions, and we could thus be witnessing a slowdown later on.

Global Oil Demand by Region

(million barrels per day)

	(million barrels per day)						
	Demand	Annual Change			Annual Change (%)		
	2004	2003	2004	2005	2003	2004	2005
North America	25.08	0.47	0.50	0.21	1.9	2.0	0.8
Europe	16.45	0.16	0.28	0.10	1.0	1.7	0.6
OECD Pacific	8.68	0.14	-0.10	-0.08	1.7	-1.2	-1.0
China	6.33	0.55	0.81	0.36	11.0	14.7	5.7
Other Asia	8.55	0.22	0.45	0.21	2.8	5.6	2.4
Subtotal Asia	23.56	0.91	1.16	0.49	4.2	5.2	2.1
FSU	3.71	0.12	0.13	0.12	3.5	3.6	3.2
Middle East	5.88	0.20	0.32	0.26	3.7	5.7	4.5
Africa	2.81	0.04	0.07	0.09	1.7	2.4	3.3
Latin America	4.89	-0.10	0.17	0.11	-2.0	3.6	2.2
World	82.37	1.80	2.63	1.38	2.3	3.3	1.7

OECD*Early Indications of Current Demand*

Revisions to 2004 demand estimates from the latest oil statistics are for the most part small and mutually offsetting and would have left the assessment of fourth-quarter and annual demand roughly unchanged if not for the inclusion, as of this Report, of Slovak demand in the OECD aggregate. The average of 2004 demand has been lifted by 70 kb/d, the size of Slovak product demand. For the third quarter, the demand assessment has been raised by 60 kb/d, less than Slovak demand, as weaker-than-expected September deliveries in the rest of Europe and Asia more than offset upward adjustment in North America. For the fourth quarter, the estimate has been raised by 90 kb/d, slightly more than Slovak demand, as upward adjustments to North America marginally exceeded aggregate cuts for Europe and Asia.

The yearly increase to OECD demand was counter-balanced by a matching decline in the non-OECD region (as Slovak demand was taken out of the non-OECD), leaving global balances flat. Other revisions to non-OECD demand were also mutually offsetting.

Setting aside the transfer of Slovak demand from the non-OECD to the OECD balances, aggregate adjustments to preliminary and forecast data for September were negligible. Broken down by region, however, monthly oil statistics show substantially stronger-than-expected demand in the US, notably for diesel, naphtha and 'other products'. In contrast, demand was weaker than expected in Europe (particularly France) and Asia (Japan). Preliminary assessments for Japan were cut by 90 kb/d, with residual fuel oil, 'other product' and jet fuel/kerosene accounting for the bulk of the adjustments. French preliminary data were trimmed by 60 kb/d, almost all in naphtha. Together, France, Japan and the US account for most of the September changes.

Preliminary oil delivery data for October extend September's split pattern of upward revisions for North America and downward adjustments elsewhere. US demand was raised by 90 kb/d, bringing North American demand growth for the month to an estimated 120 kb/d. In contrast, European demand (despite the inclusion of Slovakia) was cut, including a 140 kb/d reduction in Germany, and now looks to have contracted by 140 kb/d. Weaker-than-expected Japanese deliveries, partly offset by upward adjustments for Korea, reduced the assessment for Asia, where at latest count demand appeared to have contracted by 190 kb/d. On aggregate, OECD demand is now estimated to have contracted by 210 kb/d in October, compared with growth of 690 kb/d in September.

However, demand is thought to have resumed strong growth in November, offsetting contraction a year earlier. Moreover, the November OECD growth forecast has been revised substantially upwards, to 1.47 mb/d, in light of preliminary weekly data showing an increase of about 8% year-on-year in US gasoil deliveries. December demand is forecast to grow by about 470 kb/d.

Preliminary Inland Deliveries – October 2004¹

	Gasoline		Jet/Kerosene		Diesel		Other Gasoil		RFO		Other ²		Total Products	
	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa	mb/d	% pa
United States ³	9.01	-1.1	1.62	-0.3	3.22	9.3	1.02	2.2	0.80	11.9	4.73	-1.3	20.40	1.1
Mexico	0.62	2.3	0.05	6.0	0.31	-0.6	0.00	Na	0.31	4.1	0.36	-6.5	1.65	0.1
Japan	1.04	0.2	0.47	-7.0	0.67	-4.3	0.46	-7.8	0.43	-18.6	1.55	0.6	4.62	-4.0
Korea	0.15	-9.5	0.06	-20.8	0.39	-4.2	0.11	-22.8	0.28	-16.5	1.06	5.2	2.04	-3.9
France	0.26	-9.9	0.13	4.1	0.63	-4.5	0.35	-2.1	0.05	-28.8	0.44	1.7	1.86	-3.7
Germany	0.57	-6.2	0.17	2.2	0.60	-1.6	0.47	-19.2	0.11	-3.8	0.50	1.7	2.43	-5.9
Italy	0.32	-11.6	0.08	3.3	0.49	-4.2	0.14	-0.8	0.19	-25.0	0.41	-10.0	1.64	-9.5
Total	11.97	-1.7	2.58	-1.5	6.31	2.7	2.55	-6.2	2.17	-6.2	9.04	-0.6	34.62	-1.3

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

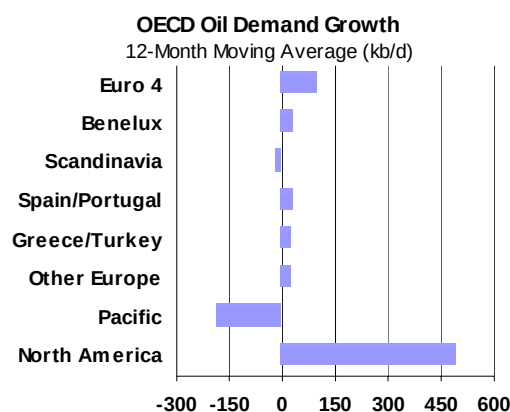
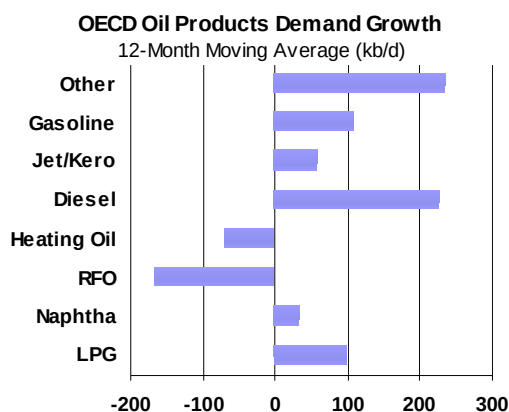
Percentage change is calculated from the same month of the previous year

1 excludes refinery fuel and bunkers (except US)

2 includes direct use of crude oil

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

The above table, showing preliminary delivery statistics for seven of the largest OECD economies, illustrates the contrast between demand trends in North America and in other economies. US demand expanded, led by distillates and residual fuel oil, though deliveries of gasoline and 'other products' declined. Mexican demand also edged marginally upwards. Elsewhere, demand contracted, with the decline spanning most of the demand barrel except jet fuel in Europe.



Remarkably, October demand was comparatively weaker in yen and euro-denominated economies, even though the strong appreciation of their currencies against the dollar helped offset recent oil price increases. US consumption growth, on the other hand, appeared unimpeded, despite bearing the full dollar impact of higher energy costs. In Japan, the main factor behind the lower demand was the recovery in nuclear power output, which lowered requirements from oil-fired power plants. But a secondary explanatory factor may lie in the broader economic impact of currency fluctuations, and the greater sensitivity of oil demand to income gains than price increases. A lower dollar is a boost to US exports and the US economy but has a neutral impact on US imports from China. So it is perhaps no surprise that US diesel demand, closely linked as it is to trading activity, soared to unprecedented highs in recent months. In contrast, a lower dollar adversely affects Japanese and European exports, even as it helps those economies cope with volatile energy markets.

Broken down by products, preliminary demand data for October show contra-seasonal weakness in distillate demand and generally weak demand for road transport fuels. Aggregate gasoline demand contracted in most of the largest OECD economies, while diesel deliveries fell steeply in Europe and Asia, and would have contracted across the OECD if not for a dramatic surge in the US. Heating oil deliveries also retreated in Europe and Asia, as did residual fuel oil demand, offsetting gains in North America. In contrast, jet fuel demand showed signs of continued improvement. Deliveries rose briskly in Europe and Mexico, while US deliveries edged marginally lower. Sales fell in Asia, but that was probably more reflective of a drop in heating kerosene demand than air travel demand.

Moving Annual Average Change in Oil Demand* – October 2004

	LPG	Naphtha	Gasoline	Jet/ Kerosene	Diesel	Other Gasoil	RFO	Other	Total	kb/d
US	2.8%	0.5%	1.3%	2.8%	5.5%	-4.5%	-0.3%	3.4%	2.0%	395
Canada**	5.0%	3.7%	1.2%	4.4%	-3.4%	7.2%	3.6%	7.0%	3.5%	77
Mexico	1.7%	-25.1%	5.4%	6.6%	2.4%	2.4%	-8.1%	7.5%	1.0%	21
Japan	-6.3%	1.5%	2.0%	-4.5%	0.2%	-5.6%	-10.5%	-7.3%	-3.2%	-182
Korea	0.1%	3.7%	-5.5%	-9.3%	3.9%	-10.9%	-2.8%	-12.3%	-0.9%	-19
France	1.9%	2.7%	-6.8%	3.6%	0.6%	-1.8%	-0.8%	5.6%	0.0%	1
Germany	2.7%	12.2%	-3.3%	1.7%	3.6%	-17.0%	-0.4%	44.4%	-0.6%	-17
Italy	1.2%	-1.7%	-2.3%	3.6%	7.0%	-1.5%	-7.8%	7.9%	0.4%	7
UK	16.0%	-7.9%	-2.1%	7.2%	7.2%	7.2%	19.4%	21.3%	6.4%	111
Total	2.1%	1.1%	0.8%	1.5%	4.5%	-4.1%	-3.5%	4.9%	1.1%	543
kb/d	102	35	112	61	351	-192	-161	237	543	

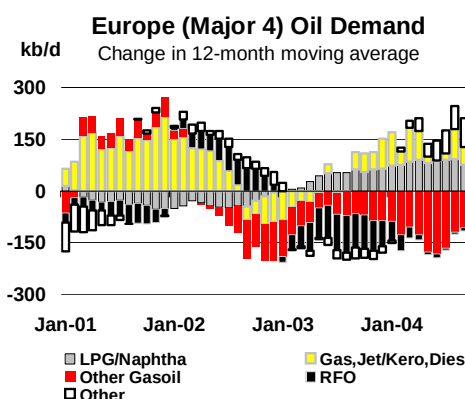
* defined as the percentage change between the demand average for the 12 months up to October and that of the same period a year earlier

** near-month data are estimated

Europe

Preliminary data for three of the largest European economies - France, Germany and Italy - point to weak oil product deliveries in October across most of the demand barrel (jet fuel demand bucked the trend, rising at a robust pace in all three economies). Particularly striking was an unusual decline in diesel deliveries. If confirmed, the year-on-year dip in diesel demand in those three economies in October would be the steepest drop since November 1998. The contraction occurred even as gasoline deliveries continued their secular decline, falling at or near double-digit rates in France and Italy. Heating oil deliveries also tumbled, particularly in Germany, despite reports of unusually low tertiary stock levels at this stage in the heating season.

One month of partial and preliminary data doesn't make a trend, and one should be wary of extrapolating from what may well be a temporary dip. Demand grew at a robust pace in the same economies in the third quarter and growth was expected to resume in November, offsetting steep decline in the same month last year. As a whole, European demand appears anything but weak. With only three months of data missing, average European growth for 2004 is currently forecast to have expanded by 270 kb/d. That would mark the steepest yearly increase in European demand since 1998.

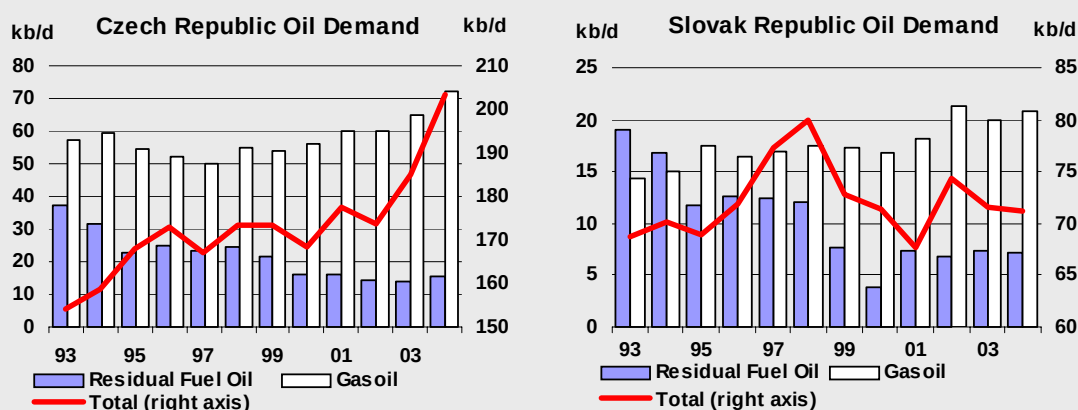


Incorporating Slovak Republic Data

As of this Report, statistics for the Slovak Republic are incorporated into OECD oil balances, lifting the OECD demand baseline by roughly 70 kb/d. Global balances are unaffected, as that gain is offset by a corresponding reduction to non-OECD demand.

The inclusion of Slovakia in OECD demand amounts to more than a simple accounting shift from one column to another, since OECD data offer a level of detail, integrity and cross-country consistency in methodology and definitions typically unmatched in non-OECD data. New insights into Central and Eastern European demand trends are thus gained, including seasonal patterns and product breakdowns.

The Slovak Republic achieved independence in January 1993 and joined the OECD in 2000. In accordance with OECD requirements, Slovakia has been providing the IEA with Monthly Oil Statistics submissions since January 2001. Earlier data were established on an annual basis and their distribution by month was estimated by the IEA statistical division.



Not surprisingly, the Slovak oil data point to a gradual lightening of the demand barrel over the last 12 years, a trend consistent with that displayed by the Czech Republic with which it had been previously united and OECD economies in general. Whereas residual fuel oil accounted for an estimated 28% of total Slovak demand in 1993, making it the country's number one product in volume, for 2004 that ratio is projected to fall to 10%. In contrast, gasoil's share of demand rose from 21% to 29% over the same period, mostly for use as diesel in road transportation.

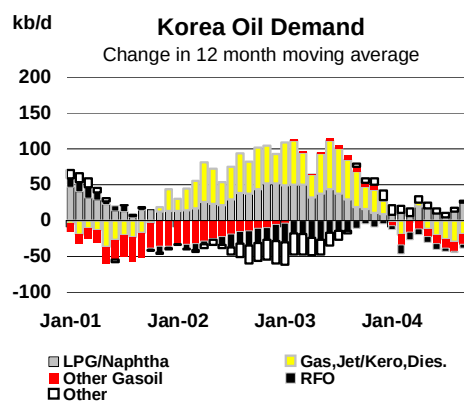
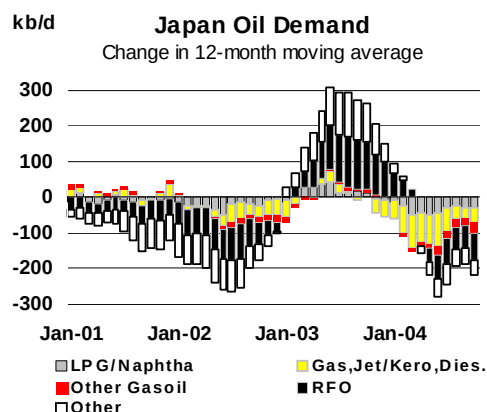
While Czech demand grew rather steadily over the last 12 years, Slovak demand trends appear somewhat choppier; though year-to-year changes may be overemphasized by Slovakia's lower baseline. Since 2001 demand has been peaking seasonally in the second half of the year.

Pacific

Preliminary Japanese demand data for September were revised downwards back to previously forecast levels. October estimates were also trimmed in light of preliminary data. Demand for residual fuel oil and 'other products' (including crude for direct burn at power plants) accounted for the bulk of the adjustments totalling 90 kb/d for October and 80 kb/d for November. The cuts were partly offset by a series of small upward adjustments to Korean demand for October spread among various products.

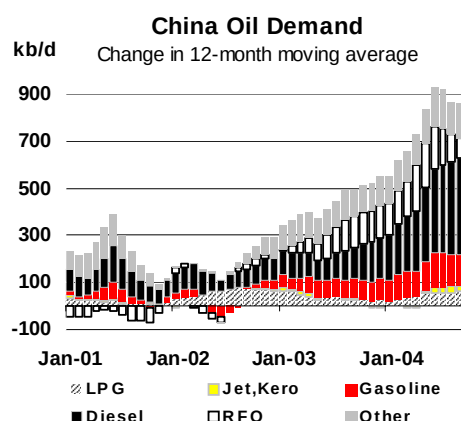
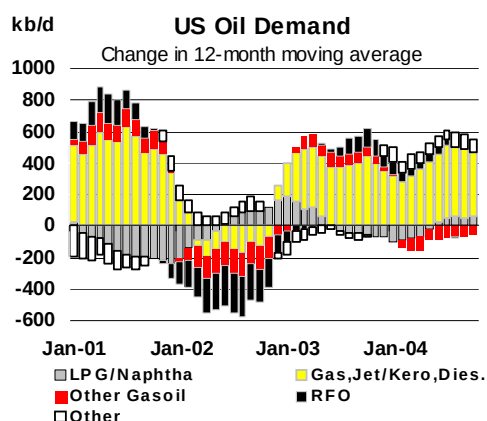
Warmer-than-normal weather compounded the effect of recovering nuclear power output in Japan to undermine oil demand for electric generation. At the time of writing, eight of Kansai Electric Co.'s (Kepco) 11 units and 11 of Tokyo Electric Co.'s (Tepco) 17 units were operating,

On average, demand in the Asia-Pacific OECD region is expected to contract by 80 kb/d in the fourth quarter, reversing the third quarter's growth. Demand is expected to fall by a further 80 kb/d next year.



North America

US demand was revised sharply upwards for September and November, lifting the assessment of North American demand by 30 kb/d for the third quarter and 110 kb/d for the fourth quarter. Distillate demand was exceptionally robust, with diesel deliveries soaring to an all-time high of 3.17 mb/d in September. Diesel demand fell seasonally in October and November, but remained at record levels for those months. However, gasoline demand growth was choppy. Deliveries fell by a provisional 1.1% in October, the second contraction in three months, though they appear to have rebounded strongly in November.



Non-OECD

China

Preliminary assessments of Chinese apparent demand for September and forecast levels for October were left roughly unchanged in light of the latest oil product output and trade data. As expected, Chinese demand growth slowed to an estimated 8.6% in the third quarter, to 6.25 mb/d, compared to gains of roughly 19% and 25% in the first and second quarters. Growth is expected to remain in the 8% range for the fourth quarter. A further slowdown in Chinese demand growth is expected in 2005, but the outlook is uncertain and remains predicated on several potentially conflicting factors.

Two key drivers led Chinese demand growth in 2004: economic expansion and a power generation shortfall that fuelled a surge in diesel demand for stand-alone, back-up generators. By some estimates, demand for private electricity generation may have accounted for as much as 300 kb/d or more of this year's projected 410 kb/d incremental gasoil demand. Diesel demand was particularly steep in the second quarter, rising by 530 kb/d year-on-year, as end-users filled up their tanks ahead of the summer cooling season in a manner not unlike pre-winter buying of heating oil by German or US Northeast residential users. While it seems safe to bet that Chinese economic development will continue to fuel strong oil demand growth in 2005 and beyond, the outlook for power generation, and its effect on oil consumption, is far less clear.

Although power generation capacity growth trailed demand growth earlier this year, non-oil capacity is being expanded and has started catching up with demand. As the gap is closed, back-up generators will become redundant and will be taken out of service, causing diesel demand growth to ease or even briefly reverse. However, the timing of this process is highly uncertain. This Report projects that diesel demand will grow by 130 kb/d next year, in line with rising requirements from the transportation sector, but that power demand for diesel will not significantly rise above this year's level. On the other hand, we do not anticipate a major contraction in diesel demand for electric generation in 2005. However, structural cooling demand is increasing in line with the economic and construction boom in the hot south and southeast coastal provinces, an increase which may not be fully met by new generation capacity. Even if enough capacity is built, concerns over potential blackouts or brownouts may cause renewed precautionary stockpiling by end-users ahead of summer, causing diesel demand to surge again the second quarter. Weather will no doubt be a factor, and an early surge in summer temperatures may cause diesel deliveries to spike in line with air-conditioning demand.

China Crude & Product Trade

(thousand barrels per day)

	2002	2003	4Q03	1Q04	2Q04	3Q04	Aug 04	Sep 04	Oct 04	Latest month vs. Sep 04 Oct 03	
Net Imports/(Exports) of:											
Crude Oil	1247	1664	1716	2290	2371	2232	2106	2413	2117	-296	580
Products & Feedstocks	361	442	445	600	849	545	429	586	618	32	113
Gasoil/Diesel	-16	-28	-9	22	50	21	2	32	39	7	38
Gasoline	-142	-175	-151	-95	-141	-146	-178	-138	-102	35	42
Heavy Fuel Oil	281	407	361	448	653	412	424	364	425	61	86
LPG	197	202	203	172	227	222	164	255	202	-53	2
Naphtha	-16	-22	-24	-21	-11	-48	-57	-48	-5	43	16
Jet & Kerosene	9	1	-6	21	15	19	5	53	18	-35	-7
Other	48	58	70	54	56	64	69	68	42	-26	-65
Total	1609	2106	2161	2890	3220	2777	2535	2998	2735	-264	693

Sources: China Oil, Gas and Petrochemicals plus IEA estimates

Another key determinant of next year's demand, and one equally dicey to predict, may be prices. While price controls in part of the non-OECD region have fostered oil demand growth by shielding consumers from the full effect of international price increases, it may be argued that Chinese government pricing policy paradoxically restrained consumption growth by constraining supply. With oil products selling in Chinese domestic markets at a discount to international prices, refiners have had little incentive to process large incremental volumes of high-cost imported crude, and import margins for products have been negative. Despite strong end-user demand and reports of refining capacity expansions, refinery throughputs have remained remarkably steady for the last six months. This could change if domestic prices were allowed to rise closer to international levels, or if international markets fell back in line with Chinese domestic levels. A levelling of domestic and international product prices could cause apparent demand to temporarily surge, as refiners refill reportedly depleted inventories.

FSU

The assessment of FSU apparent demand was increased for the fourth quarter, reflecting slowing export growth in November. Apparent demand for the quarter is now estimated at 3.9 mb/d, an increase of 1.9% on the year.

For 2005, however, the forecast of apparent demand has been trimmed by an average 30 kb/d, reflecting a reduction in the FSU supply forecast.

Price Effects and Non-OECD Demand

Record high international crude and product prices over a prolonged period of time have had so far little visible effect on global demand growth. Several factors - including efficiency gains, reduced economic dependence on oil, the depreciation of the dollar and the fact that oil prices are not as high in real terms as in nominal terms - are commonly offered to explain the fact that oil demand appears less sensitive to oil prices than during earlier "oil shocks". None of those factors appear fully satisfactory.

Although it is true that oil prices have not risen as fast in euro or yen terms as in dollar terms, much of this year's growth in oil demand has come from dollar economies, namely the US and China, where international oil price increases have in fact not been offset by the dollar's depreciation. While real oil prices remain well below their peak of the 1980s, their average for the year is roughly on par with the levels of the late 1970s, when demand was reeling from the effects of the 1973 Oil Shock. And although mature economies have become much less fuel intensive, much of the recent growth in oil demand has come from emerging economies which are still relatively inefficient. China is a case in point: Chinese oil demand has in fact risen even faster than the broader Chinese economy over the last 16 months, suggesting a decline, rather than an improvement, in energy efficiency.

Aside from the US, most of this year's oil demand growth has taken place in the non-OECD region, particularly China, other non-OECD Asia and the Middle East. Two factors appear to account for the resilience of oil demand in those economies: strong economic growth and subsidized retail and wholesale oil prices well below international levels. Neither of these factors may be sustainable over a prolonged period of time.

To some extent, Asian consumers have enjoyed cheaper oil prices this year than in the rest of the world, as the proverbial 'Asian premium' reversed into an 'Asian discount'. Asia is the main outlet for Middle East sour grades, whose discount to sweet benchmarks deepened this year to record levels. Non-OECD consumers are also comparatively large consumers of residual fuel oil, a product used, among other things, as feedstock in independent Chinese refineries, and which has also been trading at discounted prices.

More importantly, retail and wholesale price controls have shielded end-users in several key economies from the full impact of international price rallies. Prices for diesel, the mainstay of Indian demand, were kept flat at 21.73 rupees/liter through the first half of the year, then raised by 4.6% to 22.73 rupees as of 15 June, another 6.8%, to 24.28 rupees, as of 1 August, and an incremental 2%, to 24.84 rupees, as of 1 November. Over the period, prices rose by only 14%, substantially less than international gasoil prices in Singapore or London. This has helped fuel a recovery in Indian diesel demand, which is projected to have risen by about 60 kb/d, or 7%, this year, reversing a 10 kb/d contraction in 2003. Another 30 kb/d of Indian demand growth is expected from subsidized-LPG sales.

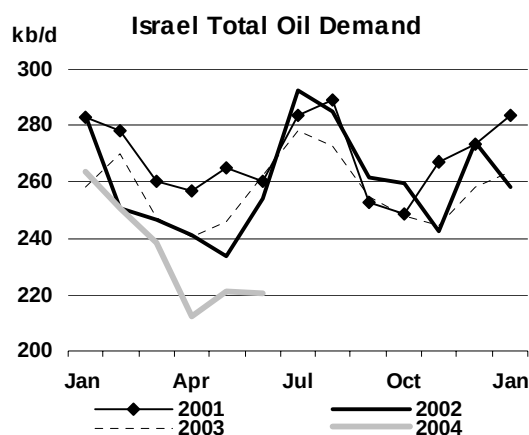
The same is true in Thailand, where retail diesel prices in Bangkok have been kept flat at 14.59 baht/liter since January, helping fuel projected demand growth of about 30 kb/d, or 9%. In contrast, demand for gasoline, which was only partially subsidized and whose price was allowed to rise, advanced by just 3%.

Economic expansion is the other key driver of consumption growth. Oil demand is more sensitive to income gains than to price increases, and steep GDP growth in China and elsewhere may have helped offset price gains. In China, in particular, GDP per capita appears to have reached key inflexion points, associated with the development of a consumer-oriented middle-class, at which oil consumption tends to race ahead of overall economic growth. In oil producing countries of the Middle East, consumers have enjoyed the twin benefits of record low product prices and the economic impact of soaring oil export revenues.

How long can demand continue to surge in the face of high prices? For oil importing economies, heavy oil subsidies, if prolonged, can exert a heavy toll of financial balances. While consumers may be shielded from price increases in the short term, government resources are affected. This may in the long run reduce government spending and infrastructure development projects essential to keep economic growth going. Oil price effects are always lagged. Price controls may cause them to be even more lagged, but also more profound, than in unregulated economies.

Other Non-OECD

The projection of Middle East demand has been trimmed by 30 kb/d for 2003 and 40 kb/d for 2004, reflecting downward adjustments to historical and forecast Israeli demand. While political violence in Israel has taken a toll on tourism and the economy, demand is also being reduced by fuel switching out of oil for power generation and industrial use. Israeli demand fell by 20 kb/d, or 25%, for residual fuel oil and by 10 kb/d, or 17%, for gasoil in the second quarter, following the conversion of the 1,200 MW Ashdod power plant to natural gas in April. Oil consumption from the power sector is expected to fall from about 55 kb/d in 2003 to nearly zero by 2010, when all units that currently run on gasoil or residual fuel oil are switched to natural gas. A further contraction of 20 kb/d is expected from natural gas conversion in the industrial sector.



India Crude & Product Trade

(thousand barrels per day)

(thousand barrels per day)											
	2002	2003	4Q03	1Q04	2Q04	3Q04	Jul 04	Aug 04	Sep 04 ¹	Latest month vs. Aug 04 Sep 03	
Net Imports/(Exports) of:											
Crude Oil	na	1863	1943	1938	2090	2013	2011	1953	2075	122	100
(by Public Oil Cos)	1088	1243	1379	1105	1312	1214	1271	1214	1154	-61	-26
Products & Feedstocks	-83	-152	-91	-132	-173	-178	-171	-164	-201	-37	69
Gasoil/Diesel	-53	-119	-99	-137	-135	-122	-69	-110	-188	-77	25
Gasoline	-48	-72	-62	-77	-67	-75	-85	-77	-63	13	25
Heavy Fuel Oil	6	5	-8	-12	13	-5	-10	-9	3	12	8
LPG	22	55	79	90	39	86	60	80	118	38	59
Naphtha	4	-1	30	19	10	-29	-39	-26	-21	5	-28
Jet & Kerosene	10	-22	-42	-29	-44	-43	-28	-35	-66	-31	-29
Other	-23	1	11	14	12	9	0	13	15	3	8
Total	1005	1091	1852	1807	1917	1834	1840	1789	1875	86	169

¹ Preliminary

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

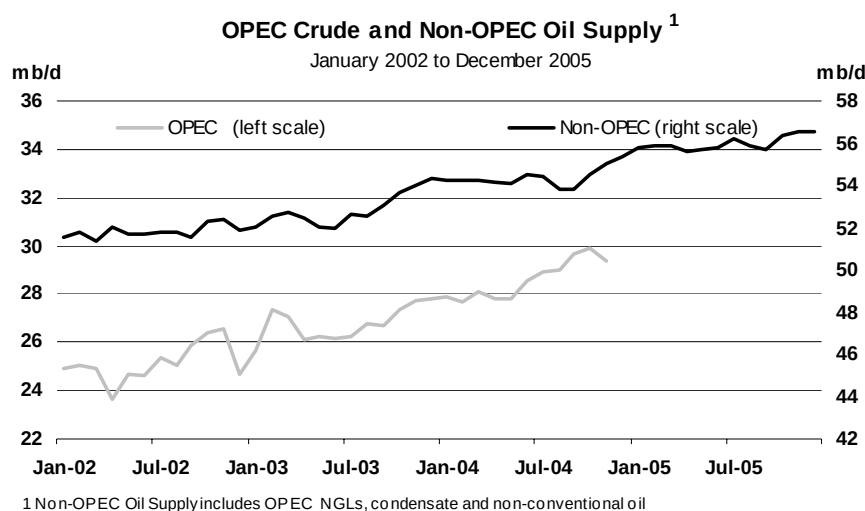
Yearly data for net imports of crude oil for 2002 are unavailable.

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

SUPPLY

Summary

- **World oil supply** nudged lower by 40 kb/d in November to reach 84.4 mb/d, after a sharp increase in October. OPEC crude fell by 505 kb/d, while non-OPEC production plus OPEC NGLs etc increased by a combined 465 kb/d. Global supply for both September and October was revised down by over 200 kb/d as OPEC crude and OECD oil production assessments came in lower than expected. But non-OPEC supply and OPEC 'other oils' are rebounding strongly from earlier lows, rising by a combined 335 kb/d this month, and 475 kb/d in January. A comparison with supply from last year shows OPEC crude now 1.7 mb/d above 2003 levels, non-OPEC supply up by 835 kb/d and OPEC other liquids 190 kb/d higher.
- **Non-OPEC supply** revisions for September and October are downward and amount to 155 kb/d and 110 kb/d respectively. September's adjustment was driven by the UK, where aggregate output data was pulled down by 235 kb/d. This implies heavier autumn maintenance than tentative schedules had indicated. October's revision arose from lower implied US Gulf of Mexico supply, and outages affecting Canadian, Chinese and Brazilian supply. Nonetheless, non-OPEC 4Q supply should rise by 865 kb/d versus 3Q. Non-OPEC growth now averages 1.1 mb/d in 2004 and 1.2 mb/d in 2005, marginally less than in last month's Report.
- **OPEC crude supply for November** fell by 0.5 mb/d, to 29.4 mb/d. This signalled the end of six straight months of rising OPEC output. Developments in November were heavily influenced by Iraq, where supply fell by 430 kb/d as southern exports were severely disrupted. Modest production declines were recorded by Saudi Arabia, Nigeria, UAE, Kuwait and Indonesia. Only Algeria saw increased supply, by 20 kb/d. A review of Saudi Arabia's sustainable capacity levels results in effective OPEC spare capacity of around 1.0 mb/d. However, this remains a low safety margin compared to historical norms, especially when considering geopolitical uncertainty that continues for key producers like Iraq and Nigeria.
- **OPEC-10 supply** (excluding Iraq) averaged 27.6 mb/d in November, a decline of 75 kb/d versus October. Output was within 570 kb/d of the latest target production level (27.0 mb/d), which took effect from 1 November. OPEC Ministers meet in Cairo on 10 December, with issues including the production ceiling, quota compliance and the target price range for the OPEC crude basket reportedly up for discussion.
- **The 'call on OPEC crude and stock change'** is revised up by 100 kb/d in both 2004 and 2005, to 28.0 mb/d and 27.8 mb/d respectively. Lower North Sea and North American oil supply partially accounts for the adjustment. The call for the current quarter is revised up by 300 kb/d to 29.0 mb/d, easing seasonally through mid-2005 before regaining 29.0 mb/d again by end-2005.



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

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

OPEC

OPEC crude supply for November fell by 500 kb/d, to 29.4 mb/d. This signalled the end of six straight months of rising OPEC output. October's supply estimate for OPEC was also revised down by 95 kb/d to 29.9 mb/d with downward adjustments made to Iranian and UAE data on the basis of latest information on exports and field production levels respectively. Developments in November were heavily influenced by Iraq, where supply fell by 430 kb/d. Pipeline flows to both the southern export terminals and to Ceyhan in Turkey were disrupted, although weather-related loading delays ensured southern exports were hardest hit. Other production declines were more modest, ranging from 50 kb/d for Saudi Arabia to 15 kb/d or less for Nigeria, UAE, Kuwait and Indonesia. Only **Algeria** saw increased conventional crude supply. Build-up in production at the new ROD development is thought to have contributed to a 20 kb/d increase in supply. Higher output here and a potential increment for overall capacity await completion of central processing facilities.

The review of Saudi Arabia's sustainable capacity levels later in this section results in total effective OPEC spare capacity (excluding Iraq, Nigeria, Venezuela and Indonesia) being revised up to around 1.0 mb/d. However, this remains a low safety margin compared to historical norms, which for the past decade have averaged 3-4 mb/d. It is also low when considered against the uncertainty still surrounding output from a number of key producers, including Iraq, Nigeria, Venezuela, Norway, Brazil and Yukos in Russia. A combination of insurgent activity, industrial action, ethnic unrest and financial difficulties has at various times over the past few months threatened supplies from these sources, with a potential 1.5-3.0 mb/d of output at risk in each case. As noted before however, new investment in OPEC capacity between 4Q 2004 and end-2005 should add a further 600-800 kb/d to installed capacity levels on a net basis.

OPEC Crude Production

(million barrels per day)

	1 Nov 2004 Target	Nov 2004 Production	Sustainable Production Capacity ¹	Spare Capacity vs. Nov 2004 Production	Production vs. Target
Algeria	0.86	1.29	1.30	0.01	0.43
Indonesia	1.40	0.97	1.00	0.04	-0.43
Iran	3.96	3.90	4.00	0.10	-0.06
Kuwait ²	2.17	2.44	2.50	0.06	0.27
Libya	1.45	1.61	1.62	0.01	0.17
Nigeria	2.22	2.35	2.40	0.05	0.13
Qatar	0.70	0.80	0.80	0.00	0.10
Saudi Arabia ^{2,3}	8.78	9.55	10.0-10.5	0.45-0.95	0.77
UAE	2.36	2.42	2.55	0.14	0.06
Venezuela ⁴	3.11	2.25	2.25	0.00	-0.86
Subtotal	27.00	27.57	28.42-28.92	0.85-1.35	0.57
Iraq		1.79	2.50	0.72	
Total		29.36	30.92-31.42	1.57-2.07	
<i>(excluding Iraq, Nigeria, Venezuela., Indonesia)</i>				<i>0.76-1.26)</i>	

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

2. Includes half of Neutral Zone Production

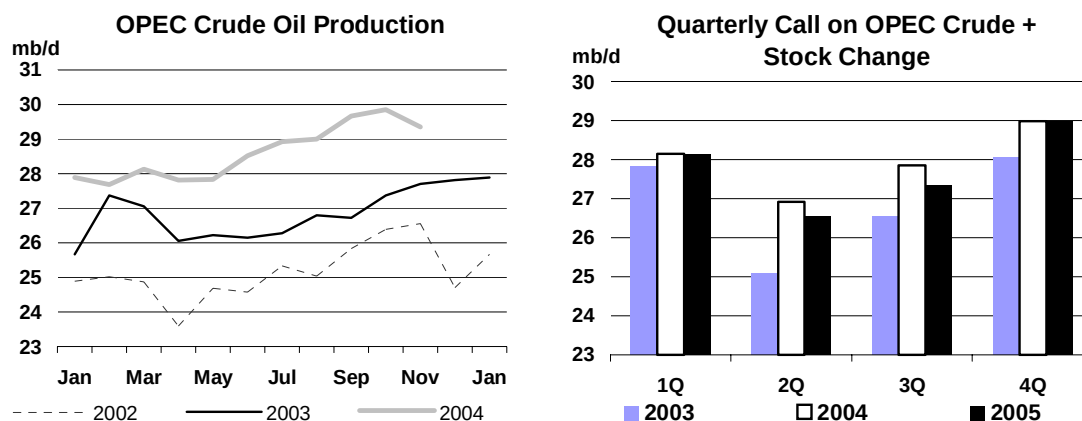
3. Saudi Arabian capacity shown as a range since a delay may be incurred before higher level can be achieved

4. Excludes upgraded Orinoco extra-heavy oil which averaged 378 kb/d in November

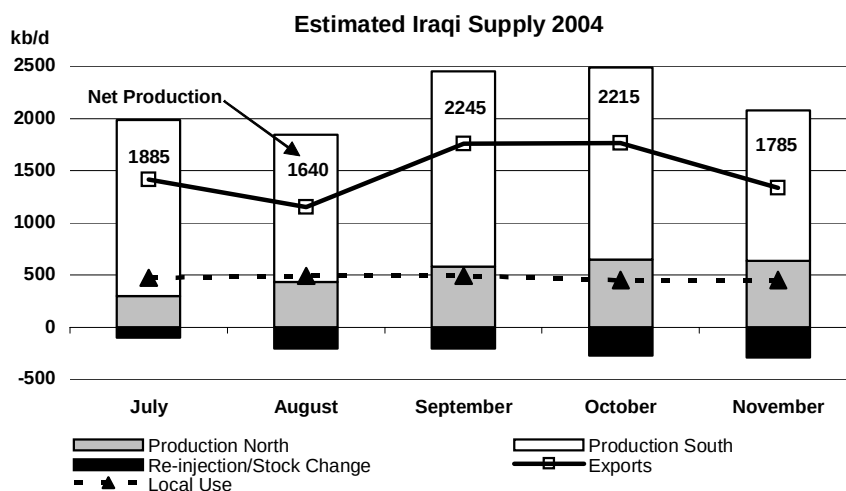
Crude supply from the OPEC-10 (excluding Iraq) averaged 27.6 mb/d in November, a decline of 75 kb/d versus October. Output was within 570 kb/d of the latest, 27.0 mb/d target production level which took effect from 1 November. Recent total OPEC production levels of just under 30 mb/d may prove to be a peak for now. In the case of Saudi Arabia, Iran and UAE reported term customer responses to offers of incremental supply, and the weakening trend in formula prices, suggests these

producers would struggle to shift higher volumes of production. Economic, as distinct from physical nameplate, capacity levels may have been reached.

OPEC Ministers meet in Cairo on 10 December, with issues including the production ceiling, quota compliance and the target price range for the OPEC crude basket reportedly up for discussion. A growing number of producers including Venezuela and Iran, but also Indonesia, Kuwait, Libya and Qatar are reported to have suggested that further sharp price falls could require curbing production to levels closer to the 27.0 mb/d target. Others, including Saudi Arabia, Algeria and Nigeria have gone on record saying that any cut in production now, with prices still relatively high, and ahead of peak winter demand, would be premature.



With production from the OPEC-10 largely stable, interrupted supply from **Iraq** underpinned the 500 kb/d decline in total OPEC supply. Iraqi production (net of re-injection and deliveries into storage) averaged 1.8 mb/d in November, falling by 430 kb/d from October's 2.2 mb/d. Domestic use of crude at refineries and for power generation remained constrained at around 450 kb/d in light of repeated disruptions at all three of the major domestic refineries. The drop in net production was therefore largely the result of sharply curtailed exports from the southern oilfields via the Basrah and Khor al-Amaya terminals on the Arab Gulf. Further disruptions on the northern export pipeline to Ceyhan in Turkey precluded any increase in export liftings from the port, although total exports from the latter outlet remained steady at around 150 kb/d, as in October. In total, Iraqi exports fell to 1.35 mb/d from October's 1.75 mb/d. Once again, we would urge caution in interpreting the spare capacity levels from the *OPEC Crude Production* table above. Iraq can theoretically attain 2.5 mb/d of gross production, but only if exports were to enjoy an un-impeded month and refinery utilisation was to rise. The erratic nature of production and export recovery in recent months (see below) means that 'spare capacity' here is best regarded as theoretical.



Periodic sabotage and disruptions to northbound pipeline flows to Ceyhan continued through November, with northern oilwells also being hit. At start-December, pipeline throughput had again halted and, with the 10 mb-capacity storage tanks at Ceyhan largely empty, tanker liftings scheduled

for late-November and the first few days of December were deferred. The renewed disruptions here mean that SOMO will likely have to rely once more on spot sales for northern Kirkuk crude after 4Q term export contracts expire. Problems in the south were more prosaic, with pipeline corrosion and weather-related loading delays playing prominent roles in cutting tanker liftings from Basrah terminal. However, latest indications are that southern exports had recovered again into a 1.6-1.8 mb/d range in the first week of December.

Saudi Arabia's Sustainable Production Capacity

November marked a third successive month of Saudi crude supply above 9.5 mb/d. Hitherto, this Report has assessed sustainable production capacity (attainable in 30 days and sustainable immediately thereafter for at least 90 days) at 9.5 mb/d. Recent production levels suggest that a more thorough re-examination of Saudi capacity is in order. The result has been an increase in the assessment through the adoption of a range between 10.0 mb/d and 10.5 mb/d. This accords with a number of other analyses, notably that of the US Energy Information Administration. The lower end of the range fits more closely the definition of immediately sustainable capacity, while the upper end of the range may be attainable and/or sustainable but with a greater time lag.

As the Saudi Minister of Petroleum has said on several occasions, capacity can only truly be confirmed when it is put into use. For other OPEC producers, recent surges in production have helped to identify the broad level of achievable capacity. In contrast, Saudi Arabia's aim of maintaining a certain level of spare capacity at all times makes estimating actual sustainable production capacity an inexact science. The lack of data on individual monthly field production levels (a shortcoming not restricted to Saudi Arabia) also renders estimation difficult. The balance of evidence in recent months has however shifted in favour of higher Saudi sustainable production capacity.

Well documented new production from the Qatif and Abu Safah fields is believed to be approaching capacity in November and December. The 650 kb/d of extra production provided by these fields, in the form of Arab Light and Arab Medium crude, was originally designed to replace decline elsewhere. With extra drilling at older fields however, this new supply is now likely to be, at least in part, incremental to existing capacity. Reports of up to 800 kb/d of new capacity from these projects overstate the likely increment however. Up to 150 kb/d of existing Abu Safah production accrues to Bahrain and lies outside Saudi quota but, confusingly, is believed to be included in Saudi Arabia's own quoted capacity levels.

Reports began to emerge in September of increased drilling activity within the Kingdom, aimed at stemming decline and sustaining production at existing fields. Drilling companies such as Nabors Industries Ltd. and National Oilwell Inc. have reported increased orders. There are indications that the proportion of rigs targeting oil as distinct from gas is also increasing from 55% to 75%. The first results from this incremental drilling programme should by now become apparent.

Under the IEA definition for sustainable capacity however, we are disinclined to adopt recent capacity claims of 11 mb/d. Uncertainty over annual decline rates persists (a wide range of between 300-800 kb/d per year has been cited). In the past too, Saudi Arabia has quoted capacity levels achievable within 90 days, as distinct from the IEA's 30 days limit. Recent statements suggesting the Kingdom's preferred spare capacity cushion may have fallen back to 1.0-1.5 mb/d from an earlier 2.0 mb/d may also lend credence to capacity lying within, but not above, this 10.0 – 10.5 mb/d range.

Early November indications of higher export loadings from **Nigeria** during the month failed to be realised by way of higher overall supply. Nigerian output is assessed down slightly versus October, at 2.35 mb/d. Recent production performance, statements from state oil company NNPC and a survey of other analysts' opinion has also led to a further modest downward revision in Nigerian sustainable capacity, to 2.4 mb/d from last month's 2.45 mb/d. NNPC also stated that existing deepwater discoveries raise the prospect of capacity reaching 3.4 mb/d, although the timing and also the extent to which this estimate reflects field decline elsewhere were not clear. Producers in Nigeria may soon face legislation requiring them to refine increasing proportions of their output in Nigerian refineries, rising from 25% by 2006 to 100% by 2010. While such a move would help address chronically low utilisation rates at the country's downstream plants, it is seen as a potential disincentive for foreign companies to boost upstream spending.

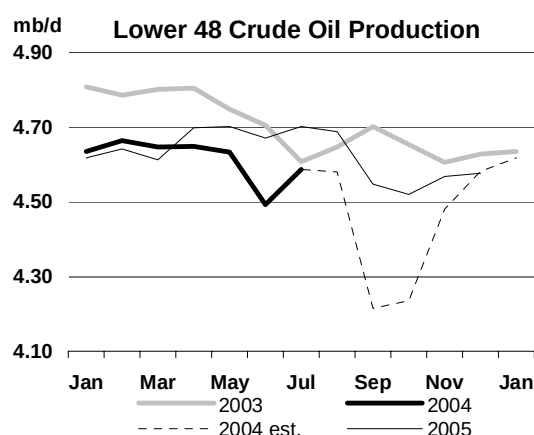
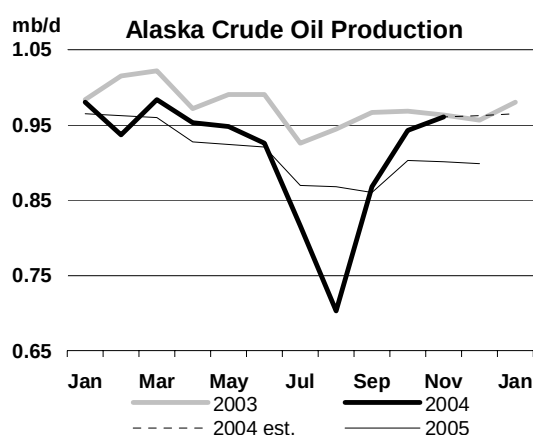
In the shorter term, November saw one threat to Nigerian production recede but another emerge. A national strike planned for mid-November in protest at domestic fuel price rises, and which was reportedly likely to hit oil production and exports, was suspended just prior to getting underway. The government agreed to increase price subsidies, effectively cutting prices by 8% compared to union calls for a 20% cut. However Shell and ChevronTexaco were forced to shut-in 120 kb/d of production in early December in Rivers State, in the country's Niger Delta. Local protestors calling for jobs and greater development spending by the government occupied production facilities on 5 December. Although the occupation had ended at the time of writing, production remains shut-in and threats persist that facilities will be re-occupied unless the government acknowledges the protestors' grievances.

Indonesian crude production has resumed a declining track, latest data suggesting a downward-revised level of 970 kb/d in October and 965 kb/d in November. However, condensate production (excluded from consideration for OPEC quotas) recovered towards 130 kb/d after two months of depressed supply around 120 kb/d. The renewed fall in crude supply came in spite of start-up at the offshore Belanak field located in the South Natuna Sea and operated by ConocoPhillips. Initial production of around 20 kb/d of crude should increase to 60 kb/d in 2005. This Report's estimates suggest however that Belanak will do little to halt Indonesia's prevailing production decline in the short term as steep decline at mature fields continues. With this in mind, the government has been pushing for state Pertamina to ensure timely development of the potentially prolific Cepu block on Java. This may ultimately involve Pertamina acceding to operator ExxonMobil's calls for its operating contract to be extended beyond 2010.

OECD

North America

US – November Alaska actual, others estimated: Revisions to US data are concentrated in October and November, with those months' total supply adjusted down by 25-30 kb/d compared to last month's Report. However, total US crude supply recovered to 5.4 mb/d in November from below 5.1 mb/d in September. Implied Gulf of Mexico (GOM) production has been revised down by 25 kb/d for October and by 50 kb/d for November. The latter reduction was however partly counteracted by higher than expected output from **Alaska**. Here, production from Prudhoe Bay and at the Kuparuk and Alpine fields exceeded expectation, offsetting outages incurred early-month at Northstar and Milne Point. Alaskan crude supply reached 960 kb/d in November, recovering from an August low near 700 kb/d. The role of satellite field developments in sustaining Alaskan output was emphasised, with Federal approval for ConocoPhillips to proceed with expansion at the Alpine field.



Total supply from the GOM is estimated at 1.46 mb/d for November, compared to September's storm affected 1.18 mb/d. As of Monday 6 December cumulative shut-in production was nearly 34 mb, with 155 kb/d of output still idled. On average, some 200 kb/d remained off-line through November, compared to our early-month estimate of 150 kb/d. We now assume 100 kb/d remaining out of action in December, 75 kb/d in 1Q 2005 and 50 kb/d in 2Q 2005, slightly higher levels for December through March than had been assumed in last month's Report.

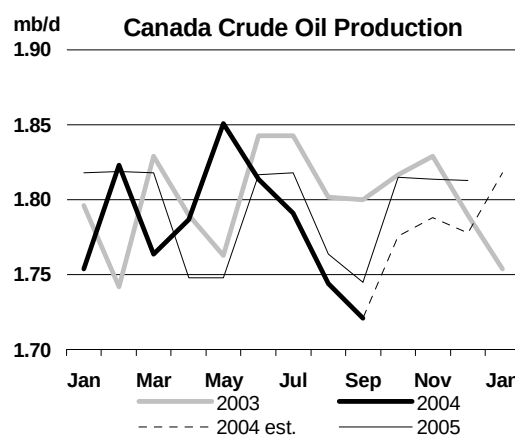
Repairs to damaged subsea pipelines, the main cause of the disrupted production, continue. This damage was itself the result of huge underwater mudslides in the Mississippi Delta and played a

greater role in curtailing supply than did damage to production facilities. The precise timing and pace of production recovery remains a source of uncertainty. Further downward adjustment to forecast GOM supply for 2005 is the result of changes at ConocoPhillips' Magnolia field. Appraisal work at the field, due to enter production this month, has caused a downgrading of reserves. Originally planned production for the second half of 2005 of 50 kb/d has been scaled back to 35 kb/d. Sharp decline in the field's production is now expected after 2006.

Canada – October Newfoundland actual, others September actual: Aggregate September data show the continuation of sharp decline in Canadian conventional crude production evident since May, output barely exceeding 1.7 mb/d. Total liquids output, including NGL and synthetic crude, reached 3.06 mb/d in September compared to 3.11 mb/d in May. Maintenance at the Shell Scotford syncrude plant in October and November kept total Canadian supply below 3.1 mb/d. The fall in conventional crude output has been driven in part by the Hibernia and, particularly, the Terra Nova fields offshore Newfoundland. The latter returned to operation after extended maintenance in early November but was shut down again after mechanical problems emerged on 21 November. Output is reported likely to remain shut-in until mid-December. Normal production levels at the field are around 150 kb/d.

These protracted outages late in 2004 result in a 15 kb/d downward adjustment to Canadian supply for the year. Lower baseline output of bitumen and synthetic crude from Alberta has also led to a re-evaluation of supply from these sources for 2005. Combined output is now seen averaging 990 kb/d in 2004 and 1085 kb/d in 2005. The latter is 50 kb/d less than the estimate contained in last month's Report.

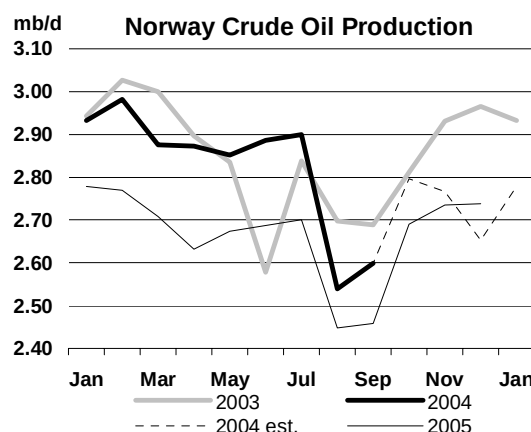
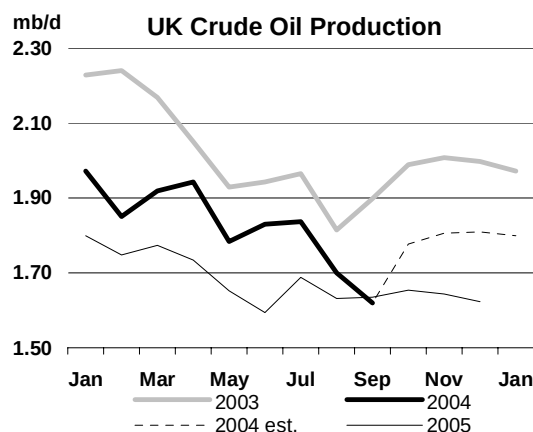
The Canadian Association of Petroleum Producers (CAPP) reported a 300 mb rise in bitumen reserves for 2003 but a 200 mb decline in conventional crude. A turnaround in the decline of conventional reserves might have been hoped for in 2005, after estimates of record drilling levels planned for next year. However, these increased exploration levels have recently been called into doubt following reports of potential manpower shortages.



North Sea

UK – September actual: Aggregate data for September production came in sharply lower than expected, to the tune of 230 kb/d, well below earlier indications derived from loading programmes and announced late-summer maintenance schedules. Offshore crude output averaged 1.62 mb/d in September compared to 1.7 mb/d in August and a recent high of 1.95 mb/d in April. This implies markedly higher maintenance levels for the UK sector, although the issue is clouded by a paucity of advance information from UK operators. Production is seen rebounding from recent low levels in 4Q 2004 however, despite unplanned stoppages in November at the Forties and Brae fields.

In total, UK output has been revised down by 30 kb/d for 2004, offshore crude averaging 1.8 mb/d and total liquids 2.1 mb/d. Levels for 2005 are held steady from last month's Report at 1.7 mb/d and 1.9 mb/d respectively. New start-ups at the Howe, James, Clair, Alba Extreme South, Glenelg and Chestnut fields, although modest individually in volume terms, help to stem production decline in



2005. The forecast for 2005 may however be subject to downward revision in the months ahead if detailed field-by-field production data for the second half of 2004 confirm steeper decline rates at key fields, or a sustained trend towards heavier and more protracted field maintenance.

Norway – September actual, October provisional: Further downward revisions to North Sea supply derive from Norway, where total output is adjusted down by around 15 kb/d for both 2004 and 2005. Government data actually suggest crude output running above our forecast for September and October, at 2.6 mb/d and 2.8 mb/d respectively. However, November saw unplanned stoppages at three fields which reduced our estimate for production by 75 kb/d. Firstly, in early November a damaged production riser at the Varg field caused operator Petroleum Geo-Services to cut field output to 15 kb/d from normal operating rates of 25 kb/d. Reduced operating rates will be sustained through until March 2005. Secondly, Statoil suffered a gas leak at the Snorre A field on 28 November which caused the shut in of 200 kb/d of output at Snorre A and the associated Vigdis field. Production here is unlikely to re-enter service before mid-December.

Former Soviet Union (FSU)

Russia – October final, November provisional: Total Russian oil production fell back by some 20 kb/d in both October and November. Remarkably, this was the first let-up in monthly supply growth since December 2002. Nonetheless, production in 2004 now appears on track to average 9.2 mb/d, growing by 735 kb/d versus 2003. Lower baseline output for 4Q 2004 also underpins a modest downward adjustment to 2005 supply. This is now seen averaging 9.64 mb/d, implying annual growth of 420 kb/d versus this year's total. Growth has therefore been scaled back by 30 kb/d compared to last month's estimate.

The slowing in growth for 2005 is widely seen as reflecting uncertainties over export capacity availability, a tightening of government controls on reservoir management and any fall-out from the potential financial collapse of the troubled Yukos organisation. While we consider the latter factor unlikely to play a primary role in determining short term production growth, the disposition of Yukos production assets could impact upon perceptions of the longer term investment environment in Russia. An auction of the assets of Yukos' main production subsidiary has now been scheduled for 19 December, with state-controlled Gazprom considered a front-runner in the bidding process.

Despite generally lower Russian production growth expectations for the short term, the surge in output in the past year has forced the Industry and Energy Ministry to re-visit its longer term Energy Strategy. Last year's document saw 2020 production lying within a 9.0-10.4 mb/d range, but recent production growth is reported to have led to an increase in the forecast to 11.0-11.9 mb/d.

FSU Net Exports of Crude & Petroleum Products

(million barrels per day)

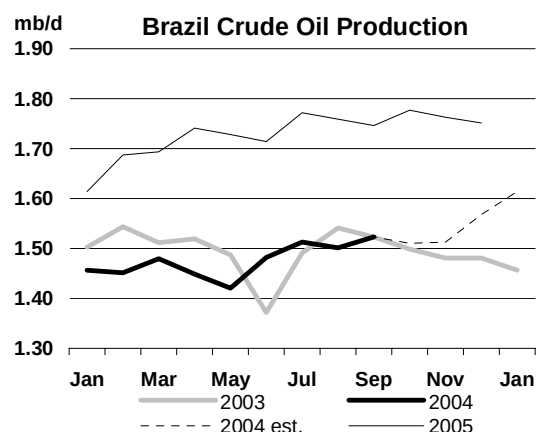
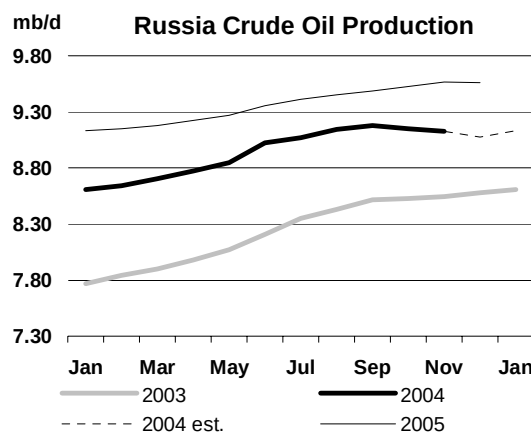
	2002	2003	4Q03	1Q04	2Q04	3Q04	Revised Sep 04	Prelim. Oct 04	Latest month vs. Nov 04	Latest month vs. Oct 04	Nov 03
Black Sea Exports	2.52	2.80	2.68	2.84	2.75	2.90	2.63	2.99	2.63	-0.36	0.01
Baltic/Arctic Exports	2.02	2.42	2.61	3.03	3.11	3.15	3.14	2.99	2.94	-0.06	0.21
Total Seaborne	4.54	5.22	5.29	5.87	5.87	6.05	5.77	5.98	5.57	-0.41	0.22
Druzhba Pipeline	1.04	1.05	1.08	1.09	1.04	1.10	1.12	1.08	1.13	0.05	0.05
Other	0.35	0.48	0.49	0.48	0.53	0.56	0.64	0.55	0.70	0.15	0.36
Total Exports	5.93	6.75	6.87	7.44	7.43	7.71	7.52	7.61	7.40	-0.21	0.63
Imports	0.01	0.02	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.00	0.00
Total Net Exports	5.92	6.73	6.86	7.43	7.42	7.69	7.52	7.60	7.39	-0.21	0.63
Crude	4.04	4.69	4.82	5.14	5.18	5.32	5.25	5.49	5.33	-0.15	0.66
of which: Russian Crude	3.02	3.43	3.38	3.65	3.82	3.75	3.65	3.89	3.81	-0.08	0.45
Products	1.89	2.06	2.05	2.30	2.25	2.39	2.28	2.12	2.06	-0.06	-0.03

Sources: Petro-Logistics, IEA estimates

Preliminary weekly data for FSU seaborne oil exports via the Transneft system in November suggest a sharp fall from record October levels. Delays facing vessels using the Turkish straits, and weather-related loading disruptions at the port of Novorossiysk led to a sharp fall in Black Sea liftings. However, increased Russian crude flows via the CPC and Druzhba pipelines, and indications of sharply higher Caspian crude swaps with Iran suggest a partly offsetting 200 kb/d rise in exports via alternative routes. Overall FSU net exports for November are seen down by 210 kb/d versus October, but this is 630 kb/d above November 2003 levels.

Other Non-OPEC

Brazil – September actual, October provisional: Crude production increased by 20 kb/d in September to 1.52 mb/d, a further 10 kb/d increase coming from NGL. However, October crude output slipped by 15 kb/d as start-up of new wells at the Marlim field was offset by field maintenance elsewhere in the offshore Campos Basin. New offshore production at the Albacore, Barracuda and Caratinga fields will push Brazilian output higher in 4Q 2004 and in first-half 2005. On the downside, Barracuda start-up has been deferred from November to this month. Alongside reports from Petrobras of expected 2005 mature field decline rates, this leads to a downward adjustment to forecast crude production of 10-15 kb/d for this year and next. Crude production is now seen averaging 1.49 mb/d in 2004 and 1.73 mb/d in 2005 (total oil averages 1.8 mb/d and 2.0 mb/d).



Revisions to other non-OPEC estimates: A further 30 kb/d of downward revisions for 2005 result from developments in Oman, Angola and Egypt. For **Oman**, recent statements by Petroleum Development Oman suggest sharper decline in 2005 production than had earlier been assumed by this Report. Total Oman oil supply in 2005 is revised down by 15 kb/d, to 740 kb/d, as a result. The deferral of build-up in Sanha condensate production during 2005 reduces **Angolan** output by some 10 kb/d. Lower baseline supply from **Egypt** in October and November also reduces forecast 2005 output modestly. In contrast, **Malaysian** production for 2005 is revised up 15 kb/d having taken account of sharply higher October 2004 output data.

Revisions to Non-OPEC Oil Supply

(million barrels per day)

	Last month's OMR			This month's OMR			This month vs. last month		
	2004	2005	05 vs. 04	2004	2005	05 vs. 04	2004	2005	05 vs. 04
North America	14.65	14.90	0.25	14.63	14.85	0.22	-0.02	-0.05	-0.03
Europe	6.13	5.90	-0.23	6.09	5.89	-0.20	-0.04	-0.01	0.03
Pacific	0.58	0.54	-0.04	0.58	0.54	-0.04	0.00	0.00	0.00
Total OECD	21.35	21.34	-0.02	21.30	21.28	-0.01	-0.06	-0.05	0.00
Former USSR	11.18	11.82	0.64	11.17	11.77	0.60	0.00	-0.05	-0.05
Europe	0.17	0.16	-0.01	0.17	0.16	-0.01	0.00	0.00	0.00
China	3.46	3.52	0.05	3.46	3.53	0.06	0.00	0.01	0.01
Other Asia	2.74	2.71	-0.03	2.74	2.73	-0.01	0.00	0.02	0.01
Latin America	4.05	4.36	0.31	4.04	4.35	0.30	-0.01	-0.01	-0.01
Middle East	1.89	1.86	-0.03	1.89	1.84	-0.05	0.00	-0.02	-0.02
Africa	3.41	3.72	0.31	3.41	3.71	0.30	0.00	-0.01	-0.01
Total Non-OECD	26.90	28.15	1.25	26.89	28.08	1.19	-0.01	-0.07	-0.07
Processing Gains	1.83	1.86	0.03	1.83	1.86	0.03	0.00	0.00	0.00
Total Non-OPEC	50.09	51.36	1.27	50.03	51.23	1.20	-0.06	-0.13	-0.06

OMR = Oil Market Report

OECD STOCKS

Summary

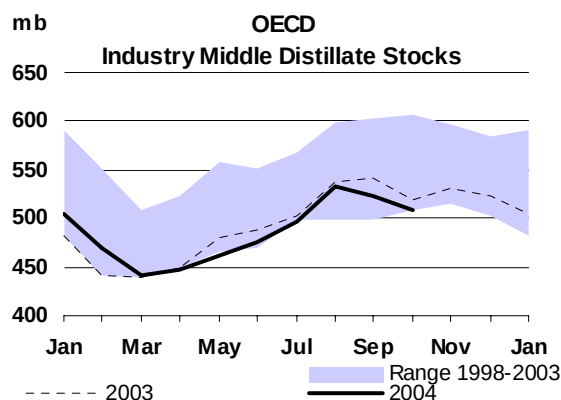
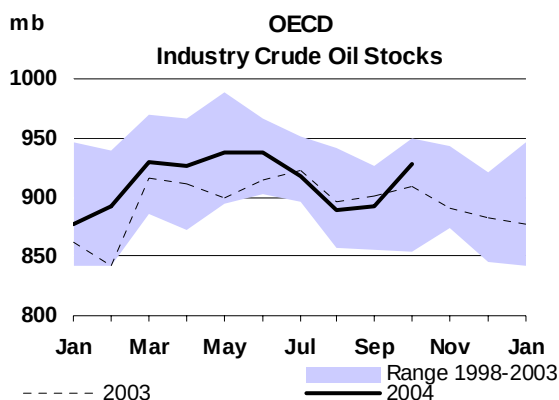
- **OECD industry total oil stocks** rose 490 kb/d in October, or 15 mb, closing at an estimated 2616 mb or 47 mb above year-ago levels. A build in crude oil stocks of 1.13 mb/d outpaced a 400 kb/d draw in product stocks, primarily in distillate fuels. The counter-seasonal fall in distillates, however held in check an improvement in days of forward demand cover. OECD industry oil stocks covered 52 days of forward demand, unchanged from September and about par with the same period last year.

Preliminary Industry Stock Change in October 2004 and Third Quarter 2004

	October (preliminary)				Third Quarter 2004			
	North America	Europe	Pacific	Total	North America	Europe	Pacific	Total
Crude Oil	0.64	0.19	0.30	1.13	-0.31	-0.10	-0.09	-0.49
Gasoline	0.09	-0.06	0.00	0.03	0.01	0.02	-0.01	0.02
Distillates	-0.29	-0.18	0.01	-0.46	0.20	0.15	0.16	0.51
Residual Fuel Oil	0.10	0.03	-0.02	0.11	-0.03	0.00	-0.01	-0.04
Other Products	-0.18	0.03	0.07	-0.08	0.24	0.04	0.02	0.29
Total Products	-0.28	-0.17	0.05	-0.40	0.42	0.21	0.15	0.79
Other Oils ¹	-0.13	-0.02	-0.09	-0.24	0.19	-0.01	0.04	0.22
Total Oil	0.23	0.00	0.26	0.49	0.30	0.10	0.11	0.51

¹ Other oils includes NGLs, feedstocks and other hydrocarbons

- **OECD industry crude stocks** rose 1.13 mb/d or up 35 mb in October with gains seen across all regions. North America led the build with the US adding about 16 mb during the month. US stocks were lifted by faster than expected recovery in Gulf of Mexico production and imports sustained at high levels in relation to refinery runs. Europe's crude stocks rose with post field maintenance replenishing of offshore Norwegian stocks. Inventories in the Pacific saw contrasted trends with stocks building Japan on high imports and declining in Korea due to strong refinery activity.
- **OECD industry distillate stocks** fell by 460 kb/d in October or 14 mb with draws centred in North America and Europe. Pacific stocks were flat with offsetting changes in gasoil and kerosene. Middle distillate stocks in the US fell on declines in diesel and jet/kerosene fuels, the draw prompted by demand and constrained output due to scheduled refinery maintenance. European stocks were also down, albeit from an upward revised September base with draws centred in diesel rather than jet fuel or heating oil. Independent storage of gasoil in the ARA area in November ended at seasonal levels on thin heating oil demand and imports of Scandinavian and Russian material.
- **OECD industry gasoline stocks** were little changed in October but remained at comfortable absolute levels, particularly in the Atlantic Basin. While imports fell, gasoline production in the US rose and demand growth turned negative. Increasing US supplies limited spot arbitrage opportunities from Europe in October. Despite some refinery buying on the barge market and open arbitrage in November, gasoline built in ARA independent storage, ending at relatively high levels on a seasonal basis.



Note: OECD stock levels and changes henceforth include the Slovak Republic

OECD Industry Stock Changes in October 2004

OECD industry oil stocks in October ended at an estimated 2616 mb, up 15 mb from September and closing 47 mb above their year-earlier position. The 490 kb/d build came on the back of gains in crude inventories across all regions, outpacing counter seasonal draws in distillate products. However, the decline in products stocks, part motivated by a period of refinery maintenance in the Atlantic Basin and part driven by strong diesel demand, held in check an improvement in days of forward demand cover. OECD industry product stocks fell 400 kb/d or 12 mb in October, closing at the bottom end of their range. Days of forward demand cover by OECD industry oil stocks held flat from September at 52 days.

OECD industry crude stocks built 1.13 mb/d in October or 35 mb. Increasing crude availability eased backwardation in the near month futures contracts for IPE Brent and NYMEX WTI and prompted a shift to a contango structure in November, supporting further stock builds. Most of the increase came in the US, where 16 mb were added in October to an upward revised September stock level. With scheduled refinery maintenance lowering utilisation rates, US stocks were lifted by average imports nearing historical highs and production recovering in the Gulf of Mexico. US gains were modest in November as refinery activity gained momentum and imports fell back. The first half of December is likely to see a moderate US stock draw. Though refiner runs are expected higher, supplies will be supported by increased imports of light sweet crude. With muted Asian interest, a number of unsold West African cargoes loading late November and December were offered at steep discounts into the US Gulf Coast. European crude stocks ended at the top of their five-year range in October, closing 6 mb higher on gains in Norway. Declines in the region, prompted by relatively firm runs given scheduled maintenance, were mitigated by the availability of North Sea, Urals and competing sour crude. In the Pacific, stocks built in Japan where imports from term suppliers were high and refinery runs were at a seasonal lull.

Atlantic Basin gasoline stocks were little changed but were high in absolute levels in relation to demand. US stocks built in spite of lower refinery utilisation rates. Product yield remained skewed towards gasoline and demand growth was negative in October. This supply-driven momentum prompted further stock builds during November. European gasoline stocks ebbed. After shipments of winter quality material in September, spot cargo arbitrage to the US in October was limited by growing domestic supplies in the US. While spot arbitrage to US opened in November, gasoline in ARA independent storage continued to rise.

OECD industry distillate stocks fell in the Atlantic Basin and were unchanged in the Pacific. Japan and Korea both saw stocks of kerosene rise as refiners maximised output at the expense of gasoil. The US dominated the distillate draw due to lower refinery runs and product yields centred on gasoline. Declines came in diesel and jet fuel. US heating oil stocks held about level in the east coast's Central Atlantic states, even in absence of higher imports, while building on the Gulf Coast due to pipeline constraints. US distillate stocks rose in late November with expanded domestic output. Heating oil stocks in the US, while on the low side, are likely to see some build in December. Pending on mild weather, increased refinery runs and financial support provided by a contango in the near month's NYMEX No 2 contract should support higher storage levels. European distillates stocks fell, but off upward revised August and September levels. Diesel remained tight, but jet fuel and heating oil stocks were more ample. Heating oil demand contracted on yearly basis in Europe and deliveries into large markets like Germany were incremental due to high prices and mild weather. Barge sales of heating oil out of ARA oil picked up to Germany, Switzerland, the Benelux and France but stocks in independent storage ended at seasonal levels in November, volumes supported by inflows of Baltic and Scandinavian material. As such, high physical delivery (in ARA) into IPE's November gasoil contract (172 000 tonnes) was not accompanied by heavy withdrawals from independent storage in ARA and likely settled by tank transfers.

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

Revisions Versus 10 November 2004 Oil Market Report

	(million barrels)							
	North America		Europe		Pacific		OECD	
	Aug 04	Sep 04	Aug 04	Sep 04	Aug 04	Sep 04	Aug 04	Sep 04
Crude Oil	-0.1	8.0	-1.7	4.3	0.0	-10.4	-1.8	1.9
Gasoline	-1.3	2.0	0.9	-1.3	0.0	-0.7	-0.4	0.0
Distillates	-3.1	-6.5	5.9	4.5	0.1	0.1	2.9	-1.9
Residual Fuel Oil	-0.2	-2.5	0.9	-3.7	0.0	-0.4	0.7	-6.6
Other Products	-3.5	-0.4	0.7	1.2	0.1	0.4	-2.7	1.2
Total Products	-8.0	-7.5	8.4	-1.7	0.2	-0.6	0.5	-9.7
Other Oils ¹	-0.3	2.0	-1.6	2.0	0.0	3.4	-1.9	7.4
Total Oil	-8.4	2.5	5.1	4.6	0.2	-7.5	-3.2	-0.4

¹ other oils includes NGLs, feedstocks and other hydrocarbons

OECD total oil stocks closed October at 2616 mb, or 47 mb above 2003. Barring product stocks in the Pacific, industry oil inventories posted surpluses against their year-earlier position across all OECD regions. Days of forward demand cover by OECD oil stocks held flat overall in October at 52 days. Cover in North America came to 49 days, 59 days in Europe and 47 days in the Pacific.

Year-on-Year Industry Stock Comparisons for October 2004

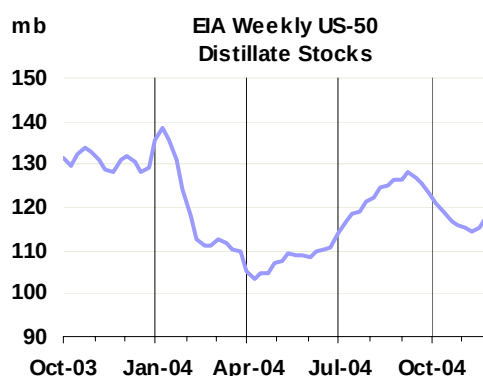
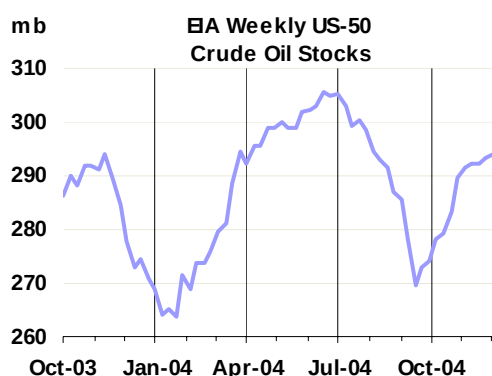
	(million barrels)					(Days of Forward Demand)			
	North America	Europe	Pacific	Total		North America	Europe	Pacific	Total
Crude Oil	3.6	3.7	10.5	17.9	Total Oil	0.2	-0.1	0.2	0.1
Total Products	22.1	20.1	-10.1	32.1	Versus 2002	-1.0	-1.8	2.5	-0.5
Other Oils ¹	1.2	-4.4	0.1	-3.1	Versus 2001	-4.7	0.7	-6.3	-3.4
Total Oil	26.9	19.4	0.5	46.9	Total Products	0.4	0.5	-1.0	0.2
Versus 2002	23.6	1.4	2.1	27.1	Versus 2002	-0.3	-1.8	0.0	-0.6
Versus 2001	-24.6	21.8	-56.6	-59.4	Versus 2001	-2.4	-0.3	-3.4	-1.9

1 other oils includes NGLs, feedstocks and other hydrocarbons

OECD Regional Stock Developments

North America

US-50 crude stocks rose by about 16 mb in October, closing at 290 mb. Lost output in the Gulf of Mexico following Hurricane Ivan recovered faster than anticipated while imports were high in relation to refinery runs. Crude demand in October eased due to scheduled maintenance and utilisation rates averaged well below 90%. The largest inventory gains were seen on the Gulf and West Coasts, but stocks were also up in Cushing, the delivery point for NYMEX's light sweet crude futures contract. Softening crude fundamentals weighed on the price of the prompt WTI futures contract, narrowing the time spreads against the second delivered month. Additions to crude storage weakened in November as average crude imports fell back from October's highs. US-50 crude stocks built about 4 mb to nearly

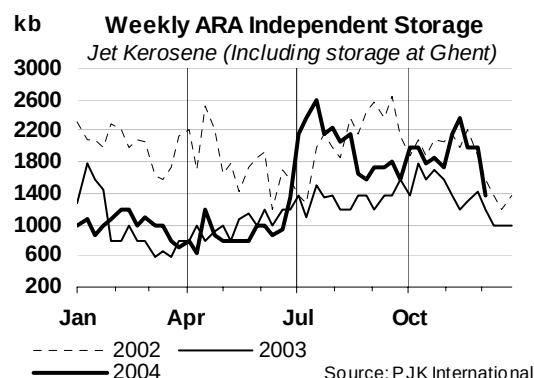
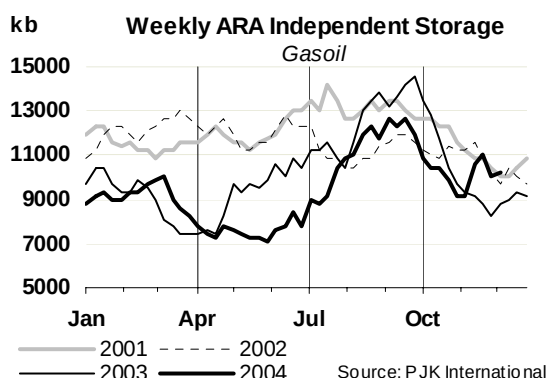


294 mb. Refinery runs recovered with the end of maintenance, utilisation rates rising more rapidly at the end of the period. Stocks in Cushing continued to increase on higher imports into the Mid-continent and NYMEX's WTI near-month prices shifted into a contango, supporting further stock builds. Availability of sweet crude supplies improved in the physical market and helped to maintain crude inventory levels despite higher throughputs. While Heavy and Light Louisiana Sweet production was partially reinstated, offers of West African crude (mainly Nigerian and Angolan) were high. With muted Asian interest, these were heavily discounted and sold on a delivered basis into the US Gulf Coast. The improved availability was seen in the Gulf Coast's sweet marker, Light Louisiana Sweet, trading from a premium against WTI in October to a discount in November. The margin for a significant build-up in crude stocks in December, however, remains limited by year-end tax considerations on inventory.

Middle distillates stocks fell in October due to supply limited by scheduled refinery maintenance and demand strength in diesel and jet fuel. Refinery utilisation averaged 88% capacity and product output remained concentrated on gasoline. The crude slate, coupled with imports, and transient demand yielded surplus fuel oil supplies accumulating in storage from October to November. US-50 distillate stocks (diesel and heating oil) began to increase late-November, ending the month at around 119 mb. Distillate yield rose to 25% in the second half of November and refinery runs resumed higher belatedly. Heating oil stocks built in November and are expected to extend gains through the first half of December. US heating oil stocks were low on a seasonal basis, but inventories in the Central Atlantic states on the east coast, where most consumption takes place, were stable during the period. Additionally, supplies were mounting on the Gulf Coast due to constraints in pipeline capacity to ship product north, but these will eventually move up to where heating oil is needed.

Europe

European industry crude inventories rose in October to 338 mb, closing above their five-year range. Stocks climbed 6 mb, mainly on builds in Norway. Refinery runs, though falling from this year's highs, were relatively firm and crude stocks, excluding Germany, were generally down in Northwest Europe. Availability of Urals, competing sour grades and North Sea crude was high as extra-regional outlets on a spot basis remained closed, leaving crude well supplied in Europe. While refinery runs should remain firm in November, crude stocks will likely maintain comfortable levels. The re-establishment of a contango structure in IPE Brent futures supports this view. A number of November loading cargoes in the North Sea were slow to clear, with refiner buying interest re-kindled at month's end by lower prices. Some North Sea grades and Urals were reportedly shipped out of the region despite mostly unfavourable economics. However, Brent swap prices (Cfds) for the week of 10 December posted a contango at the time of writing of \$1.35 against forward cash January delivery. As such, crude availability was still high and stocks in November, early December should trend near the top of their range, though probably down from October's level with a pull back in Norwegian inventories.

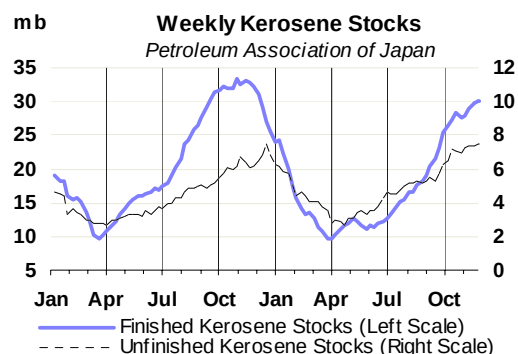


In product stocks, industry gasoline stocks in October were little changed. Demand continued to contract on a yearly basis while refinery output remained steady. Despite shipments of winter grade material to the US and some tank clearing ahead of the seasonal changeover to winter specification starting 11 October, gasoline supplies were ample. With swap prices for gasoline barges in contango, Europe's structural surplus moved into storage in November. This was reflected in growing volumes held in independent storage in the ARA area, which closed November at unseasonably high levels.

Industry middle distillate stocks fell just over 5 mb in October from an upward revised September base. Inventories closed in the middle of their five-year range and 9 mb above last year. Diesel remained the main source of tightness throughout October and November rather than heating oil or jet fuel. Cash prices for ultra low sulphur diesel posted increasing premiums to IPE's front month gasoil contract over the period. In contrast, 0.2% gasoil and jet/kerosene saw their premium steadily decline, with gasoil trading at a discount by end-November. Gasoil shipments into France, Germany, Belgium and Switzerland out of ARA, picked up in late November, however, absolute price levels and mild weather depressed interest in heating oil and favoured limited incremental buying. Independent storage of gasoil in ARA, lifted earlier by incoming Baltic and Scandinavian arrivals thus kept at normal seasonal levels. Physical supplies in the jet fuel market were also ample through November in the face of weakening demand. As such, some arbitrated cargoes scheduled for December arrival in Northwest Europe from the Middle East, Venezuela and the US Gulf Coast, were being diverted to Nigeria.

Pacific

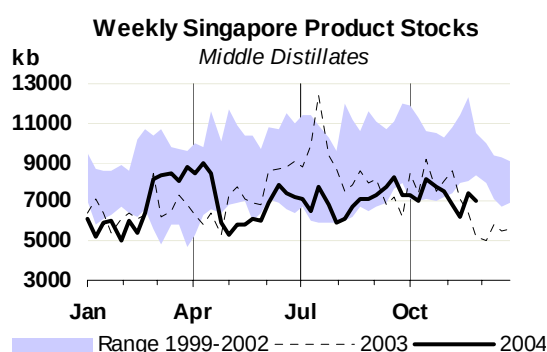
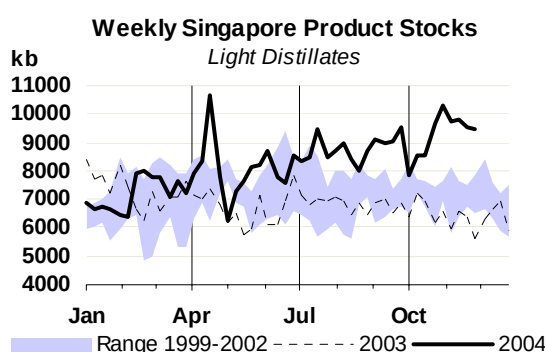
Pacific crude stocks, at 178 mb were ample, closing 10 mb above 2003. Japan and Korea saw contrasting trends with Japanese onshore crude stocks rising on the strength of heavy imports from OPEC term suppliers. Korea's imports were also up, but refinery activity was high to boost kerosene inventories. As such, kerosene was the main mover in product stocks. Both Japan and Korea saw stocks of kerosene rise on strong production and weaker demand due to mild temperatures. Gasoil supply suffered as a result, falling on strengthening domestic deliveries but also, in the case of Korea, on rising exports. OECD Pacific industry distillate stocks closed at 75 mb, closer to normal seasonal holding patterns and 5 mb below last year.



Singapore Stock Developments in November

Product stocks in Singapore, surveyed by International Enterprise, rose in November, gaining on additions to distillate and fuel oil inventories. Light products (naphtha and gasoline) in contrast fell during the month with lower Indian spot offers of naphtha and a rise in regional gasoline demand.

Light distillate stocks closed down about a million barrels at the end of November but kept high in absolute levels. Surplus supplies of naphtha began to ease. Spot offers of material from India fell back while petrochemical demand remained strong, underpinned by firm ethylene prices. Seasonal interest for gasoline by Australia and New Zealand, ahead of their driving season, was also firming. The naphtha swaps market in Singapore flipped from contango in late October to steep backwardation in November despite apparently ample supplies in tanks. This may suggest that material was committed for delivery in December and, given lower exports anticipated from India and Kuwait, could indicate a further decline in inventories. Gasoline is likely to follow an opposite direction. High regional runs increased gasoline availability relative to buying interest and reforming margins, or the premium of gasoline over naphtha, eased over the month. With key importers reportedly covered for December barrels, there appears to be modest room for incremental demand to bring down supplies.



Distillate stocks rose in November, supported by a contango in Singapore gasoil prices in October. The build came despite strong Chinese diesel demand. Chinese diesel imports in November, at 450 000 tonnes, were reportedly four times October volumes. Jet/kerosene and high sulphur gasoil likely accounted for most of the rise. Kerosene, used as heating fuel, met subdued buying interest in the face of mild temperatures and arbitrage outlets for jet fuel to the US were closed. Weakness in high sulphur diesel, in contrast to low sulphur, was seen in discounted prices. Cargoes from regional exporter Korea fetched nearly a dollar under Singapore quotes. While Indonesian demand is likely to absorb some of the high sulphur supplies, Chinese demand for low sulphur diesel could retreat in December. The current December-January contango remains supportive of further distillate stocks builds.

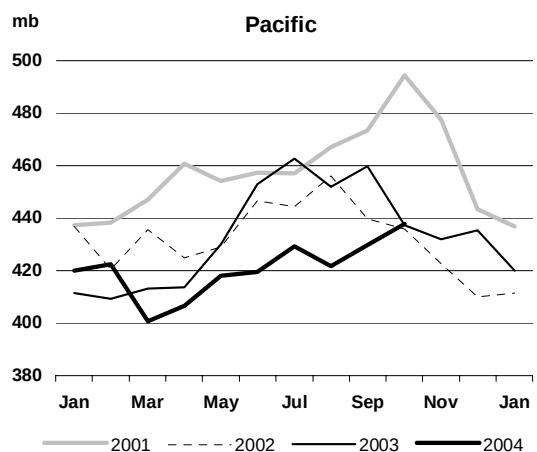
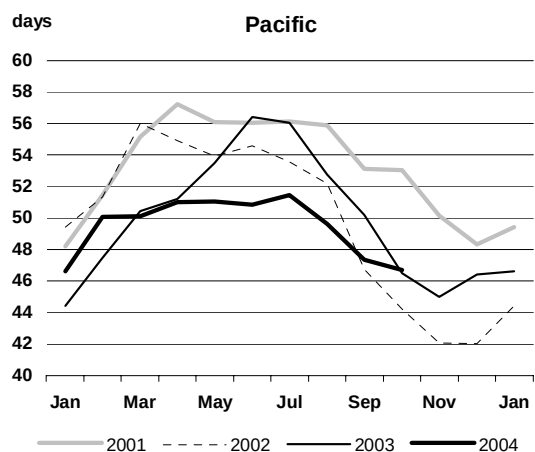
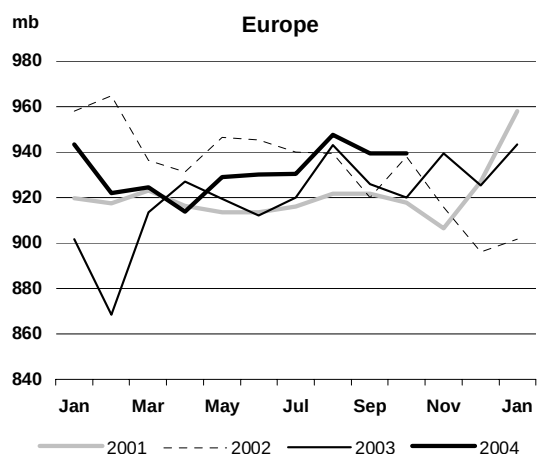
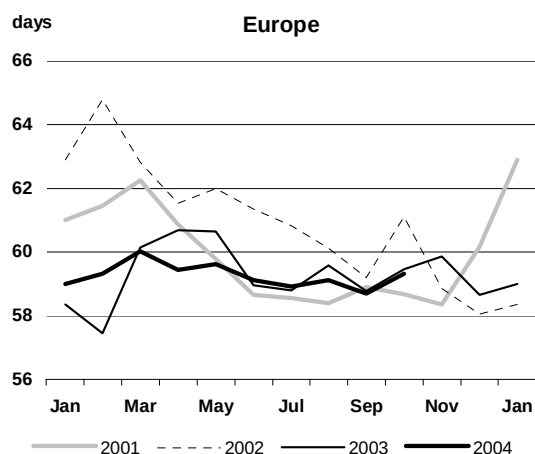
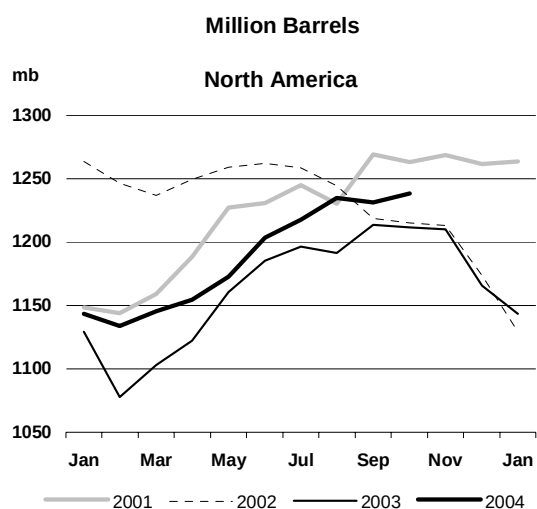
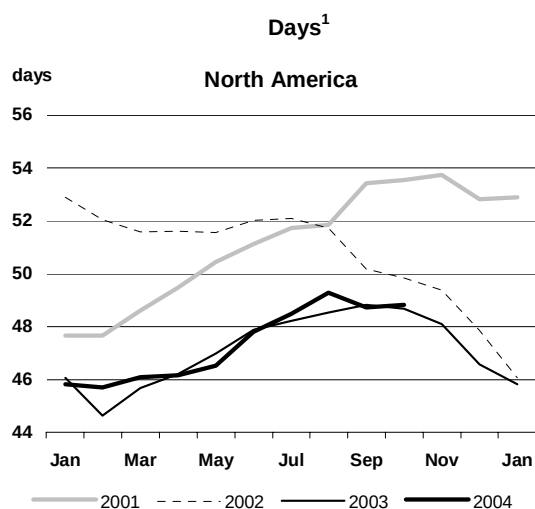
Residual fuel oil stocks rose in November and remained high on a seasonal basis despite a drop in arrivals of arbitrated supplies into the region. Chinese purchases came in higher than expected, with buying focused on straight run Russian material whereas interest was thin for cracked fuel oil held in Singapore tanks. Arbitrated supplies in December are expected to remain relatively low and a resumption of Chinese interest is more likely closer to January. Weakness in spot fuel oil demand and heavy arrivals in January, sourced from Europe but also the Middle East and India (estimated at around 2 million tonnes) pushed Singapore prices into a steep contango, supporting storage into January.

Singapore Crude & Product Trade
(thousand barrels per day)

Net Imports/(Exports) of:	2002	2003	4Q03	1Q04	2Q04	3Q04	Aug 04	Sep 04	Oct 04	Latest month vs. Sep 04 Oct 03	
Crude Oil	819	755	654	777	696	727	700	874	1303	429	690
Products & Feedstocks	-35	-96	-18	-64	-150	-118	-124	-12	-107	-94	-111
Gasoil/Diesel	-154	-170	-161	-133	-206	-181	-166	-146	-181	-35	-56
Gasoline	-81	-83	-96	-88	-119	-79	-105	-66	-128	-62	-41
Heavy Fuel Oil	334	320	341	304	289	238	278	228	371	143	56
LPG	-19	-22	-19	-24	-21	-20	-20	-17	-24	-8	-7
Naphtha	6	13	49	38	24	42	44	26	33	7	5
Jet & Kerosene	-65	-99	-77	-99	-50	-92	-77	-106	-110	-3	-35
Other	-57	-55	-54	-62	-67	-26	-78	68	-68	-136	-33
Total	784	659	636	713	546	609	577	862	1196	335	579

Source: International Enterprise, IEA estimates

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

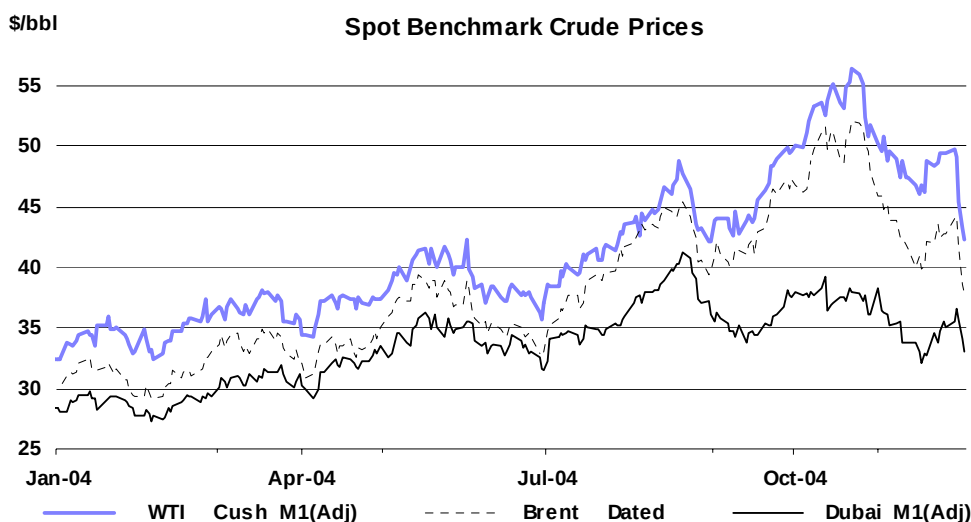


1. Days of forward demand are based on average demand over the next three months.

PRICES AND REFINERY ACTIVITY

Summary

- **Benchmark NYMEX light crude** and IPE Brent fell by nearly \$10 in early December following a sharp rise in US distillate stocks, mild early winter weather in the northern hemisphere and a large upward revision to US natural gas storage. The severity of the reaction to the US distillate stock figures highlights the supportive nature of tight heating oil stocks on the entire petroleum complex. However, while a more comfortable overall stock position warranted some price adjustment, considerable upside price risks remain from the weather, geopolitical issues, low spare capacity and economic uncertainty. Low US refinery margins risk run cutbacks should crude prices rebound.
- **Light/sweet-heavy/sour crude differentials** narrowed sharply in Europe as Northern European and West African sweets were constrained by high freight rates and reduced demand from Asia. Black Sea loading issues and transportation delays, coupled with Iraqi export problems and increased demand as refiners came out of maintenance buoyed Urals. Distillate-rich Middle Eastern crudes suffered from reduced Asian demand as kerosene stocks in the region rebuilt.
- **European gasoil prices** followed the IPE futures contract lower, but the fall in low sulphur diesel (LSD) in Europe was limited. Refinery problems in northern and southern Europe have constrained production of LSD ahead of the mandatory introduction of the fuel on 1 January 2005. US distillate stocks remain tight, but the recovery in Japanese kerosene stocks and slower Chinese demand has tempered premiums in the Asian region.
- **Freight rates** for mid-sized crude carrying vessels from the Black Sea to the Mediterranean fell by nearly 30% at the end of November in line with a sharp decline in Russian crude loading. Weaker Asian demand for West African crudes has also contributed to a moderating of dirty freight on most major routes, but rates remain high compared with year-ago levels.
- **Refinery margins** dipped sharply in most regions at the end of November/early December as easing product markets impacted margins. US heating oil stocks have improved slightly, but supplies remain vulnerable should current low margins persist or deteriorate. Average sweet crude margins fared well in Europe and Asia, but sour margins were depressed by relative sour crude strength. US Gulf Coast margins underperformed as product prices came under pressure from higher refinery throughput and transportation bottlenecks.
- **OECD refinery throughput** dipped by 340 kb/d in October to 38.3 mb/d from September's 38.63 mb/d as weaker US throughput offset stronger OECD Pacific runs. Provisional European throughput was unchanged during the month, which counters secondary reports of peak refinery maintenance of over 1.2 mb/d during the month.



Crude Oil Prices

Spot Crude Prices and Differentials

Light sweet crudes in Europe and West Africa were partially constrained in November by high freight rates. Light sweet crude demand was also reduced by the return of refineries from maintenance as desulphurisation units gave refiners increased flexibility in the choice of crude inputs. Winter demand requirements also favour heavier crudes. The light/sweet-heavy/sour spread narrowed as a result.

Spot Crude Oil Prices and Differentials*

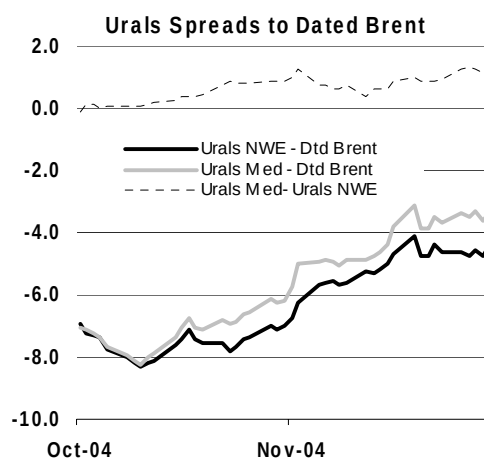
(monthly and weekly averages, \$/bbl)

	Sep 04	Oct 04	Nov 04	Nov-Oct		Week Commencing:				
				Change	%	01 Nov	08 Nov	15 Nov	22 Nov	29 Nov
Crudes										
Brent Dated	43.25	49.64	42.84	-6.80	-13.7	45.12	42.46	40.62	42.69	41.23
WTI Cushing 1 month (adjusted)	45.90	53.24	48.44	-4.80	-9.0	49.78	48.03	46.93	48.75	45.97
Urals (Mediterranean)	38.16	42.34	38.24	-4.10	-9.7	39.27	37.53	36.14	39.07	37.79
Dubai 1 month (adjusted)	35.55	37.54	34.87	-2.67	-7.1	36.45	34.63	32.72	34.74	34.96
Tapis	48.07	52.99	47.08	-5.90	-11.1	50.08	46.75	44.36	46.81	43.33
Differential to Dated Brent										
WTI Cushing 1 month (adjusted)	2.65	3.60	5.59	2.00		4.66	5.58	6.31	6.07	4.75
Urals (Mediterranean)	-5.10	-7.30	-4.60	2.70		-5.85	-4.93	-4.48	-3.62	-3.44
Dubai	-7.70	-12.10	-7.97	4.13		-8.67	-7.83	-7.90	-7.95	-6.27
Tapis	4.81	3.35	4.24	0.90		4.96	4.29	3.74	4.12	2.10
Prompt Month Differential										
Brent 1mth-2mth (adjusted)	0.53	0.56	-0.38	-0.94		-0.21	-0.72	-0.71	-0.26	-0.24
WTI Cushing 1mth-2mth (adjusted)	0.16	0.58	-0.09	-0.16		-0.15	-0.12	-0.18	-0.14	-0.15

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

The relative strength of Urals in Europe was not purely a reflection of improved demand as refiners came out of maintenance. Broader issues were at work, such as reduced flows of Russian crude to the Mediterranean, with Black Sea delays becoming more costly as regional freight rates ran at 125% above year ago levels. In addition, there were weather-related delays and disruptions to Iraqi supplies both from the northern pipeline to Ceyhan and to the southern loading terminals. Further, Russian production growth resumed its tendency to flatten in the winter months. This was in contrast to the sharp growth seen at this stage last year.

Although the arbitrage for dated Brent improved in November, competition from West African sweet crudes in the US intensified as Asian demand dried up, keeping Brent in contango. Brent refinery margins were also unattractive in the US Gulf. The end of refinery maintenance in Europe increased the flexibility of certain refiners to use sour crudes instead of the light sweet crudes that they had been using during partial maintenance to meet new sulphur regulations.



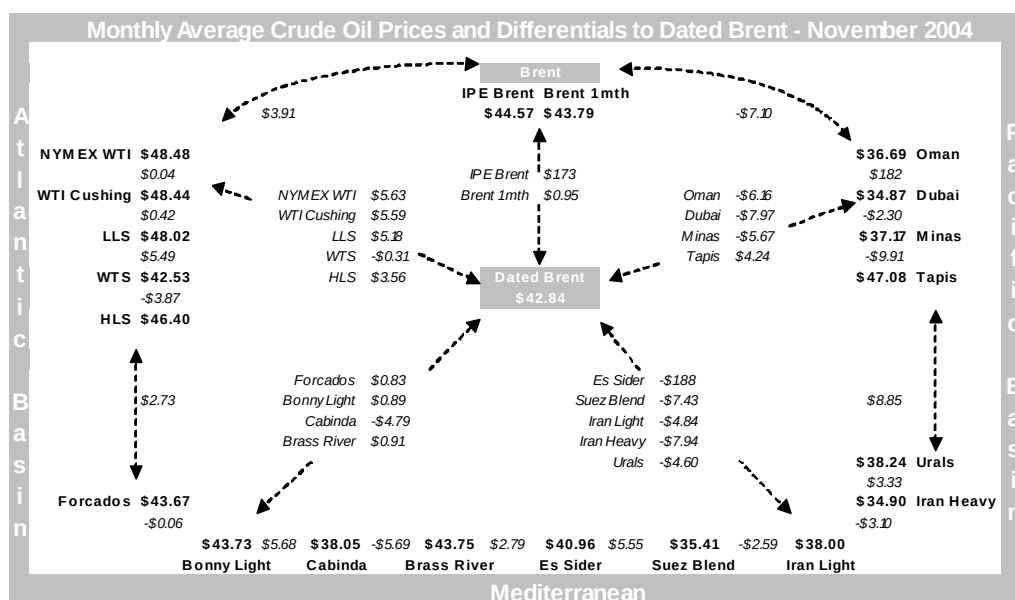
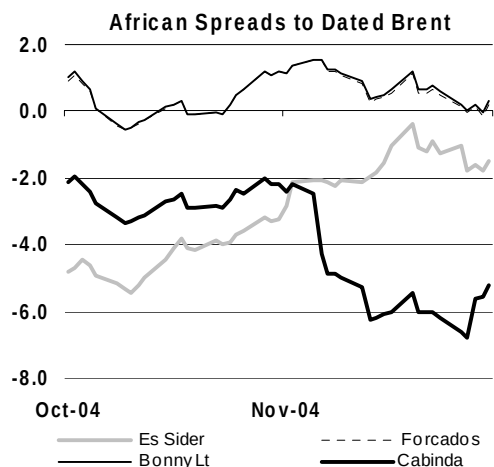
The overhang in West African crudes was most prominent towards the end of November, with traders reporting between 6 mb to 10 mb of the December programme unsold ahead of the start of trading for the January programme. West African shipments to Asia are estimated at around 1.1 mb/d in December, little changed from November levels estimated at 1.2 mb/d and well below the 1.6 mb/d level in October.

Bonny Light and Forcados saw their \$1.50 mid-month peak premium to dated Brent fall to zero by early December, while Angolan Cabinda fell from \$2 under dated Brent to over \$6 under. Reduced demand from China for Angolan Cabinda has seen the differential to dated Brent collapse, but we note that bargain hunting resumed at the time of writing. Strong competition between the US and Asia for West African crudes has been one of several driving forces behind high prices for light sweet crude this year, and a weakening of Asian demand has contributed to the current price correction.

Much of the surplus West African crude has headed for the US, helping to push LLS to a discount to WTI from premium of up to \$1 that had been in place through most of October. The return of refiners from autumn maintenance has helped to decrease sweet crude demand, particularly in the Gulf Coast, which coupled with the West African supplies helped to halve the discount of West Texas Sour to WTI from over \$9 in mid-October.

But regional heavy crudes have also come under competitive pressure. Mexico made sharp increases in Maya crude discounts to WTI for December and January, which were needed to keep it competitive with Saudi crudes and Canada's sour Lloyd Blend.

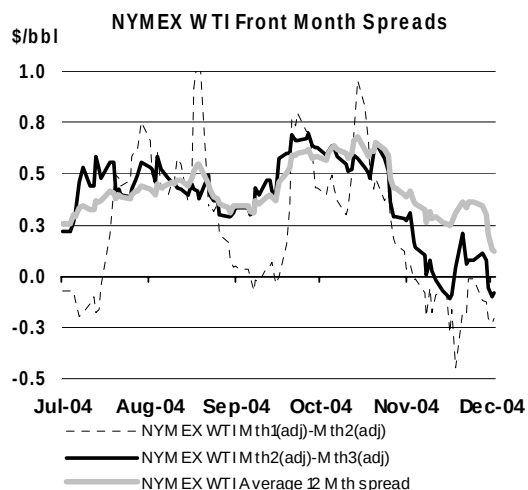
The slowdown in Asian sweet crude demand was highlighted by the weakness of Tapis and Angolan Cabinda crude differentials to Dubai and dated Brent. The recovery of distillate stocks, particularly in Japan, and a dip in demand from China has reduced buying interest for distillate rich medium heavy crudes. Further downward pressure on the Asian market has been generated by the mild weather (with more forecast), which has reduced utility demand for low sulphur fuel oil.



Crude Futures

The flattening of the futures curve for NYMEX WTI and IPE Brent has not been witnessed for a long time. The average backwardation between the first 12 forward months has now narrowed to around 10 cents on WTI and is only marginally positive in Brent. The front month-second month spread has been in contango since early November, the longest continuous period of spot discount since March/April 2001 and the longest winter contango since 1999.

However after a period of exceptional price strength, and recent falling prices, such a shift in market structures can also reflect perceptions of short-term price direction rather than acting as pure barometer of market supply. The second/third month spread is often a better barometer of perceptions of underlying market conditions. It removes contract rollover issues and



distortions due to “trading vacuums” that can occur during periods of spot month price volatility. The M2-M3 spread was predominantly in contango between September 2001 and February 2002, but during the recent slump in prices has only been in contango intermittently.

Delivered Crude Prices in September

Delivered prices for crude oil imported into IEA countries continued to rise in September, following the rise in the wholesale crude market. IEA delivered crude prices rose 92 cents to \$40.72/bbl, with a rise of just 15 cents in IEA Europe tempering gains of 81 cents/bbl in North America and \$2.43 in IEA Pacific. Delivered crude prices in September were on average 50% higher than in September 2003, and the average for the first 9 months of the year was 34.80, \$6.47 above year ago levels.

Product Prices

Spot Product Prices

Gasoline and middle distillates generally underperformed crude in recent weeks, contributing to the fall in crude prices in early December. While sweet crude benchmarks Brent and WTI rebounded in mid-November from their end-October sell off, product prices were reluctant to follow.

Spot Product Prices

(monthly and weekly averages, \$/bbl)

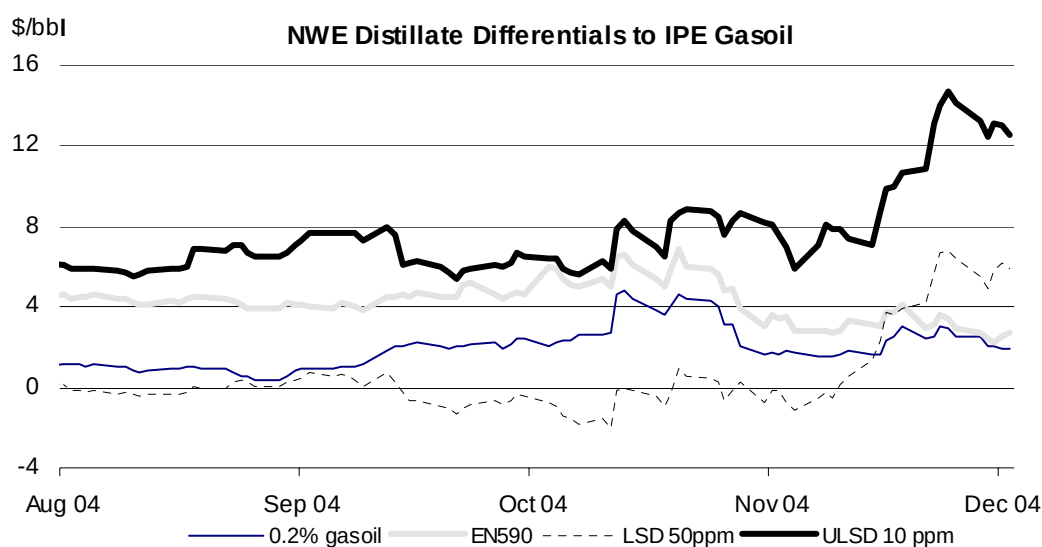
	Sep	Oct	Nov	Nov-Oct Change	%	Week Commencing:					Sep	Oct	Nov
						01 Nov	08 Nov	15 Nov	22 Nov	29 Nov			
Rotterdam, Barges FOB											Differential to Brent		
Premium Unleaded (Cargo)	51.68	56.72	51.53	-5.19	-9.2	53.07	50.56	49.77	52.53	48.60	8.43	7.08	8.69
Regular Unleaded	50.96	56.06	50.87	-5.19	-9.3	52.42	49.91	49.11	51.84	47.88	7.70	6.42	8.03
Naphtha	46.18	51.50	47.54	-3.96	-7.7	48.00	47.19	45.96	48.41	46.04	2.93	1.86	4.70
Jet/Kerosene	58.65	66.09	60.47	-5.62	-8.5	60.60	59.99	59.43	61.69	57.63	15.39	16.45	17.63
Gasoil	53.86	64.06	57.79	-6.27	-9.8	56.65	55.84	57.16	60.89	55.01	10.61	14.41	14.95
Fuel Oil 1.0%S	24.33	29.22	26.22	-3.00	-10.3	28.00	25.04	24.98	27.06	25.13	-18.93	-20.42	-16.62
Fuel Oil 3.5%	25.14	26.98	22.41	-4.57	-16.9	25.04	22.57	20.34	21.96	20.69	-18.11	-22.66	-20.44
Mediterranean – Basis Italy, Cargoes FOB											Differential to Urals		
Premium Leaded (0.15 g/l)	51.45	56.13	50.29	-5.84	-10.4	51.28	49.14	49.03	51.44	46.90	13.30	13.79	12.05
Premium Unleaded	50.74	55.41	49.57	-5.84	-10.5	50.56	48.42	48.31	50.72	46.18	12.58	13.07	11.33
Naphtha	45.59	50.41	45.37	-5.04	-10.0	45.74	45.14	43.87	46.19	43.50	7.43	8.07	7.13
Jet/Kerosene	56.57	63.15	57.48	-5.67	-9.0	58.00	57.29	56.74	58.13	53.26	18.42	20.81	19.25
Gasoil	53.96	61.74	57.36	-4.38	-7.1	56.70	55.84	56.70	59.54	54.81	15.81	19.40	19.12
Fuel Oil 1.0%S	26.68	30.18	27.78	-2.40	-8.0	29.24	26.57	26.43	28.85	26.34	-11.48	-12.16	-10.46
Fuel Oil 3.5%S	23.78	25.23	19.45	-5.78	-22.9	23.08	20.27	17.83	17.32	17.24	-14.37	-17.11	-18.79
NY Harbour, Barges											Differential to WTI		
Super Unleaded *	58.10	60.10	54.70	-5.39	-9.0	55.85	54.07	53.79	55.42	51.06	12.20	6.86	6.27
Regular Unleaded *	53.01	57.88	53.33	-4.55	-7.9	53.90	52.81	52.60	54.31	49.70	7.11	4.64	4.89
Jet/Kerosene	58.37	66.13	59.23	-6.90	-10.4	59.12	57.93	59.22	60.97	56.19	12.47	12.89	10.79
No.2 Heating Oil	52.80	62.40	58.18	-4.23	-6.8	57.89	56.81	58.29	60.13	55.08	6.90	9.16	9.74
Fuel Oil 1.0%S (Cargo)	27.90	33.17	28.78	-4.39	-13.2	30.33	27.50	28.40	29.31	25.38	-18.00	-20.07	-19.65
Fuel Oil 3.0%S (Cargo)	26.11	30.92	24.31	-6.61	-21.4	28.30	23.95	22.50	22.63	20.63	-19.79	-22.32	-24.13
Singapore, Cargoes											Differential to Dubai		
Premium Unleaded 95	49.06	54.73	52.45	-2.28	-4.2	53.27	52.17	50.69	53.17	50.72	13.51	17.18	17.58
Naphtha	43.95	48.81	47.46	-1.35	-2.8	47.27	46.62	46.04	48.78	47.54	8.40	11.27	12.59
Jet/Kerosene	55.30	61.25	57.64	-3.62	-5.9	58.98	57.76	56.19	57.61	54.53	19.75	23.71	22.77
Gasoil	52.83	56.94	55.22	-1.71	-3.0	54.95	54.91	54.19	56.47	52.96	17.28	19.39	20.35
LSWR (0.3%S)	39.75	42.90	34.59	-8.32	-19.4	40.73	36.29	31.20	31.50	28.26	4.20	5.36	-0.28
HSFO (3.5%S 180cst)	28.70	32.05	30.53	-1.52	-4.7	31.68	30.34	28.79	30.88	28.91	-6.85	-5.50	-4.34
HSFO 4%S	28.49	31.39	29.34	-2.06	-6.6	31.00	29.46	27.47	29.24	27.06	-7.06	-6.15	-5.53

* assessments for NYH are for Max 0.3% MTBE

In Northwest Europe, the gasoil differential to dated Brent fell from nearly \$20/bbl in mid November to \$12/bbl, far outpacing a \$5/bbl fall in jet fuel differentials and a near \$4/bbl fall in the gasoline spread. However, the fall in the gasoil price spread was not mirrored by 50 ppm low sulphur diesel (LSD) and ultra low sulphur diesel (ULSD) which saw their differential to IPE gasoil gain by around \$3/bbl over the period. A similar trend was seen in heating oil in New York Harbour and Singapore, converging differentials between the regions and removing the opportunity for arbitrage trade.

Inland heating oil demand in Europe has been relatively weak. A brief buying spurt by German consumers was noted as prices fell in early December, but generally, activity has been lacklustre. Partial tank refilling, encouraged by mild temperatures at the start of the heating season have resulted in much lower-than-normal demand. October German inland demand data shows heating oil deliveries down nearly 16% year-on-year. However, demand for LSD ahead of the fuel specification change on 1 January 2005 in NWE and good demand into the eastern Mediterranean continue to provide support to the distillate market.

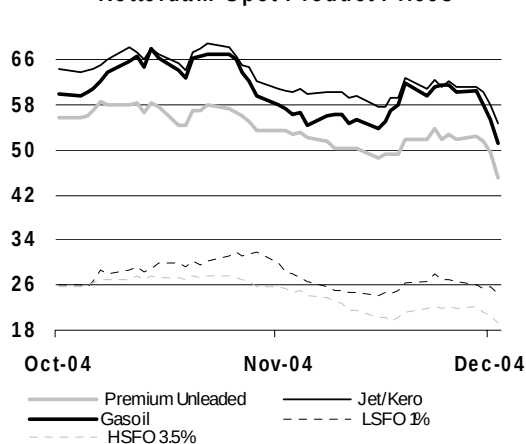
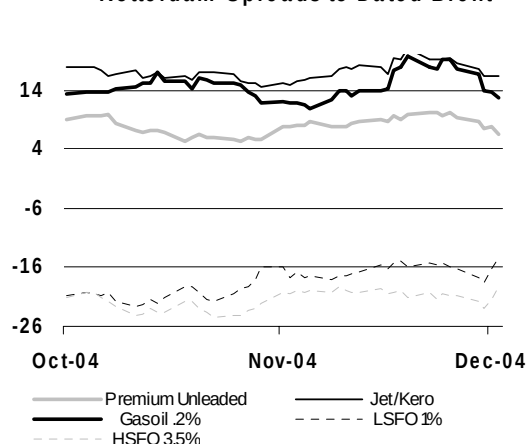
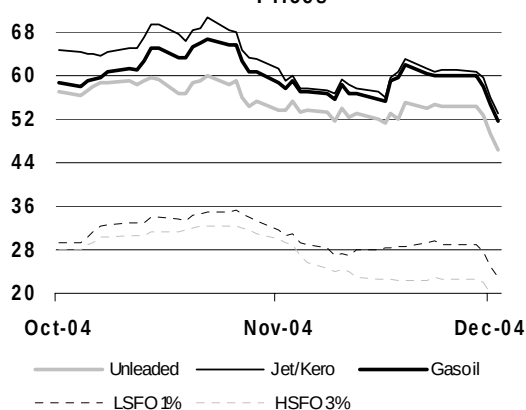
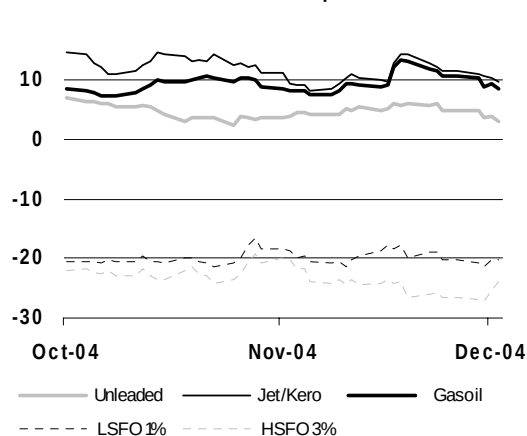
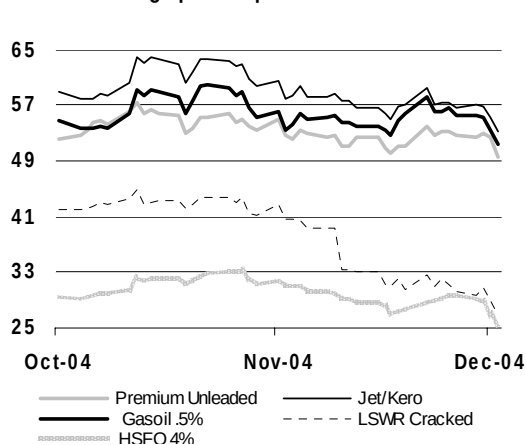
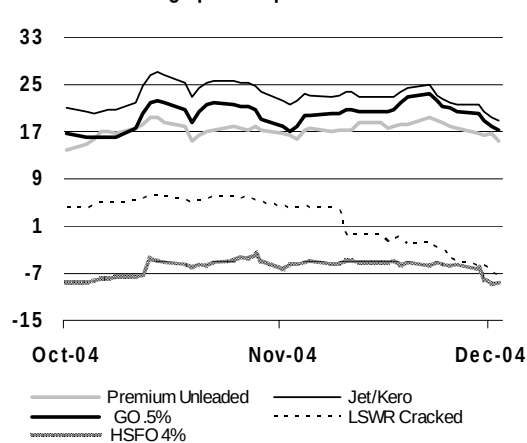
In the US, recent preliminary data reports distillate demand running at 3.8% over a year ago. While in Japan, weekly data showed kerosene stocks continuing to recover from an early season deficit of 1 mkl from a year ago. Kerosene stocks rose to 4.76 mkl in the week ending 27 November, compared with 5.08 mkl at the end of November 2003. This, together with lower Chinese imports and an overhang of South Korean spot distillate cargoes led to further price pressure towards the end of November. China is expected to import 166,000 tonnes of diesel in December, a third of November's 450,000 tonnes, some of which was believed to be slated for line fill for a new 200 kb/d product pipeline between Maoming and the southwest.



High freight rates contributed to the diversion of Middle Eastern jet/kerosene supplies from Asia to Europe, but strong premiums were available in Northwest Europe over Singapore in the second half of November. High premiums in Northwest Europe also attracted material from Venezuela and the US Gulf Coast, with nearly 500,000 tonnes expected to arrive in December. High refinery throughput and capacity constraints on the pipeline to feed the tighter East Coast market have resulted in steep discounts in jet/kerosene in the US Gulf Coast. However, these were tightened slightly by airline bargain hunting following the sharp crude losses in early December.

The news that China Aviation Oil, which held a virtual supply monopoly for jet fuel into China, was seeking protection from creditors did not appear to have a significant impact on the Singapore physical product market. While the company was believed to have secured over 300,000 tonnes for December delivery, the Chinese authorities were expected to move swiftly to ensure adequate supplies for the domestic markets. The regrade (the premium between jet/kerosene and gasoil) remained relatively steady at around \$2/bbl.

US gasoline differential losses to WTI at the end of November were more moderate than those seen in jet and heating oil. But, gasoline comprises a much larger share of the refined barrel in the US than in other regions, dragging down refining margins. US gasoline demand remains strong, up 1.3% year-on-year in the latest four weeks (but was negative in October). But with stocks moving to the upper end of their recent historical seasonal range, it is unsurprising that prices continue to favour distillate markets. Unless first quarter maintenance is particularly heavy, or refinery margins weaken to unprofitable levels, the current level of gasoline stocks should temper gasoline premiums to WTI this spring. This could help avoid a repeat of the sharp rally in gasoline prices that contributed to higher crude prices in the second quarter of 2004.

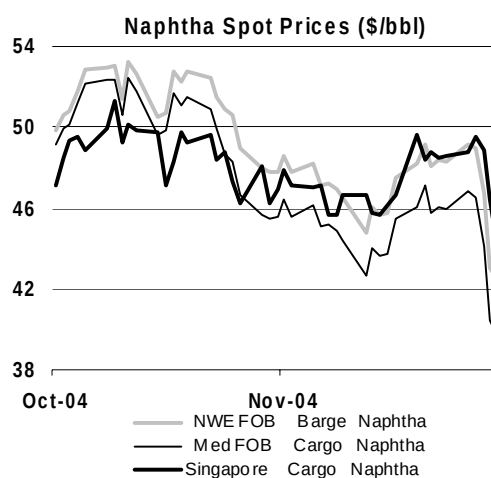
Rotterdam Spot Product Prices**Rotterdam Spreads to Dated Brent****New York Harbour Spot Product Prices****New York Harbour Spreads to WTI****Singapore Spot Product Prices****Singapore Spreads to Dubai**

In Europe, high freight rates limited Mediterranean gasoline exports to the US, which coupled with lean demand and the return of refineries from maintenance led to the backing up of material in the region. Northwest Europe was however tighter, with a Scandinavian refiner reportedly buying up to 300,000 tonnes on the spot market to cover a paper position.

In Asia, the reported reduction in planned Chinese gasoline exports for December to 310,000 tonnes will mark the lowest export level in 2004. This compares with 400,000 tonnes in November. However, it should be noted that December 2003 exports were actually lower at 290,000 tonnes. This seasonal reduction in exports would suggest that there is some holding back of material ahead of possible domestic price rises and the Chinese New Year holidays in February. Slightly offsetting the lower trend in Chinese gasoline exports has been an increase in exports from Taiwan. Indonesia is also seen well covered for December.

The Asian naphtha market however highlights that although sentiment might be temporarily easing, underlying growth appears firm. Demand for naphtha from the petrochemical sector was reported to be very strong, opening up an arbitrage between the Mediterranean and Singapore. Refinery maintenance and restart problems however constrained naphtha supplies in Northwest Europe.

The combination of the end to European refinery maintenance, the long term switch to natural gas, more intensive use of marginal hydroskimming refineries and mild weather weighed on fuel oil prices at the end of November. Such is the implicit need to export surplus fuel oil from the FSU and Europe that the spread between NWE and Singapore is generally dominated by Asian supply and demand conditions and freight. However, in October and November, European refinery maintenance helped cracks to hold up against dated Brent, and firm sharply in early December as crude prices slumped. Also, an early-winter switch to railway transport from barges to major ports in the Baltic and Black sea has dried up supplies a month earlier than normal. Cooler weather in mainland Europe in early December also increased utility demand.



However, regardless of this mild firming of fuel oil prices, there remains a huge price chasm with the lighter end of the barrel. The price spread between gasoil and high sulphur fuel oil tipped \$40 in mid-October and mid-November. Despite the recovery in fuel oil prices and weakening distillate markets, the spread remains at \$31/bbl, **three times higher** than levels prevailing in 2003. This, more than any other market barometer, highlights the need for upgrading capacity in the region.

Mild Asian weather and the return of Japanese nuclear facilities have contributed to a sharp decline in low sulphur waxy residue demand in Asia, ending the unusually high premium to European and US low sulphur material.

The growing surplus of 380 centistoke (very viscous) fuel oil over the less viscous 180 centistoke market has led to a widening of the spread between the two grades to record levels of over \$22.50 per tonne. Burgeoning Singapore stocks and relentless arbitrage flows, despite high freight rates, have led to a contango for December/January swaps. Traders say that the lack of movement in Singapore stocks suggests they are high viscosity and that it is uneconomic to blend them with lighter products to get 180 centistoke material. January high sulphur fuel oil imports into the region from India, Middle East, South America and Europe are believed to total nearly 2 mt.

Product Futures

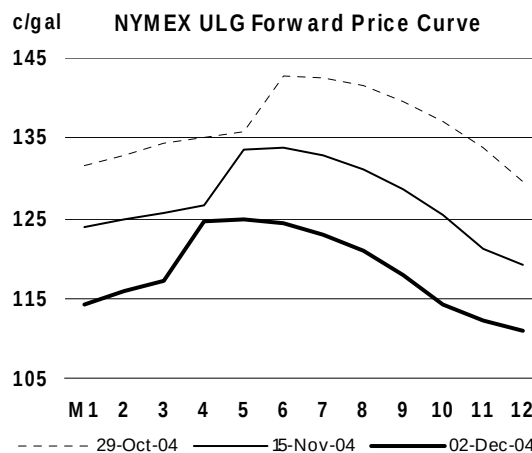
At this time of year it is important not to misread shifts in product spreads. The flattening of front month-second month contango in NYMEX heating oil futures (spot discount to forward prices), is indicative of the seasonality of the contract, rather than a tightening of the heating oil market. Heating oil demand is seasonal and prices are cheaper in the summer and more expensive in mid-winter. As in any oscillation there has to be a seasonal peak and trough.

Although the winter peak in heating oil prices can fluctuate depending on weather and inventory conditions, it is not uncommon for the price peak to be seen in January. Therefore as the December

contract expires, the front month-second month spread often switches from contango to backwardation. It is a sign of pending (normal) seasonal price weakness, rather than an indication of tight market conditions that are normally associated with a backwardated market.

In contrast, the deepening contango of the first through to the fourth month gasoline contracts is indicative of building inventories. While it is normal for a contango structure to be in place at this time of year, and 11 cent per gallon contango for the January to April period is pretty high. Much of that is accounted for by the April switch to (higher priced) summer fuel specifications.

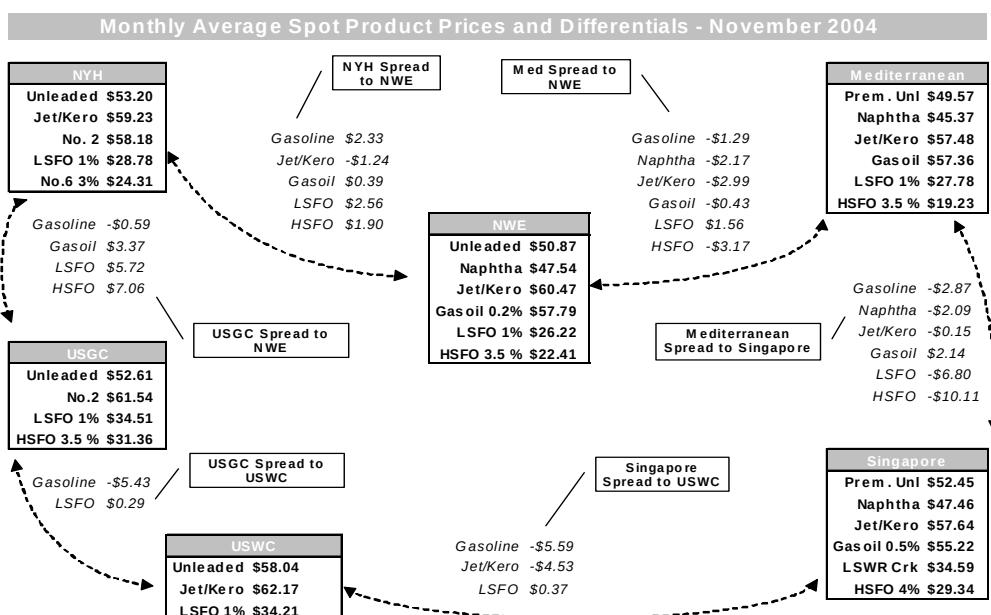
The seasonal structure of fuel oil swaps are similar to that of gasoil and heating oil, but the scale of the contango needs to be monitored. Theoretically, the cost of contango is limited by the cost of finance, storage and insurance for the product. Typically, the first is a function of interest rates and credit risk, while the latter two are often regarded as fixed. However, in the oil products markets there can be times when independent storage for certain product types gets close to full, in which case the marginal cost of storage is the cost of freight – thereby creating heavy pressure on the front month to either pay for chartering a tanker as floating storage, or opening the arbitrage to an area of need.



End-User Product Prices in November

Retail prices for gasoline showed a broadly lower trend, with higher prices seen only in the UK and Japan. However, much of the decline in Europe appeared to be related to currency factors, with European prices all rising on a dollar related comparison. Diesel price moves were similarly currency affected, with rises across the board in currency terms, but dollar weakness allowing a slight drop in retail prices for some eurozone countries. Heating oil prices followed a similar pattern.

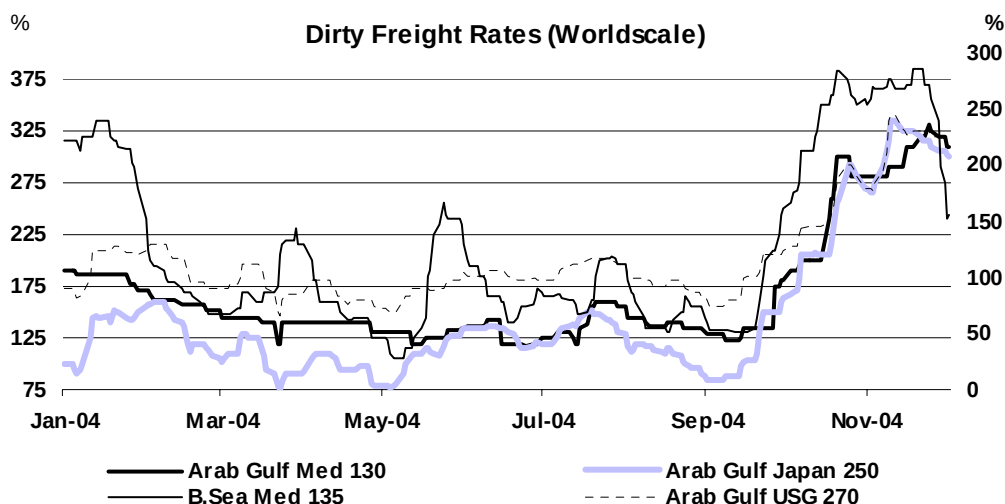
However to put this in perspective, retail prices for petroleum products remain between 32% and 62% higher than year ago levels on an ex-tax dollar comparison. Heating oil prices in Europe are 50% higher than at the same time in 2003. Only in fuel oil, which has suffered from broad oversupply, are price rises in single digits.



Freight

Dirty freight rates continued near record-high levels in November, before tailing off towards the end of the month. The causes of the surge in freight rates from year ago levels are manifold. High OPEC output, coupled with strong global demand, increased Asian crude imports from West African, congestion in the Turkish Straits, and high fuel oil exports to Asia have all contributed to tanker market strength.

While the easing of freight rates, particularly for mid-sized Aframax tankers at the end of November appears dramatic, it has to be set in the context that prices remain twice as high as a year ago. The causes of the easing appear to be related to an easing of congestion in the Black Sea from 8-10 days to 4-5 days, helped by the shifting of Russian exports to the Baltic. Exports from West Africa to Asia have also eased, and Asian customers appear to be more selective about their purchases.



Put in the context of falling oil prices, the current dip in freight rates could also be related to traders pulling back from the market in hope of lower prices. As we saw in late August/early September, this sort of retrenchment can result in a rapid rebound.

Clean freight rates lagged the rise in dirty rates in October, but rallied sharply in early November. The return of refineries in Europe and the US from seasonal maintenance increased inter-regional product flows. However, with US gasoline stocks moving to the top end of their recent range and heating fuel stocks rebuilding in Asia, Europe and the US (albeit from low levels), product movement might be reduced until the 1Q US maintenance programme gets underway.

Refining Margins

Weakening product prices led to a deterioration in refining margins in Europe and the US Gulf Coast in early December. However, for November as a whole, the trend in margins was mixed, with the recovery in the light/sweet-heavy/sour spread resulting in sweet crude margins for Brent and WTI outperforming sour crudes. Overall, with the exception of the US Gulf Coast, refining margins remained attractive in most regions in November.

In Northwest Europe, Brent hydroskimming margins outperformed cracking margins in November as refinery maintenance helped to tighten the fuel oil cracks. Tight distillate markets continued to support net product worth, and cracking margins persisted at over \$4/bbl even after the decline in margins in early December. In the Mediterranean, the strong performance of Urals relative to dated Brent resulted in underperforming margins for both cracking and hydroskimming. Urals cracking margins have been high this year, reflecting the inability of sufficient refining capacity to cope with the heavy/sour crude and its ample availability. Unsurprisingly, during peak refinery maintenance in October, the cracking refinery margin derived from the two crudes widened to \$7.88, but has now fallen back by \$4.

Key Refining Margins in Major Refining Centres

(\$/bbl)

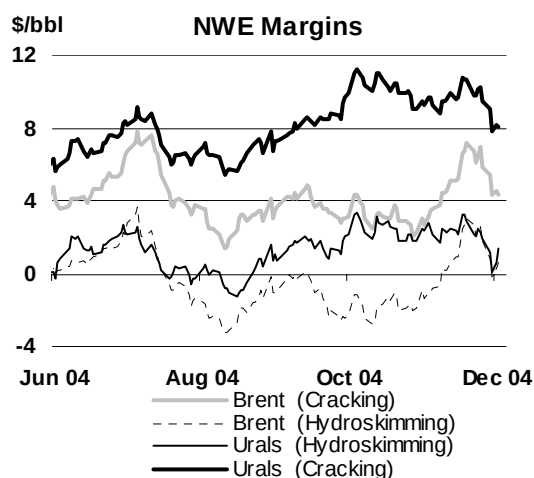
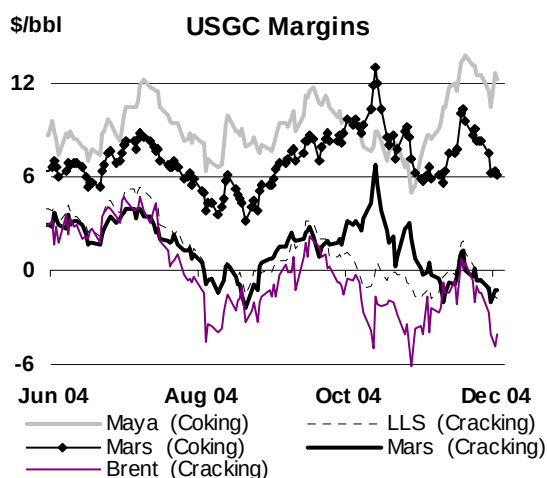
	Monthly Average			Change	Week Ending:				
	Sep 04	Oct 04	Nov 04	Nov-Oct 04	05 Nov	12 Nov	19 Nov	26 Nov	03 Dec
NW Europe									
Brent (Cracking)	3.81	3.16	5.04	1.88	3.60	5.15	7.16	5.88	4.35
Brent (Hydroskimming)	-1.05	-1.81	0.79	2.60	-0.80	0.61	2.98	1.82	0.59
Mediterranean									
Urals (Cracking)	7.60	8.75	8.00	-0.74	7.57	8.19	9.11	7.32	5.84
Urals (Hydroskimming)	0.62	0.99	0.55	-0.44	0.50	1.06	0.93	-0.79	-0.71
US Gulf Coast									
Brent (Cracking)	0.18	-2.64	-1.79	0.85	-2.40	-1.40	0.47	-1.45	-4.43
LLS (Cracking)	1.58	-0.36	-0.44	-0.08	-1.83	0.00	1.18	-0.47	-1.80
Maya (Coking)	10.08	7.84	10.95	3.11	8.39	11.69	13.73	12.47	11.83
US West Coast									
ANS (Cracking)	5.22	6.82	5.51	-1.30	6.70	6.13	4.92	3.91	4.69
Oman (Cracking)	7.14	9.58	3.20	-6.37	5.92	2.95	4.78	2.07	-1.61
Kern (Coking)	15.83	16.55	13.44	-3.12	14.31	15.02	17.45	13.28	10.39
Singapore									
Tapis (Hydroskimming)	-3.05	-3.69	-1.22	2.47	-1.16	-0.04	-0.63	-1.46	1.05
Dubai (Hydrocracking)	6.79	8.22	8.00	-0.21	8.33	8.23	9.20	7.56	5.48
Tapis (Hydrocracking)	-1.49	-1.69	1.78	3.48	1.18	3.19	2.87	2.06	4.79
China*									
Cabinda (Hydroskimming)	1.05	-3.28	-0.79	2.49	-0.86	-0.78	-1.87	-1.79	-1.36
Daqing (Hydrocracking)	0.68	0.15	7.19	7.04	14.24	10.21	6.01	3.10	2.82

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

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

Sources: IEA, Purvin & Gertz Inc.

Much of the extensive maintenance programme in Europe during October and November was directed towards meeting compulsory switch to maximum 50 ppm sulphur requirements from 1 January 2005. This should eventually increase the flexibility of some refineries to process more sour crudes, which could further depress the premium of Urals margins. However, at the present level of \$3.70, it remains much wider than the \$1.55 average seen throughout 2003, and even above the first half 2004 average of \$2.36



US coking margins remain attractive, but the sharp fall in Gulf Coast cracking margins remains a concern. While the fall in Brent cracking margins to uneconomic levels will merely result in an adjustment in arbitrage economics, LLS and Mars margins are also low. While they are not yet low enough to encourage significant throughput cuts, they may prevent refiners from running flat out. Cracking margins on the US Gulf Coast have been low for two months now, and runs could be impacted if crude prices rally independently.

Poor refining economics for regional and West African sweets in October have been reflected in the under performance of Tapis and Cabinda crudes to dated Brent, with an even greater differential to regional benchmark Dubai. Refining margins for the two crudes therefore improved significantly in November, and Tapis margins even turned positive for hydroskimmers in early December. Sweet cracking margins have however moved to attractive levels for sweet crudes in both China and Singapore. Sour crude hydrocracking refiners once more reaped strong returns in November from running distillate rich crudes such as Dubai, but the wide margin differential over \$6/bbl in November between Dubai and Tapis hydrocracking, narrowed to less than 70 cents in early December.

Refinery Throughput

OECD refinery throughput dipped in October to 38.29 mb/d, down 340 kb/d from September and 2.45 mb/d from August levels. Falling US and European throughput was only partly offset by a recovery in OECD Pacific runs. European throughput dipped further as maintenance extended from Septembers levels, and provisional data shows that relatively high levels of maintenance persisted in November.

Refinery Crude Throughput and Utilisation in OECD Countries

	million barrels per day						Change from Oct 03		Utilisation rate ²	
	May 04	Jun 04	Jul 04	Aug 04	Sep 04	Oct 04	mb/d	%	Oct 04	Oct 03
OECD North America										
US ³	15.96	16.24	16.14	16.14	14.98	14.84	-0.50	-3.3	87.9	91.6
Canada	1.65	1.71	1.75	1.91	1.90	1.72	-0.03	-1.6	86.3	87.9
Mexico	1.30	1.29	1.30	1.27	1.23	1.11	-0.10	-8.2	66.2	72.0
Total	18.92	19.24	19.18	19.32	18.11	17.67	-0.63	-3.4	85.9	89.6
OECD Europe										
France	1.63	1.64	1.81	1.78	1.77	1.67	-0.19	-10.3	85.5	97.8
Germany	2.28	2.25	2.39	2.36	2.29	2.39	0.06	2.4	94.6	92.4
Italy	1.83	1.86	1.84	1.95	1.93	1.80	-0.02	-1.3	78.0	79.5
Netherlands	1.13	1.13	1.11	1.08	0.93	0.82	-0.13	-13.4	66.9	78.2
Spain	1.24	1.22	1.21	1.23	1.17	1.18	0.04	3.3	92.4	86.1
UK	1.68	1.60	1.76	1.73	1.66	1.74	0.32	22.2	95.9	79.7
Other OECD Europe	4.09	4.16	4.14	4.13	4.09	4.13	0.13	3.1	88.3	85.8
Total	13.89	13.87	14.26	14.25	13.84	13.73	0.19	1.4	87.0	86.1
OECD Pacific										
Japan	3.36	3.36	3.88	4.24	3.73	3.81	-0.09	-2.4	81.1	82.0
Korea	2.18	2.10	1.92	2.18	2.20	2.35	0.11	5.1	92.3	87.2
Other OECD Pacific	0.66	0.70	0.79	0.74	0.74	0.73	0.00	0.1	85.1	76.6
Total	6.20	6.16	6.60	7.17	6.68	6.89	0.02	0.3	85.0	83.0
OECD Total	39.00	39.26	40.04	40.74	38.63	38.29	-0.41	-1.1	86.2	87.1

1 Estimate

2 Based on crude throughput and current operable refining capacity

3 US\$50

European refinery throughput fell 100 kb/d from September levels to 13.73 mb/d as heavy autumn maintenance deepened. Initial reports suggested that maintenance would peak in October, but recent reports suggest that average November levels should only see a slight dip in workload. Coupled with some unscheduled work and strike action at one northern European plant, refinery throughput is expected to remain steady in November before rising sharply in December.

However, it must be noted that work to comply with reduced sulphur regulations in Europe is difficult to track, and does not necessarily mean the shutdown of the entire refinery. The sharp rise in Brent prices in October and November is redolent of refineries buying sweet crude to meet sulphur targets because of installation or work on hydrotreating plants.

In North America throughput dropped by 440 kb/d, with reductions spread evenly across the US, Canada and Mexico. Preliminary data suggests that throughput in November rose 720 kb/d as refiners ended maintenance and cranked up throughput to meet heating oil requirements. Runs by early December had still not reached August peaks of over 16 mb/d as high gasoline stocks and relatively low cracking refinery margins removed the incentive to maximise runs.

In Asia, October throughput rose in line with normal seasonal trends as Japanese refiners recovered from September's disruptions and regional refiners increased throughput to meet pending heating requirements. Provisional data suggests that Japanese refinery throughput should have jumped to over 4 mb/d in November and if throughput is maintained at current levels, could rise a further 200 kb/d in December. This would be roughly in line with seasonal norms, but it has to be noted that mild weather has dampened kerosene consumption in the region, allowing stocks to catch up with year ago levels.

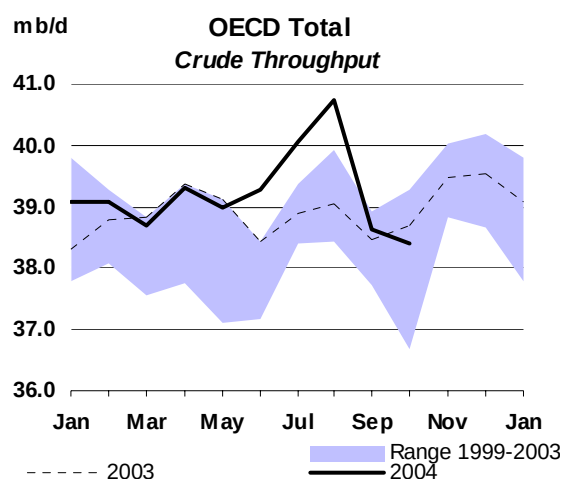
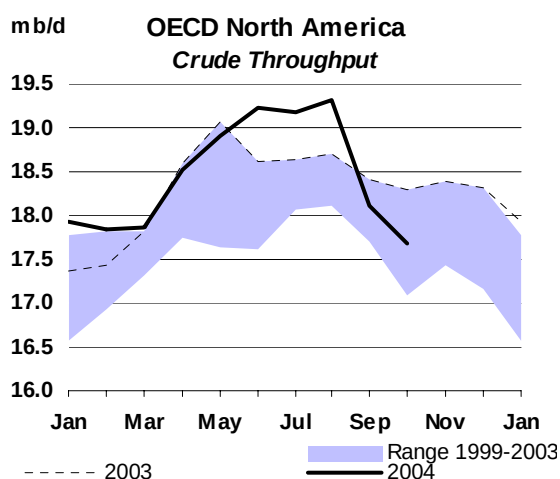


Table 1
WORLD OIL SUPPLY AND DEMAND
(million barrels per day)

	2001	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
OECD DEMAND																	
North America	24.0	24.1	24.5	24.2	24.8	24.9	24.6	25.0	24.9	25.2	25.3	25.1	25.2	25.0	25.4	25.5	25.3
Europe ⁸	15.3	15.3	15.4	15.2	15.5	15.8	15.5	15.8	15.4	15.7	16.0	15.7	15.8	15.5	15.9	16.0	15.8
Pacific	8.7	8.6	9.8	8.2	8.0	9.2	8.8	9.4	8.0	8.3	9.1	8.7	9.3	7.9	8.1	9.0	8.6
Total OECD	48.0	48.1	49.7	47.5	48.3	49.8	48.8	50.2	48.2	49.2	50.3	49.5	50.4	48.4	49.4	50.6	49.7
NON-OECD DEMAND																	
FSU	3.7	3.5	3.8	3.2	3.5	3.9	3.6	3.5	3.7	3.7	3.9	3.7	3.8	3.7	3.8	4.0	3.8
Europe ⁸	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	4.7	5.0	5.2	5.2	5.8	5.9	5.5	6.2	6.5	6.2	6.3	6.3	6.5	6.7	6.7	6.9	6.7
Other Asia	7.6	7.9	8.0	7.9	8.0	8.5	8.1	8.5	8.6	8.4	8.8	8.6	8.7	8.7	8.6	9.0	8.8
Latin America	4.9	4.8	4.5	4.7	4.8	4.9	4.7	4.7	4.9	5.0	5.0	4.9	4.8	5.0	5.1	5.1	5.0
Middle East	5.2	5.4	5.5	5.3	5.7	5.7	5.6	5.8	5.8	6.0	5.9	5.9	6.1	6.1	6.2	6.2	6.1
Africa	2.6	2.7	2.8	2.8	2.7	2.8	2.7	2.8	2.8	2.7	2.9	2.8	2.9	2.9	2.8	2.9	2.9
Total Non-OECD	29.3	29.9	30.6	29.7	31.1	32.3	30.9	32.2	33.0	32.7	33.6	32.9	33.6	33.8	33.9	34.9	34.1
Total Demand¹	77.3	77.9	80.3	77.3	79.3	82.1	79.7	82.4	81.2	81.9	84.0	82.4	84.0	82.3	83.3	85.5	83.7
OECD SUPPLY																	
North America	14.4	14.5	14.6	14.4	14.6	14.7	14.6	14.8	14.7	14.4	14.6	14.6	15.0	14.8	14.8	14.8	14.9
Europe	6.7	6.6	6.7	6.2	6.0	6.4	6.3	6.4	6.2	5.7	6.0	6.1	6.1	5.8	5.7	5.9	5.9
Pacific	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5
Total OECD	21.8	21.8	22.1	21.3	21.3	21.8	21.6	21.8	21.5	20.7	21.2	21.3	21.6	21.2	21.0	21.3	21.3
NON-OECD SUPPLY																	
FSU	8.6	9.4	9.9	10.1	10.5	10.7	10.3	10.8	11.1	11.4	11.4	11.2	11.5	11.6	11.9	12.1	11.8
Europe	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
China	3.3	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.5	3.6	3.5	3.5	3.5	3.5
Other Asia	2.4	2.5	2.6	2.6	2.6	2.7	2.6	2.7	2.7	2.7	2.8	2.7	2.8	2.7	2.7	2.7	2.7
Latin America	3.8	4.0	4.0	3.9	4.0	4.1	4.0	4.0	4.0	4.1	4.1	4.0	4.3	4.3	4.4	4.4	4.3
Middle East	2.1	2.1	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.8
Africa	2.8	3.0	2.9	3.0	3.1	3.3	3.1	3.3	3.3	3.5	3.5	3.4	3.6	3.7	3.7	3.8	3.7
Total Non-OECD	23.2	24.5	25.0	25.2	25.7	26.3	25.6	26.4	26.7	27.2	27.5	26.9	27.7	27.9	28.2	28.4	28.1
Processing Gains ²	1.7	1.8	1.8	1.8	1.8	1.8	1.8	1.9	1.8	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.9
Total Non-OPEC	46.8	48.1	48.9	48.3	48.7	49.9	49.0	50.0	50.0	49.7	50.6	50.1	51.2	51.0	51.1	51.6	51.2
OPEC																	
Crude ³	27.0	25.1	26.7	26.1	26.6	27.6	26.8	27.9	28.1	29.2							
NGLs	3.4	3.7	3.5	3.9	4.0	4.2	3.9	4.3	4.3	4.3	4.4	4.3	4.7	4.7	4.8	4.9	4.8
Total OPEC	30.4	28.8	30.2	30.0	30.6	31.8	30.7	32.2	32.3	33.5							
Total Supply⁴	77.2	76.9	79.1	78.3	79.4	81.6	79.6	82.2	82.3	83.2							
STOCK CHANGES AND MISCELLANEOUS																	
Reported OECD																	
Industry	0.3	-0.4	-0.6	1.3	0.5	-0.8	0.1	-0.6	0.9	0.5							
Government	0.0	0.2	0.2	0.0	0.2	0.3	0.2	0.1	0.1	0.1							
Total	0.3	-0.3	-0.5	1.4	0.7	-0.5	0.3	-0.5	1.0	0.6							
Floating Storage/Oil in Transit	-0.1	0.0	0.3	0.1	0.0	0.3	0.2	-0.2	-0.1	0.2							
Miscellaneous to balance ⁵	-0.4	-0.7	-1.0	-0.4	-0.7	-0.2	-0.6	0.5	0.3	0.5							
Total Stock Ch. & Misc	-0.1	-1.0	-1.2	1.1	0.0	-0.4	-0.1	-0.2	1.1	1.3							
Memo items:																	
Call on OPEC crude + Stock ch. ⁶	27.2	26.1	27.8	25.1	26.6	28.1	26.9	28.2	26.9	27.9	29.0	28.0	28.1	26.6	27.4	29.0	27.8
Total Demand ex. FSU	73.6	74.5	76.5	74.1	75.9	78.2	76.2	79.0	77.5	78.1	80.0	78.7	80.1	78.6	79.5	81.4	79.9
Total demand exc. FSU (% ch) ⁷	0.0	1.1	0.0	0.0	0.0	0.0	2.3	3.2	4.7	3.0	2.3	3.3	1.5	1.4	1.7	1.8	1.6

¹ Measured as deliveries from refineries and primary stocks, comprises inland deliveries, international marine bunkers, refinery fuel, crude for direct burning,

oil from non-conventional sources and other sources of supply

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

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

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

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

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

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

⁸ As of the December 10, 2004 OMR issue, the Slovak Republic is included in OECD Europe

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

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

As of the December 10, 2004 OMR issue, the Slovak Republic is included in OECD Europe

Table 2
Summary of Global Oil Demand

	2002	1Q03	2Q03	3Q03	4Q03	2003	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05	2005
Demand (mb/d)																
North America	24.11	24.52	24.15	24.76	24.86	24.58	25.03	24.85	25.19	25.26	25.08	25.21	24.99	25.42	25.53	25.29
Europe	15.32	15.43	15.19	15.47	15.75	15.46	15.78	15.40	15.73	16.01	15.73	15.83	15.52	15.85	16.03	15.81
Pacific	8.63	9.76	8.19	8.03	9.15	8.78	9.38	8.00	8.25	9.07	8.68	9.34	7.92	8.08	9.03	8.59
Total OECD	48.06	49.71	47.54	48.26	49.77	48.82	50.18	48.25	49.17	50.34	49.49	50.38	48.43	49.36	50.59	49.69
FSU	3.45	3.81	3.19	3.45	3.85	3.58	3.47	3.68	3.74	3.93	3.71	3.83	3.68	3.77	4.01	3.82
Europe	0.69	0.76	0.70	0.65	0.71	0.70	0.77	0.71	0.67	0.73	0.72	0.79	0.73	0.69	0.75	0.74
China	4.97	5.23	5.20	5.75	5.87	5.52	6.24	6.49	6.25	6.35	6.33	6.49	6.67	6.73	6.88	6.69
Other Asia	7.88	7.98	7.87	8.04	8.52	8.10	8.46	8.57	8.37	8.81	8.55	8.67	8.75	8.60	9.04	8.76
Latin America	4.82	4.49	4.67	4.83	4.89	4.72	4.68	4.90	4.98	5.00	4.89	4.81	5.00	5.10	5.08	5.00
Middle East	5.36	5.54	5.32	5.68	5.69	5.56	5.81	5.78	5.98	5.94	5.88	6.10	6.07	6.23	6.17	6.14
Africa	2.70	2.77	2.76	2.66	2.78	2.74	2.81	2.84	2.73	2.86	2.81	2.91	2.94	2.82	2.94	2.90
Total Non-OECD	29.87	30.57	29.72	31.06	32.31	30.92	32.24	32.95	32.72	33.62	32.89	33.60	33.83	33.92	34.86	34.06
World	77.93	80.28	77.25	79.32	82.08	79.74	82.43	81.20	81.89	83.96	82.37	83.98	82.26	83.28	85.46	83.75
of which:																
US	19.76	20.02	19.65	20.21	20.25	20.03	20.36	20.25	20.58	20.63	20.46	20.51	20.39	20.77	20.86	20.63
Euro4	8.34	8.27	8.22	8.29	8.40	8.29	8.51	8.23	8.45	8.57	8.44	8.55	8.31	8.47	8.51	8.46
Japan	5.46	6.37	5.17	5.04	5.76	5.58	6.06	4.95	5.20	5.68	5.47	5.98	4.86	5.01	5.59	5.36
Korea	2.15	2.38	2.00	1.95	2.34	2.17	2.29	2.01	1.99	2.29	2.15	2.29	2.01	1.99	2.30	2.15
Mexico	1.94	1.98	2.03	2.02	2.03	2.02	2.02	2.02	2.02	2.02	2.02	2.05	2.01	2.04	2.03	2.03
Canada	2.08	2.17	2.16	2.20	2.24	2.19	2.27	2.25	2.25	2.25	2.26	2.27	2.26	2.28	2.28	2.27
Brazil	2.12	1.97	2.02	2.10	2.13	2.05	2.07	2.13	2.20	2.20	2.15	2.12	2.15	2.23	2.22	2.18
India	2.32	2.38	2.30	2.26	2.44	2.35	2.53	2.51	2.33	2.52	2.47	2.57	2.55	2.39	2.59	2.53
Annual Change (% per annum)																
North America	0.4	2.6	0.7	2.1	2.4	1.9	2.0	2.9	1.7	1.6	2.1	0.7	0.5	0.9	1.1	0.8
Europe	-0.1	0.1	1.9	0.4	1.4	0.9	2.2	1.4	1.7	1.6	1.7	0.4	0.8	0.7	0.2	0.5
Pacific	-0.4	6.4	5.3	-1.9	-2.7	1.7	-3.8	-2.4	2.8	-0.9	-1.2	-0.5	-0.9	-2.0	-0.5	-1.0
Total OECD	0.1	2.5	1.9	0.9	1.1	1.6	0.9	1.5	1.9	1.1	1.4	0.4	0.4	0.4	0.5	0.4
FSU	-5.5	9.3	2.6	2.3	0.2	3.5	-8.9	15.4	8.4	1.9	3.6	10.5	0.1	0.6	2.2	3.2
Europe	1.4	1.8	1.6	1.6	1.7	1.7	1.8	1.9	2.4	2.8	2.2	2.5	2.6	2.9	3.1	2.8
China	6.3	12.2	3.3	16.0	12.5	11.0	19.3	24.6	8.6	8.1	14.7	4.1	2.8	7.6	8.3	5.7
Other Asia	3.5	3.0	-0.5	2.9	5.6	2.8	6.1	8.9	4.1	3.4	5.6	2.4	2.1	2.7	2.6	2.4
Latin America	-0.9	-4.6	-3.2	-1.2	0.7	-2.0	4.2	4.7	3.1	2.4	3.6	2.7	2.2	2.3	1.5	2.2
Middle East	3.3	4.4	1.6	4.1	4.7	3.7	4.9	8.5	5.2	4.5	5.7	4.9	5.1	4.3	3.7	4.5
Africa	2.9	2.1	1.6	0.9	2.0	1.7	1.4	2.7	2.8	2.6	2.4	3.7	3.6	3.1	2.8	3.3
Total Non-OECD	2.0	4.1	0.6	4.4	4.8	3.5	5.5	10.9	5.3	4.1	6.4	4.2	2.7	3.7	3.7	3.6
World	0.8	3.1	1.4	2.2	2.5	2.3	2.7	5.1	3.2	2.3	3.3	1.9	1.3	1.7	1.8	1.7
Annual Change (mb/d)																
North America	0.10	0.63	0.18	0.50	0.57	0.47	0.50	0.70	0.43	0.40	0.51	0.18	0.14	0.24	0.27	0.21
Europe	-0.01	0.02	0.28	0.06	0.21	0.15	0.34	0.21	0.26	0.25	0.27	0.06	0.12	0.12	0.03	0.08
Pacific	-0.04	0.58	0.41	-0.15	-0.26	0.14	-0.38	-0.20	0.22	-0.08	-0.10	-0.04	-0.07	-0.17	-0.05	-0.08
Total OECD	0.06	1.23	0.88	0.41	0.53	0.76	0.47	0.71	0.91	0.57	0.67	0.20	0.18	0.18	0.25	0.20
FSU	-0.20	0.33	0.08	0.08	0.01	0.12	-0.34	0.49	0.29	0.07	0.13	0.36	0.00	0.02	0.09	0.12
Europe	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
China	0.30	0.57	0.17	0.79	0.65	0.55	1.01	1.28	0.50	0.48	0.81	0.26	0.18	0.48	0.53	0.36
Other Asia	0.27	0.23	-0.04	0.23	0.45	0.22	0.49	0.70	0.33	0.29	0.45	0.20	0.18	0.23	0.23	0.21
Latin America	-0.04	-0.22	-0.15	-0.06	0.03	-0.10	0.19	0.22	0.15	0.12	0.17	0.13	0.11	0.11	0.08	0.11
Middle East	0.17	0.23	0.08	0.23	0.26	0.20	0.27	0.45	0.30	0.25	0.32	0.29	0.29	0.26	0.22	0.26
Africa	0.08	0.06	0.04	0.02	0.06	0.04	0.04	0.07	0.08	0.07	0.07	0.10	0.10	0.09	0.08	0.09
Total Non-OECD	0.57	1.22	0.19	1.30	1.47	1.05	1.67	3.24	1.66	1.31	1.97	1.36	0.88	1.20	1.24	1.17
World	0.63	2.45	1.07	1.71	2.00	1.80	2.14	3.95	2.57	1.88	2.63	1.56	1.06	1.39	1.50	1.38
Changes from Last Month's Report																
North America	-	-	-	0.04	-	0.01	-	-	0.05	0.11	0.04	-	-	0.02	0.10	0.03
Europe	0.07	0.06	0.07	0.08	0.08	0.07	0.07	0.07	0.06	0.01	0.05	0.07	0.08	0.08	0.02	0.06
Pacific	-	-	-	-	-	-	-	-	-0.04	-0.03	-0.02	-	-	-0.03	-	-0.01
Total OECD	0.07	0.06	0.07	0.11	0.08	0.08	0.07	0.07	0.08	0.09	0.08	0.07	0.08	0.06	0.11	0.08
FSU	-	-	-	-	-	-	-	0.01	0.02	0.05	0.02	-0.04	-0.04	-0.04	-0.02	-0.03
Europe	-0.07	-0.08	-0.07	-0.07	-0.08	-0.07	-0.08	-0.08	-0.07	-0.08	-0.08	-0.09	-0.08	-0.08	-0.08	-0.08
China	-	-	-	-	-	-	-	-	0.01	-	-	0.03	0.02	-0.01	-	0.01
Other Asia	-	-	-	0.01	-	-	-0.03	-	-0.05	-0.02	-0.03	-0.03	-0.01	-0.04	-0.02	-0.03
Latin America	-	-	-	-	0.01	-	0.03	0.04	-	0.02	0.02	0.03	0.04	-	0.01	0.02
Middle East	-	-	0.01	-0.01	-0.01	-	-0.01	-0.02	-0.03	-0.03	-0.03	-0.03	-0.03	-0.05	-0.05	-0.04
Africa	-	-	-	-	-	-	0.01	0.01	0.01	-	0.01	0.01	0.01	0.01	-	0.01
Total Non-OECD	-0.07	-0.08	-0.06	-0.07	-0.08	-0.07	-0.09	-0.04	-0.11	-0.07	-0.08	-0.12	-0.10	-0.21	-0.16	-0.15
World	-	-0.02	0.01	0.04	-	0.01	-0.02	0.03	-0.04	0.02	-	-0.05	-0.02	-0.15	-0.05	-0.07

As of the December 10, 2004 OMR issue, the Slovak Republic is included in OECD Europe

Table 3
WORLD OIL PRODUCTION
(million barrels per day)

	2003	2004	2005	2Q04	3Q04	4Q04	1Q05	2Q05	Sep 04	Oct 04	Nov 04
OPEC											
Crude Oil											
Saudi Arabia	8.48			8.41	9.12				9.25	9.30	9.25
Iran	3.78			3.95	3.89				3.86	3.90	3.90
Iraq	1.33			1.96	1.92				2.25	2.22	1.79
UAE	2.29			2.24	2.44				2.45	2.43	2.42
Kuwait	1.87			2.02	2.07				2.10	2.15	2.14
Neutral Zone	0.61			0.58	0.61				0.60	0.60	0.61
Qatar	0.72			0.78	0.80				0.80	0.80	0.80
Nigeria	2.15			2.29	2.35				2.34	2.37	2.35
Libya	1.42			1.51	1.59				1.59	1.61	1.61
Algeria	1.11			1.17	1.24				1.25	1.27	1.29
Venezuela	2.01			2.20	2.21				2.21	2.25	2.25
Indonesia	1.01			0.96	0.96				0.98	0.97	0.97
Total Crude Oil	26.77			28.06	29.19				29.66	29.86	29.36
Total NGLs ¹	3.90	4.33	4.77	4.29	4.32	4.40	4.68	4.70	4.33	4.31	4.35
Total OPEC	30.67			32.34	33.51				33.99	34.17	33.70
NON-OPEC²											
OECD											
North America	14.61	14.63	14.86	14.70	14.40	14.63	14.95	14.84	14.25	14.40	14.67
United States	7.82	7.70	7.82	7.73	7.52	7.69	7.87	7.83	7.32	7.48	7.75
Mexico	3.79	3.85	3.88	3.88	3.82	3.88	3.89	3.89	3.87	3.89	3.86
Canada	3.00	3.09	3.15	3.09	3.07	3.06	3.19	3.11	3.06	3.03	3.06
Europe	6.34	6.09	5.88	6.23	5.71	6.05	6.06	5.85	5.52	6.06	6.09
UK	2.28	2.07	1.93	2.12	1.89	2.05	2.03	1.91	1.76	2.01	2.06
Norway	3.26	3.17	3.12	3.24	2.97	3.15	3.18	3.11	2.88	3.19	3.18
Others	0.80	0.85	0.84	0.87	0.85	0.86	0.85	0.84	0.88	0.86	0.85
Pacific	0.65	0.58	0.54	0.57	0.59	0.57	0.57	0.54	0.56	0.51	0.59
Australia	0.61	0.53	0.50	0.53	0.54	0.52	0.52	0.49	0.51	0.47	0.54
Others	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total OECD	21.59	21.30	21.28	21.50	20.69	21.25	21.58	21.22	20.32	20.97	21.35
NON-OECD											
Former USSR	10.31	11.17	11.77	11.10	11.35	11.43	11.47	11.63	11.40	11.45	11.43
Russia	8.49	9.23	9.64	9.16	9.40	9.40	9.44	9.57	9.46	9.43	9.41
Others	1.82	1.95	2.13	1.94	1.95	2.02	2.04	2.06	1.94	2.02	2.02
Asia	6.03	6.24	6.26	6.17	6.27	6.33	6.34	6.28	6.31	6.28	6.35
China	3.41	3.49	3.53	3.47	3.54	3.54	3.57	3.54	3.57	3.47	3.57
Malaysia	0.83	0.86	0.82	0.83	0.86	0.87	0.85	0.83	0.85	0.89	0.86
India	0.79	0.80	0.78	0.80	0.79	0.81	0.79	0.78	0.81	0.81	0.80
Others	1.01	1.09	1.13	1.07	1.09	1.13	1.13	1.13	1.09	1.11	1.13
Europe	0.17	0.17	0.16	0.17	0.17	0.17	0.16	0.16	0.17	0.17	0.17
Latin America	4.00	4.04	4.35	4.00	4.06	4.13	4.27	4.34	4.07	4.11	4.11
Brazil	1.77	1.77	2.02	1.74	1.80	1.82	1.96	2.02	1.81	1.79	1.80
Argentina	0.83	0.78	0.76	0.78	0.78	0.78	0.77	0.76	0.79	0.79	0.78
Colombia	0.55	0.54	0.52	0.55	0.55	0.54	0.53	0.53	0.54	0.54	0.54
Ecuador	0.43	0.53	0.57	0.53	0.53	0.54	0.55	0.56	0.53	0.54	0.54
Others	0.42	0.42	0.48	0.41	0.41	0.45	0.46	0.47	0.41	0.44	0.45
Middle East³	1.99	1.89	1.84	1.90	1.88	1.86	1.85	1.84	1.88	1.87	1.86
Oman	0.82	0.76	0.74	0.77	0.76	0.75	0.75	0.74	0.76	0.75	0.75
Syria	0.53	0.51	0.48	0.51	0.50	0.50	0.49	0.48	0.50	0.50	0.50
Yemen	0.44	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42	0.42
Africa	3.05	3.41	3.71	3.34	3.46	3.55	3.62	3.68	3.54	3.54	3.53
Egypt	0.75	0.71	0.73	0.71	0.71	0.71	0.73	0.73	0.71	0.71	0.70
Angola	0.88	0.98	1.17	0.92	0.99	1.10	1.13	1.17	1.08	1.09	1.08
Gabon	0.24	0.24	0.24	0.24	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Others	1.18	1.48	1.58	1.48	1.53	1.52	1.52	1.55	1.53	1.51	1.52
Total Non-OECD	25.56	26.92	28.08	26.67	27.19	27.46	27.71	27.92	27.37	27.41	27.45
Processing Gains ⁴	1.80	1.83	1.86	1.81	1.81	1.85	1.88	1.85	1.81	1.85	1.85
TOTAL NON-OPEC	48.95	50.06	51.22	49.99	49.70	50.56	51.17	51.00	49.51	50.24	50.66
TOTAL SUPPLY	79.62			82.33	83.21				83.50	84.40	84.36

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

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

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

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

Table 4
OECD INDUSTRY STOCKS¹ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Jun2004	Jul2004	Aug2004	Sep2004	Oct2004*	Oct2001	Oct2002	Oct2003	4Q2003	1Q2004	2Q2004	3Q2004
North America												
Crude	419.8	407.2	393.3	391.4	411.2	422.9	403.6	407.6	-0.16	0.32	0.10	-0.31
Motor Gasoline	237.7	242.7	241.4	238.5	241.4	238.9	224.2	221.3	0.06	-0.02	0.06	0.01
Middle Distillate	182.2	192.7	206.5	200.8	191.7	203.9	194.8	206.3	0.04	-0.44	0.14	0.20
Residual Fuel Oil	45.0	42.5	45.6	42.4	45.5	48.4	42.8	43.3	0.05	0.02	-0.03	-0.03
Total Products ³	635.9	657.1	680.4	674.5	665.8	675.5	647.6	643.7	-0.11	-0.52	0.42	0.42
Total ⁴	1203.4	1217.7	1234.8	1231.2	1238.4	1262.9	1214.8	1211.4	-0.52	-0.22	0.64	0.30
Europe⁵												
Crude	341.3	328.3	328.6	332.4	338.4	318.4	331.3	334.7	0.01	0.26	-0.03	-0.10
Motor Gasoline	110.1	110.1	114.8	112.3	110.4	112.6	112.3	107.0	0.08	0.00	-0.06	0.02
Middle Distillate	232.9	241.8	256.2	246.6	241.2	218.3	254.1	232.2	-0.14	-0.24	0.18	0.15
Residual Fuel Oil	76.3	77.8	77.4	76.5	77.5	82.3	76.1	70.6	0.08	-0.04	0.01	0.00
Total Products ³	518.2	532.7	552.7	537.8	532.6	530.3	543.6	512.5	0.01	-0.33	0.14	0.21
Total ⁴	930.1	930.3	947.7	939.5	939.5	917.7	938.1	920.0	-0.01	-0.01	0.06	0.10
Pacific												
Crude	176.6	182.7	167.5	168.7	177.9	185.6	164.6	167.4	-0.04	-0.06	0.02	-0.09
Motor Gasoline	24.6	23.6	23.3	23.9	23.9	25.4	24.3	23.7	-0.02	0.03	-0.01	-0.01
Middle Distillate	60.3	62.6	69.6	74.8	75.0	94.1	80.3	79.8	-0.10	-0.21	0.06	0.16
Residual Fuel Oil	22.6	22.3	23.3	21.3	20.7	25.2	22.7	22.5	0.00	-0.03	0.03	-0.01
Total Products ³	172.3	174.4	182.3	186.2	187.9	218.9	197.6	198.0	-0.22	-0.28	0.15	0.15
Total ⁴	419.5	429.1	421.7	429.7	437.8	494.4	435.7	437.3	-0.26	-0.38	0.21	0.11
Total OECD												
Crude	937.7	918.2	889.4	892.5	927.5	926.9	899.4	909.6	-0.20	0.52	0.09	-0.49
Motor Gasoline	372.5	376.4	379.5	374.7	375.7	376.9	360.8	352.0	0.12	0.02	-0.01	0.02
Middle Distillate	475.3	497.1	532.3	522.2	507.9	516.3	529.2	518.4	-0.21	-0.89	0.37	0.51
Residual Fuel Oil	143.9	142.6	146.3	140.2	143.7	155.8	141.5	136.3	0.13	-0.05	0.01	-0.04
Total Products ³	1326.3	1364.2	1415.3	1398.5	1386.3	1424.8	1388.8	1354.2	-0.33	-1.13	0.72	0.79
Total ⁴	2553.0	2577.1	2604.2	2600.3	2615.6	2675.0	2588.5	2568.8	-0.79	-0.61	0.91	0.51

OECD GOVERNMENT-CONTROLLED STOCKS⁶ AND QUARTERLY STOCK CHANGES

	RECENT MONTHLY STOCKS ² in Million Barrels					PRIOR YEARS' STOCKS ² in Million Barrels			STOCK CHANGES in mb/d			
	Jun2004	Jul2004	Aug2004	Sep2004	Oct2004*	Oct2001	Oct2002	Oct2003	4Q2003	1Q2004	2Q2004	3Q2004
North America												
Crude	662.4	665.7	669.0	670.3	669.9	545.2	589.6	630.9	0.15	0.15	0.11	0.09
Products ⁷	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	0.00	0.00	0.00	0.00
Europe⁵												
Crude	157.9	157.9	158.0	157.8	157.8	143.2	155.2	152.8	0.07	0.01	0.00	0.00
Products	205.0	205.6	205.9	205.4	205.4	203.3	192.7	208.2	0.04	-0.03	-0.05	0.00
Pacific												
Crude	386.8	386.7	386.7	384.9	382.5	369.3	378.9	382.8	0.02	0.02	0.00	-0.02
Products	11.0	11.0	11.2	11.2	11.2	7.3	8.0	10.3	0.01	0.00	0.00	0.00
Total OECD												
Crude	1207.1	1210.3	1213.6	1213.0	1210.2	1057.7	1123.8	1166.5	0.24	0.18	0.11	0.06
Products	218.0	218.6	219.1	218.6	218.6	212.6	202.6	220.4	0.05	-0.03	-0.05	0.01
Total ⁴	1426.1	1429.9	1433.7	1432.6	1429.8	1271.2	1327.4	1387.9	0.29	0.15	0.06	0.07

* estimated

1 Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entropot 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 As of the December 10, 2004 OMR issue, Europe includes the Slovak Republic

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

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

	End September 2003		End December 2003		End March 2004		End June 2004		End September 2004 ³	
	Stock Level	Days Fwd ² Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand	Stock Level	Days Fwd Demand
North America										
Canada	176.6	79	174.6	77	170.4	76	175.3	78	194.6	-
Mexico	41.4	20	39.0	19	38.9	19	39.5	20	41.4	-
United States ⁴	1600.0	79	1570.3	77	1568.2	77	1630.9	79	1645.3	-
Total ⁵	1840.1	74	1806.1	72	1799.6	72	1867.8	74	1903.5	75
Pacific										
Australia	36.0	40	32.4	37	33.8	39	34.9	39	34.3	-
Japan	653.6	114	636.3	105	614.4	124	622.0	120	632.0	-
Korea	154.5	66	154.5	67	142.9	71	152.9	77	152.1	-
New Zealand	8.5	58	7.9	49	7.5	48	7.7	50	7.4	-
Total	852.6	93	831.1	89	798.5	100	817.4	99	825.7	91
Europe⁶										
Austria	20.3	69	20.9	80	23.2	80	23.0	78	21.0	-
Belgium	29.1	45	27.7	42	24.6	42	24.7	42	24.7	-
Czech Republic	13.4	69	16.4	95	15.6	76	15.9	70	16.9	-
Denmark	16.3	86	16.8	87	15.9	88	15.8	89	19.4	-
Finland	23.2	101	26.5	120	27.8	133	23.4	108	24.0	-
France	179.2	85	185.3	87	176.4	90	183.5	92	185.3	-
Germany	265.9	100	272.3	103	269.8	106	266.9	98	264.3	-
Greece	30.9	66	27.5	57	29.4	77	30.8	78	34.1	-
Hungary	18.3	122	16.8	143	19.5	153	20.1	153	18.7	-
Ireland	11.9	66	12.0	63	11.5	69	10.7	63	11.1	-
Italy	140.7	74	135.2	72	135.6	73	134.6	71	138.7	-
Luxembourg	0.8	16	1.0	17	0.8	13	1.0	16	0.9	-
Netherlands	111.1	116	100.1	105	108.2	111	102.3	108	111.0	-
Norway	23.1	93	27.2	99	28.5	116	30.0	118	23.3	-
Poland	26.9	53	28.7	64	29.7	62	30.1	59	31.1	-
Portugal	25.6	79	25.3	81	24.4	74	26.2	76	25.0	-
Slovak Republic	4.8	62	5.4	79	5.8	82	6.5	87	5.6	-
Spain	121.4	77	122.4	78	123.5	79	127.3	82	126.8	-
Sweden	34.1	99	35.9	101	31.8	89	31.1	91	31.3	-
Switzerland	37.4	141	36.1	138	35.4	149	37.5	144	37.8	-
Turkey	54.3	83	54.9	84	54.9	79	54.8	77	55.2	-
United Kingdom	98.0	56	101.9	55	100.7	54	97.6	53	97.4	-
Total	1286.9	82	1296.2	82	1292.9	84	1293.9	82	1303.7	81
Total OECD	3979.6	80	3933.4	78	3890.9	81	3979.1	81	4032.9	80
DAYS OF IEA Net Imports⁷	-	116	-	112	-	111	-	113	-	113

1 Total Stocks are industry and government-controlled stocks (see breakdown in table below). Stocks are primary national territory stocks on land (excluding utility stocks and including pipeline and entropot 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 2004 forward demand figures are IEA Secretariat forecasts.

4 US figures exclude US territories.

5 Total includes US territories.

6 Data not available for Iceland.

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

TOTAL OECD STOCKS

CLOSING STOCKS	Total	Government ¹ controlled	Industry	Total	Government ¹ controlled	Industry
	Millions of Barrels			Days of Fwd. Demand ²		
3Q2001	3930	1266	2664	81	26	55
4Q2001	3918	1285	2632	81	27	54
1Q2002	3912	1304	2609	84	28	56
2Q2002	3969	1316	2654	83	27	55
3Q2002	3899	1321	2579	79	27	52
4Q2002	3824	1344	2480	77	27	50
1Q2003	3789	1359	2430	80	29	51
2Q2003	3913	1362	2550	81	28	53
3Q2003	3980	1380	2599	80	28	52
4Q2003	3933	1407	2526	78	28	50
1Q2004	3891	1421	2470	81	29	51
2Q2004	3979	1426	2553	81	29	52
3Q2004	4033	1433	2600	80	28	52

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

2 Days of forward demand calculated using actual demand except in 3Q2004 (when latest forecasts are used).

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

	2001	2002	2003	4Q03	1Q04	2Q04	3Q04	Jul 04	Aug 04	Sep 04	Year Earlier Sep 03	change
Saudi Light & Extra Light												
North America	0.69	0.70	0.64	0.66	0.55	0.56	0.56	0.51	0.64	0.53	0.62	-0.09
Europe	0.92	0.92	1.00	0.95	0.96	1.05	1.04	1.12	0.93	1.07	0.89	0.19
Pacific	1.22	1.22	1.18	1.12	1.14	1.13	1.23	1.23	1.16	1.28	1.10	0.18
Saudi Medium												
North America	0.73	0.86	0.83	0.71	0.72	0.73	0.86	0.85	0.93	0.80	0.82	-0.03
Europe	0.15	0.11	0.11	0.07	0.08	0.07	0.11	0.07	0.11	0.16	0.09	0.07
Pacific	0.17	0.16	0.24	0.30	0.31	0.20	0.18	0.16	0.20	0.19	0.23	-0.04
Saudi Heavy												
North America	0.21	0.20	0.30	0.19	0.19	0.14	0.30	0.27	0.33	0.29	0.24	0.05
Europe	0.14	0.09	0.19	0.16	0.16	0.26	0.31	0.33	0.32	0.28	0.17	0.11
Pacific	0.15	0.12	0.16	0.15	0.13	0.13	0.16	0.18	0.13	0.18	0.13	0.04
Iraqi Basrah Light²												
North America	0.65	0.35	0.44	0.82	0.75	0.74	0.68	0.48	0.86	0.72	0.43	0.29
Europe	0.15	0.08	0.09	0.15	0.22	0.27	0.21	0.24	0.20	0.19	0.03	0.16
Pacific	0.01	0.02	0.03	0.11	0.14	0.08	0.12	0.12	0.14	0.10	..	..
Iraqi Kirkuk												
North America	0.09	0.14	0.06	..	..	0.04	0.01	..	..	0.03	..	..
Europe	0.31	0.32	0.12	..	0.04	0.07	0.03	..	0.03	0.07	..	..
Pacific	0.01	0.00	..	..	..	..	..	..	..	..	..	..
Iranian Light												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.16	0.17	0.19	0.18	0.20	0.23	0.23	0.21	0.24	0.25	0.16	0.08
Pacific	0.13	0.12	0.17	0.17	0.18	0.13	0.16	0.18	0.13	0.17	0.18	-0.01
Iranian Heavy³												
North America	..	..	..	..	..	..	..	..	..	..	..	..
Europe	0.53	0.44	0.59	0.55	0.50	0.61	0.65	0.58	0.69	0.67	0.69	-0.01
Pacific	0.63	0.54	0.69	0.74	0.73	0.65	0.58	0.58	0.60	0.57	0.55	0.02
Venezuelan Light & Medium												
North America	0.61	0.68	0.69	0.84	0.63	0.78	0.62	0.64	0.62	0.59	0.88	-0.30
Europe	0.07	0.08	0.02	0.01	..	0.02	0.02	0.03	0.01	0.01	..	..
Pacific	0.00	0.00	0.00	0.00	..	..	..	..	..	..	0.00	..
Venezuelan 22 API and heavier												
North America	0.65	0.55	0.60	0.73	0.81	0.91	0.84	0.94	0.90	0.69	0.83	-0.14
Europe	0.07	0.05	0.06	0.09	0.05	0.07	0.06	0.09	0.06	0.04	0.06	-0.02
Pacific	..	..	..	..	..	..	..	..	..	..	..	..
Mexican Maya												
North America	0.77	0.92	1.32	1.37	1.31	1.43	1.34	1.30	1.38	1.33	1.56	-0.23
Europe	0.14	0.17	0.16	0.13	0.14	0.19	0.20	0.21	0.18	0.21	0.22	-0.02
Pacific	0.01	0.00	0.00	..	0.01	..	..	..	..	..	..	..
Mexican Isthmus												
North America	0.04	0.01	0.00	..	..	..	..	..	..	..	..	..
Europe	0.03	0.01	0.00	0.00	..	..	..	..	..	..	..	..
Pacific	0.01	0.01	0.00	..	0.01	..	..	..	..	..	..	..
Russian Urals												
North America	..	0.03	0.14	..	0.01	0.14	0.12	0.26	0.06	0.02	0.22	-0.19
Europe	1.10	1.32	1.62	1.75	2.14	1.98	1.78	1.84	1.93	1.55	1.71	-0.16
Pacific	0.01	0.01	0.00	0.01	0.00	0.01	0.01	0.04	..	..	..	..
Nigerian Light⁴												
North America	0.50	0.39	0.63	0.67	0.80	0.90	0.78	0.76	0.78	0.79	0.77	0.03
Europe	0.38	0.32	0.41	0.38	0.32	0.22	0.30	0.36	0.26	0.29	0.43	-0.14
Pacific	0.02	0.06	0.08	0.09	0.12	0.10	0.09	0.08	0.10	0.08	..	..
Nigerian Medium												
North America	0.31	0.16	0.17	0.21	0.26	0.21	0.22	0.27	0.24	0.16	0.12	0.05
Europe	0.10	0.06	0.06	0.09	0.03	0.04	0.05	0.03	0.03	0.09	0.07	0.02
Pacific	0.00	0.01	0.01	..	0.02	..	..	..	..	..	..	..

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

IEA North America includes United States and Canada.

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

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

² Iraqi Total minus Kirkuk.

³ Iranian Total minus Iranian Light.

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

Table 7
Regional OECD Imports from Non-OECD countries^{1,2,4}
(thousand barrels per day)

	2001	2002	2003	4Q2003	1Q2004	2Q2004	3Q2004	Jul-04	Aug-04	Sep-04	Year Earlier	
											Sep-03	% change
Crude Oil												
North America	8020	7584	8031	8013	8027	8557	8540	8689	8943	7968	8542	-7%
Europe	8691	8725	9087	9155	9394	9566	10360	10400	10215	10470	9276	11%
Pacific	6895	6422	6711	6683	7011	6170	6457	6565	6391	6414	6265	2%
Total OECD	23605	22731	23828	23851	24431	24293	25357	25653	25549	24852	24083	3%
LPG												
North America	28	39	27	33	29	10	25	4	39	31	16	47%
Europe	252	226	197	226	253	195	217	238	152	261	168	36%
Pacific	546	553	541	523	550	585	469	493	475	439	518	-18%
Total OECD	825	818	764	782	832	790	711	735	667	731	703	4%
Naphtha												
North America	59	42	68	64	53	49	96	52	116	122	58	52%
Europe	298	298	311	322	310	321	284	293	221	340	285	16%
Pacific	647	705	770	761	782	761	787	771	798	791	831	-5%
Total OECD	1004	1045	1150	1148	1145	1131	1167	1116	1135	1254	1174	6%
Gasoline³												
North America	673	680	697	569	673	896	849	978	789	776	693	11%
Europe	131	150	145	153	218	157	191	128	194	255	162	36%
Pacific	36	58	70	75	105	118	90	87	80	103	75	27%
Total OECD	840	889	911	797	996	1171	1130	1193	1063	1133	930	18%
Jet & Kerosene												
North America	139	97	98	67	45	102	92	69	147	59	124	-111%
Europe	247	217	210	226	173	236	306	345	262	312	284	9%
Pacific	73	97	102	132	92	60	52	62	33	63	65	-3%
Total OECD	459	411	410	425	310	397	450	475	442	434	474	-9%
Gasoil/Diesel												
North America	186	102	128	87	199	92	109	121	138	66	118	-80%
Europe	575	655	654	629	679	654	819	817	772	869	586	33%
Pacific	31	53	73	73	56	92	81	80	74	89	79	11%
Total OECD	791	810	855	789	934	838	1009	1018	985	1024	784	23%
Heavy Fuel Oil												
North America	314	237	325	323	364	317	347	335	355	351	270	23%
Europe	397	471	394	446	366	431	455	446	398	522	486	7%
Pacific	81	89	88	80	76	77	86	90	82	87	78	10%
Total OECD	793	797	807	850	806	824	888	870	835	961	834	13%
Other Products												
North America	703	689	701	618	869	701	948	932	980	931	763	18%
Europe	736	735	683	701	666	701	768	771	770	762	685	10%
Pacific	218	256	236	218	249	266	262	233	262	292	299	-2%
Total OECD	1657	1680	1619	1537	1783	1668	1978	1936	2013	1985	1747	12%
Total Products												
North America	2103	1887	2043	1762	2233	2165	2465	2491	2565	2335	2043	12%
Europe	2636	2751	2593	2704	2664	2695	3040	3037	2770	3322	2657	20%
Pacific	1631	1811	1879	1862	1910	1960	1828	1816	1804	1865	1946	-4%
Total OECD	6369	6449	6516	6327	6807	6819	7333	7343	7140	7522	6646	12%
Total Oil												
North America	10122	9471	10074	9775	10260	10722	11005	11180	11509	10303	10586	-3%
Europe	11326	11476	11680	11859	12057	12260	13400	13436	12985	13792	11933	13%
Pacific	8526	8233	8590	8545	8921	8130	8285	8380	8195	8279	8211	1%
Total OECD	29974	29179	30344	30178	31238	31112	32690	32996	32689	32374	30730	5%

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

4 As of the December 10, 2004 OMR issue, the Slovak Republic is included in OECD Europe

© OECD/IEA. All Rights Reserved

The International Energy Agency's ('IEA') makes every attempt to ensure, but does not guarantee, the accuracy and completeness of the information or the clarity of content of the Oil Market Report (hereafter the 'OMR'). The IEA shall not be liable to any party for any inaccuracy, error or omission contained or provided in this OMR or for any loss, or damage, whether or not due to reliance placed by that party on information in this OMR.

The Executive Director and Secretariat of the IEA are responsible for the publication of the OMR. Although some of the data are supplied by IEA Member-country governments, largely on the basis of information they in turn receive from oil companies, neither these governments nor these oil companies necessarily share the Secretariat's views or conclusions as expressed in the OMR. The OMR is prepared for general circulation and is distributed for general information only. Neither the information nor any opinion expressed in the OMR constitutes an offer, or an invitation to make an offer, to buy or sell any securities or any options, futures or other derivatives related to such securities.

The OMR is copyrighted by the IEA. The user may reference or copy this OMR for personal, non-commercial use provided that there be a specific written reference to the IEA as the source of the material. No part of the OMR may be copied, reproduced, republished, displayed, distributed or posted on servers in any manner for commercial purposes or for compensation of any kind without the prior written permission of the IEA (rights@iea.org).

OIL MARKET REPORT CONTACTS

Editor	Klaus Rehaag (+33) 0*1 40 57 65 90 e-mail: klaus.rehaag@iea.org
Demand	Antoine Halff (+33) 0*1 40 57 65 93 e-mail: antoine.halff@iea.org
Supply	David Fyfe (+33) 0*1 40 57 65 94 e-mail: david.fyfe@iea.org
OECD Stocks	Harry Tchilinguirian (+33) 0*1 40 57 65 22 e-mail: harry.tchilinguirian@iea.org
Prices and Refinery Activity	Lawrence Eagles (+33) 0*1 40 57 66 58 e-mail: lawrence.eagles@iea.org
Statistical Support	Toril Ekeland (+33) 0*1 40 57 66 36 e-mail: toril.ekeland@iea.org
Administrative Support	Anne Mayne (+33) 0*1 40 57 65 96 e-mail: anne.mayne@iea.org
	Brid Deely (+33) 0*1 40 57 67 31 e-mail: bridget.deely@iea.org

Fax: (+33) 0*1 40 57 65 99/40 57 65 09
* 0 only within France

For all **Subscription and Delivery Enquiries** please contact:

International Energy Agency
Attn: Ms. Sandra Coleman
Oil Market Report Subscriptions
BP 586-75726 Paris Cedex 15, France
Tel. +33 (0) 1 40 57 65 57
Fax. +33 (0) 1 40 57 65 69
E-mail: omr@iea.org

Users' Guide to the IEA Oil Market Report

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

The monthly Oil Market Report is published on the responsibility of the Executive Director and Secretariat of the International Energy Agency. Although some of the data are supplied by Member Governments, largely on the basis of information received from oil companies, neither governments nor companies necessarily share the Secretariat's views or conclusions as expressed therein. ©OECD/IEA2004